

**FIRST SEMESTER M.A. DEGREE EXAMINATION, JANUARY 2014**

(CUCSS)

Applied Economics

Paper I—MICROECONOMIC THEORY

Time : Three Hours

Maximum : 36 Weightage

**Part A***Answer all questions.**Each bunch of **four** questions carries weightage 1.***A. Multiple Choice :****1.** Neutral technical progress raises the efficiency of :

- |                         |                    |
|-------------------------|--------------------|
| (a) Labour.             | (b) Capital.       |
| (c) Labour and Capital. | (d) None of these. |

**2.** A good whose quality can be evaluated at the limit of purchase is called :

- |                        |                      |
|------------------------|----------------------|
| (a) Search good.       | (b) Experience good. |
| (c) Consumer durables. | (d) None of these.   |

**3.** The demand for a perfectly competitive firm :

- |                                    |                             |
|------------------------------------|-----------------------------|
| (a) Is a horizontal straight line. | (b) Is downward slopping.   |
| (c) Is perfectly in elastic.       | (d) Is positively slopping. |

**4.** Price in equilibrium of a perfectly competitive firm :

- |  |
|--|
| (a) Equals marginal cost (MC) of production. |
| (b) Is greater than MC.                      |
| (c) Is less than MC.                         |
| (d) None of these.                           |

**B. Multiple Choice types :****5.** Short run supply curve of a perfectly competitive firm :

- |                                       |                              |
|---------------------------------------|------------------------------|
| (a) It is a horizontal straight line. | (b) It always slopes upward. |
| (c) It can slopes upward.             | (d) None of these.           |

Turn over

6 Input output co-efficient matrix is economically viable if its determinant is ;

- (a)  $= 0$ .
- (b)  $< 0$ .
- (c)  $> 0$ .
- (d) None of the above.

7. The double Kaldor Hick lost is called ;

- (a) Scitovsky criterion.
- (b) Pareto criterion.
- (c) Bergson Social. Welfare function.
- (d) None of these.

8. Which is correct in the case of long run supply curve of a perfectly competitive Industry ?

- (a) Is a lateral summation of the long run marginal cost curves of the firms.
- (b) Always slopes upward.
- (c) Is always perfectly elastic.
- (d) None of the above.

Fill in the blanks :

- 9. Perfectly competitive firms are \_\_\_\_\_
- 10. Limit pricing theory was formulated by \_\_\_\_\_
- 11. Cournots duopoly leads to \_\_\_\_\_
- 12. According to David Ricardo rent is \_\_\_\_\_

State True or false :

- 13. Under risk, the probability of each specific outcome is not known.
- 14. Pareto optimality condition will hold good in Oligopoly.
- 15. Markets under supply public goods.
- 16. Game theory was introduced by Oscar Lange.

(16 x  $\frac{1}{4}$  = 4 weightage)

### Part B

*Answer any ten questions.*

*Each question carries a weightage of 2.*

- 17. Explain theory of product pricing and income distribution.
- 18. Prove the clack wicksteed product exhaustion theorem.
- 19. What is principal agent problem ?

20. Give brief account of linear programming techniques.
21. Explain Hicks constant factor production.
22. What is Wick sell effect ?
23. What is Chamberlin's model ?
24. Explain Hicks logical ordering theory of demand.
25. Explain Cournot's model of Oligopoly.
26. Explain Williamsons's model of managerial discretion.
27. What are the features of CES products function ?
28. Explain constant elasticity demand function.

(10 x 2 = 20 weightage)

**Part C**

*Essay questions.*

29. Critically examine classical Oligopoly model.
30. Critically evaluate Pareto optimality.
31. Explain the theory of second best.
32. Explain Neuman Morgenstern hypothesis.
33. Examine how Input output analysis is used to determine the output Vector of each sector ?

(3 x 4 = 12 weightage)