

End Term Examination, 2016

M A Economics Semester - I

Course Code: PGECO1C001T

Max time: 3 hours

Section A- Encircle the correct answer.

(Note: Each question of this section carries one and half mark)

Course Title: Micro Economic Theory

Max Marks: 100 mark

1.5*10=15

Q1) Which of the following is the correct relationship between Marginal Revenue (MR) and Price Elasticity(e), ['e' is defined as $(-\frac{dQ}{dP} \frac{P}{Q})$]

(a) $MR = \frac{P}{e-1}$

(b) $\frac{M}{P} = \frac{e-1}{e}$

(c) $\frac{P}{MR} = \frac{e-1}{e}$

(d) $MR = P - \frac{1}{e}$

Q2) In case of Linear Expenditure Systems, Indifference curves are

- a) L shaped
- b) Linear
- c) Convex to the origin
- d) Concave from the origin

Q3) In the case of an inferior good:

- (a) Substitution and income effects are positive
- (b) Positive substitution effect is equal to the negative income effect
- (c) Substitution effect is positive and income effect is negative
- (d) Substitution and income effects are negative

Q4) The Adding Up Theorem under constant returns to scale holds when the factors of production are paid according to their:

- (a) Marginal Productivities
- (b) Average Productivities
- (c) Total Productivities
- (d) Ratio of Marginal Productivities to Average Productivities

Q5) Given that the C.E.S production function is $X=A (\beta L^{-a} + (1-\beta) K^{-a})^{-V/a}$, which one of the parameters/variables is depicting Elasticity of Substitution

- (a) A
- (b) β
- (c) a
- (d) V

Q6) Which of the following statements about the Average Total Cost is Not true?

- (a) When $MC < ATC$, ATC falls
- (b) When $MC = ATC$, ATC is constant
- (c) When $MC > ATC$, ATC rises
- (d) ATC is not a U shaped curve

Q7) The breakeven point for a perfectly competitive firm occurs at

- (a) Minimum point of the AVC curve
- (b) Minimum point of the AC curve
- (c) Minimum point of the MC curve
- (d) Minimum point of the AFC curve

Q8) In monopolistic competition, a firm is in long run equilibrium

- (a) At the minimum point of the long run average cost curve (LAC)
- (b) In the declining segment of the (LAC)
- (c) In the rising segment of the (LAC)
- (d) When the price is equal to marginal cost

Q9) A two-person Zero sum game is one where

- (a) The payoffs to one player are more than payoffs to the other player
- (b) The payoffs to one player are less than payoffs to the other player
- (c) The payoffs to one player are equal to payoffs to the other player
- (d) The payoffs to one player are negative of the payoffs to the other player

Q10) When one firm is leader and other one is follower of the first one in Stackelberg's Model of Duopoly the final equilibrium results in:

- (a) Joint profit maximization
- (b) More profit for leader and less for follower
- (c) Cournot Solution
- (d) Perfectly competitive solution

Section B: Short Answer Type Questions

Each question in this Section carries eight marks.

*5*8=40*

Q11) Differentiate between Ordinary Demand Curves and Compensated Demand curves.

Or

Differentiate between Marshallian's and Hicksian's Consumers' Surplus

Q12) What do you understand by technical change? Distinguish between biased and unbiased technical change.

Or

Discuss the nature of aggregate production function.

Q13) What are engineering cost curves? Explain in brief.

Or

How are Cost functions derived from Production functions?

Q14) Why Price discrimination is possible only in case of Monopoly? Explain various degrees of Price Discrimination.

Or

Elucidate the Chamberlin's concept of excess capacity.

Q15) What is a cartel? How does a cartel aim at Joint-profit maximisation?

Explain the concept of Nash Equilibrium with the example of Prisoners' Dilemma

Section C: Long Answer Type Questions.
Each question in this Section carries fifteen marks.

(Attempt any three questions)
*3*15=45.*

Q16) How is Samuelson's Revealed preference hypothesis different from Hicksian logical ordering of demand?

Q17) Explain the following production functions in detail.

- i) Cobb-Douglas ii) CES iii) VES

Q18) Chart out the main differences between traditional and modern theory of cost.

Q19) Critically examine Chamberlin's model of Monopolistic Competition.

Q20) How the equilibrium is determined in case of Cournot's model of Duopoly? Explain it with the help of action- reaction approach.