



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – ECONOMICS

FIRST SEMESTER – APRIL 2016

EC 1806 - MICRO ECONOMIC THEORY - I

Date: 28-04-2016
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

Part – A

Answer any five questions in about 75 words each.

(5 x 4 = 20 Marks)

1. State the importance of microeconomics.
2. Bring out the significance of Static Economy.
3. Mention the assumptions of Neumann – Morgenstern Utility Index
4. Suppose an individual makes a choice to purchase a lottery ticket. If he wins he will get the prize of \$ 4000, or else he will receive \$ 50 consolation prize. 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 (\$ 4 = 1 util).
5. Diagrammatically represent the concept of 'Equivalent Variation'.
6. What is meant by price discrimination? State the different degrees of price discrimination.
7. What is meant by economies of scale?

Part – B

Answer any four questions in about 300 words each.

(4 x 10 = 40 marks)

8. Derive the demand curve using revealed preference hypothesis.
9. Examine Friedman – Savage Hypothesis of utility function.
10. Discuss different types of cost curves described in the traditional theory.
11. State the idea of Markowitz Hypothesis with suitable diagrammatic representation.
12. Enumerate the properties of Isoquant and review the importance of the same.
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 the Prisoner's Dilemma.

Part – C

Answer any Two questions in about 1200 words each.

(2x 20 = 40 Marks)

15. State various characteristics of imperfect market. Discuss the short run price and output situations of imperfect market using marginal principal approach.
16. Differentiate zero-sum and non-zero-sum game. Discuss the concept of uncertainty and decision making with hypothetical values to find saddle point using Minimax and Maximin strategies. .
17. Discuss the short run and long run production function with suitable diagrams.
18. Discuss the components of Marshal's Price effect.
