**First Semester M.A. Degree (CBSS – Supple. (One Time Mercy Chance)/Imp.)
Examination, October 2023
(2014 to 2022 Admissions)
ECONOMICS/APPLIED ECONOMICS/DEV. ECONOMICS
ECO1C01 : Micro Economic Theory – 1**

Time : 3 Hours

Max. Marks : 60

PART – A

Answer **all** questions. **Each** carries ½ mark :

1. Expected value is defined as
   A) The expected profit of a fair bet
   B) The most likely outcome of a given experiment
   C) The outcome that will occur on average for a given experiment
   D) The relative frequency with which an even will occur

2. People who choose not to participate in fair game are
   A) Risk takers   B) Risk neutral
   C) Risk averse   D) Broke

3. The budget constraint line is a result of
   A) Market price of good Y   B) Market price of good X
   C) Income of the consumer   D) All of the above

4. Linear programming technique was developed for the first time by
   A) Koopmans   B) Dantzig
   C) Leontief   D) Mahalanobis

5. The problem of resource allocation would not arise if resources had no alternative uses.
   A) True   B) False

6. Oligopolist firms can earn positive economic profits
   A) In the short run but not in the long run
   B) In the short run and in the long run
   C) In the long run but not in the short run
   D) Neither in short run nor in long run

7. With moral hazard fair insurance contracts are not viable because
   A) Individual aversion of risk is reduced
   B) Insurance company administrative casts are increased
   C) Individuals fear unscrupulous agents
   D) Probability of loss are increased over what is expected

8. Adverse selection in competitive insurance market harms
   A) High risk individuals   B) Low risk individuals
   C) Owners of insurance companies   D) Everyone   (8×½=4)

PART – B

Answer **any eight** questions. **Each** carries **two** marks :

9. Brief on optimum investment portfolio.

10. Distinguish between risk aversion and risk loving.

11. Give the meaning of distributed lag model.

12. What is efficiency frontier ?

13. Give the meaning of linear programming problem.

14. What do you understand by input output analysis ?

15. What are the features of oligopoly ?

16. Give the meaning of cartel.

17. What is barometric price leadership ?

18. Point out the meaning of market signalling.

19. What is adverse selection ?   (8×2=16)

PART – C

Answer **any four** questions. **Each** carries **five** marks :

20. Briefly explain choice of an investment portfolio.

21. Explain N-M utility index.

22. Write a note on Nerlove's model.

23. Explain Cobb-Douglas production function.

24. With a suitable diagram explain Chamberlin's model.

25. Explain the problem of lemons.   (4×5=20)

PART – D

Answer **any two** questions. **Each** carries **ten** marks :

26. Explain the mean variance analysis.

27. Examine Houthakkar's and Taylor's Dynamic Model.

28. What is LPP ? Explain the steps in formulating LPP.

29. What is moral hazard problem ? Explain its significance in insurance market.   (2×10=20)

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