D 52656 **(Pages : 5)** **Name.......................................**

Reg. No...................................

FIRST SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, NOVEMBER 2023

(CBCSS)

Economics

ECO 1C 01—MICRO ECONOMICS : THEORY AND APPLICATIONS—I

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Part A (Multiple Choice Questions)

Answer **all** *questions.*
Each question carries 1/5 *weightage.*

1. Cost estimation refers to the process of :
   - a) Calculating the actual costs incurred.
   - b) Predicting future costs based on historical data.
   - c) Analyzing the relationship between cost and output.
   - d) None of the above.
2. The risk premium in expected utility theory represents :
   - a) The amount of risk a consumer is willing to take.
   - b) The additional utility a consumer requires to accept a risky option over a certain option.
   - c) The expected value of the outcomes.
   - d) None of the above.
3. Collusion in an oligopoly typically involves :
   - a) Open and transparent agreements among firms.
   - b) Secret agreements among firms to limit competition.
   - c) Aggressive price-cutting strategies.
   - d) None of the above.

Turn over

4. The characteristic approach assumes that consumers make choices based on :
   - a) Total utility derived from a product.
   - b) Marginal utility derived from a product characteristic.
   - c) Average utility derived from a product characteristic.
   - d) None of the above.
5. Nash equilibrium in a game occurs when :
   - a) All players are satisfied with their outcomes.
   - b) No player can improve their payoff by unilaterally changing their strategy.
   - c) Players co-operate to achieve a common goal.
   - d) None of the above.
6. The dominant strategy in the Prisoners Dilemma is :
   - a) To co-operate.
   - b) To defect.
   - c) To alternate between cooperation and defection.
   - d) None of the above.
7. A concave utility function represents a consumer who is :
   - a) Risk-averse.
   - b) Risk-seeking.
   - c) Risk-neutral.
   - d) None of the above.
8. The concept of a mixed strategy equilibrium in game theory is associated with :
   - a) Cooperation and collaboration among players.
   - b) Randomness and unpredictability in players' choices.
   - c) A stable and optimal outcome in the game .
   - d) None of the above.
9. The presence of market power in a duopolistic market can lead to :
   - a) Higher prices and lower output compared to a perfectly competitive market.
   - b) Lower prices and higher output compared to a perfectly competitive market.
   - c) Equal prices and output compared to a perfectly competitive market.
   - d) None of the above.

10. Decreasing returns to scale occur when :

    a) Output increases more than proportionally to the increase in inputs.

    b) Output increases proportionally to the increase in inputs.

    c) Output increases less than proportionally to the increase in inputs.

    d) None of the above.

11. The concept of dynamic price elasticity of demand refers to :

    a) The responsiveness of quantity demanded to changes in price over time.

    b) The responsiveness of quantity supplied to changes in price over time.

    c) The responsiveness of income to changes in price over time.

    d) None of the above.

12. The snob effect can lead to :

    a) Increased demand for exclusive products.

    b) Reduced prices of niche products.

    c) Increased competition in the market.

    d) None of the above.

13. The constant elasticity demand function is commonly used to analyze markets where :

    a) Demand is highly sensitive to price changes.

    b) Demand is not sensitive to price changes.

    c) Demand is determined by income levels.

    d) None of the above.

14. The bandwagon effect is driven by consumers' desire to :

    a) Stand out from the crowd.

    b) Conform to social norms.

    c) Minimize the risk of making a wrong decision.

    d) None of the above.

15. The von Neumann-Morgenstern utility index is used to rank outcomes based on :

    a) Their expected values.
    b) Their probabilities.
    c) Their utility values.
    d) None of the above.

(15 × 1/5 = 3 weightage)

Part B (Very Short Answer Questions)

Answer any **five** *questions.*
Each question carries 1 *weightage.*

16. What is meant by the Sequential games ?
17. What is called Commitments ?
18. What are Co-operative games ?
19. Define Non-collusive oligopoly.
20. What does a long-run production function represent ?
21. What is the Veblen effect ?
22. Define a Linear demand curve.
23. What is Risk preference ?

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

Answer any **seven** *questions.*
Each question carries 2 *weightage.*

24. What is called a Zero-sum game ?
25. Bring out the welfare properties of the duopolistic market.
26. What is the significance of the learning curve ?
27. Discuss the state preference approach to choose under uncertainty
28. Explain the Constant elasticity demand function.
29. Explain the St. Petersburg paradox.
30. "Cartels are generally considered illegal and anti-competitive in most countries due to their negative effects on market efficiency and consumer welfare". Substantiate the statement with examples.

31. How does the technological progress influence the production function ?

32. Bring out the properties of the cost function

33. What are meant by the Pure strategies ?

(7 × 2 = 14 weightage)

Part D (Essay Questions)

Answer any **two** *questions.*
Each question carries 4 *weightage.*

34. Critically evaluate Chamberlin's model.

35. Discuss in detail the significance of the CES production function.

36. Discuss in detail the Linear expenditure system.

37. Explain the Markowitiz hypothesis.

(2 × 4 = 8 weightage)