LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – **ECONOMICS**

FIRST SEMESTER – NOVEMBER 2015

EC 1806 - MICRO ECONOMIC THEORY - I

Date : 03/11/2015   Dept. No.   Max. : 100 Marks
Time : 01:00-04:00

Part – A

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

1. Bring out the importance of Economic Statics and Economic Dynamics.
2. List out the assumptions of Constructing N – M Utility Index.
3. Define Economics. List the merits of wealth and welfare definition of economics.
4. Suppose the individual makes a choice to purchase lottery ticket. Let the prize be $ 5000 which he will get if he wins and he will receive $ 50 consolation prize if he loses. Further, suppose that odds are 60:40, which means the probability of his winning is 0.6 and the probability of his losing is 0.4. With this information find the expected monetary value and expected utility ($5 = 1 util).
5. What is meant by an economic system? List out various types of economic systems.
6. What is meant by economies of scale? Do you thing that it is possible for existence of economies of scale under perfectly competitive market?
7. Distinguish between the law of variable proportion and returns to scale. State the reasons for the assumption of capital to be the fixed factor in the short run.

Part – B

Answer any **Four** questions in about 300 words each.   **(10 x 4 = 40 Marks)**

8. State the condition of the producer's equilibrium. Discuss the concept with suitable diagrammatic representation with cost and output constraint.
9. Examine the derivation of demand curve through revealed preference hypothesis.
10. Discuss the concept of Friedman – Savage Hypothesis of utility function.
11. Enumerate the properties of indifference curves and state their importance and application.
12. What is meant by shut down situation? Do you think that a firm earning loss will shut down its production process? Discuss.
13. Mathematically describe various components of Cobb-Douglas production function.
14. From the given illustration of the two firms find saddle point using Minmax and Maxmin strategies.

	Firm B's Strategies					
		B_1	B_2	B_3	B_4	B_5
Firm A's Strategies	A_1	0.10	0.20	0.15	0.30	0.25
	A_2	0.40	0.30	0.50	0.55	0.45
	A_3	0.35	0.25	0.20	0.40	0.50
	A_4	0.25	0.15	0.35	0.60	0.20

Part – C

Answer any **Two** questions in about 900 words each.   **(20 x 2 = 40 Marks)**

15. Discuss the Nature, Scope and importance of Microeconomics.
16. Examine the superiority of indifference curve analysis and make a critical review of this approach.
17. Differentiate between perfect and imperfect market. List out various characteristics of the same. Discuss price and output determination of perfectively competitive market in the short run using cost – revenue approach and marginal principal approach.
18. Discuss the various types of short run and long run cost functions under Classical Theory.

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