LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FIRST SEMESTER – NOVEMBER 2016

EC 1806 - MICRO ECONOMIC THEORY - I

Date: 02-11-2016   Dept. No.   Max. : 100 Marks
Time: 01:00-04:00

Part – A

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

1. What is meant by market failure? Give an example.
2. State the importance of microeconomics.
3. What is meant by Saddle point? Give an example.
4. Diagrammatically represent the concept of 'Equivalent Variation'.
5. Define Economics. List out the merits of wealth and welfare definitions of economics.
6. What is meant by price discrimination? State the different degrees of price discrimination of monopoly market.
7. Mention the assumptions of Neumann – Morgenstern Utility Index.

Part – B

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

8. Explain of Friedman – Savage Hypothesis of utility function.
9. Discuss different types of short-run cost curves mentioned in the traditional theory.
10. From the given data, find out saddle point using Minmax and Maxmin strategies.

| | Firm B's Strategies | | | | |
Firm A's Strategies	B_1	B_2	B_3	B_4	B_5
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

11. Is indifference Curve Analysis "Old Wine in a New Bottle"? Justify.
12. Describe the properties of Cobb-Douglas production function.
13. What is meant by shut-down situation? Do you think that a firm earning loss will shut-down its production process? Discuss.
14. Examine and justify your understanding of the model of Prisoner's Dilemma.

Part – C

Answer any **Two** questions in about 1200 words each.   **(2 x 20 = 40 Marks)**

15. State the various characteristics of imperfect market. Discuss short run price and output situations of imperfect market using marginal principal approach.
16. Discuss the nature, scope and importance of Microeconomics.
17. Elucidate the concept of Neumann – Morgenstern utility index.
18. Examine the Marshal's concept of Price effect.

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