LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – ECONOMICS

FIRST SEMESTER – NOVEMBER 2007

EC 1806 - MICRO ECONOMIC THEORY - I

AN 18

Date : 25/10/2007   Dept. No.   Max. : 100 Marks
Time : 1:00 - 4:00

PART – A

Answer any FIVE questions in about 75 words each.   **(5 x 4 = 20 marks)**

1. "Economics is what Economists do" – Comment.

2. What do you understand by Static and Dynamic analysis?

3. Write a short note on Markowitz hypothesis.

4. Define Inferior Goods and Giffen Good.

5. Distinguish between returns to scale and returns to a factor.

6. List out the features of Oligopoly.

7. A biscuit producing company has the following total cost function
   $TC = 150+200Q-9Q^2+0.25Q^3$. Determine Marginal Cost and Average Total Cost functions.

PART – B

Answer any FOUR questions in about 250 words each.   **(4 x 10 = 40 marks)**

8. Distinguish between economies and diseconomies of scale and explain the factors responsible for the same.

9. Bring out the possibilities of getting corner equilibrium in the indifference curve analysis.

10. Explain the method of constructing Neumann-Morgenstern Utility Index under risky situations.

11. Analyse the properties of Indifference curve.

12. Bring out the First and Second order conditions for stable equilibrium of a profit maximizing firm.

13. Elucidate the shutdown point for a firm in the perfectly competitive market.

14. Utility function of an individual is given by $U = f(x, y) = x^{¾} y^{¼}$. Find out the optimal quantities of the two goods, using Lagrangian method, if it is given that price of good x is Rs. 6 per unit price of good y is Rs. 3 per unit and income of the individual (I) is equal to Rs. 120.

PART – C

Answer any TWO questions in about 900 words.   **(2 x 20 = 40 marks)**

15. Discuss the methods of Economic analysis. Are they complementary?

16. Derive the demand curve using the Principle of Equi-Marginal Utility.

17. Compare the Marshall's partial equilibrium analysis with the Walrasian general equilibrium analysis.

18. Critically examine Friedman-Savage Hypothesis.

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