M A DEGREE END SEMESTER EXAMINATION 2014 -15
SEMESTER -1: ECONOMICS
COURSE: P1ECOT01: TITLE: MICROECONOMICS: THEORY OF CONSUMER BEHAVIOUR & FIRM

Time: 3 Hours   Max. Marks: 75

Part A
Answer **any eight** of the following in three or four sentences.

1. Explain briefly St. Petersburg paradox.
2. Explain Veblen effect.
3. What is duality in consumer behaviour analysis?
4. State the difference between the traditional indifference curve and the indifference curve used by Lancaster in his Characteristic Model.
5. What do you mean by neutral technical progress?
6. Define the concept of economies of scope.
7. Describe a homogenous production function.
8. Distinguish between LAC in the traditional cost theory and LAC in the modern cost theory.
9. What is transaction cost?
10. Give the meaning of multidivisional form firm.
11. What do you mean by optimum combination of factors?
12. Explain the production function of a multi-product firm.

(8 x 2 = 16 marks)

Part B
Answer **any seven** of the following, not exceeding two pages each.

13. Distinguish between positive and negative network externality with suitable examples.
14. Explain how choice under uncertainty is different from choice with certainty.
15. Write a short note on behavioural economics.
16. Describe the stock adjustment principle given by Nerlove.

17. Discuss the important properties of Cobb Douglas production function.

18. Explain the Engineering cost curve.

19. Give an account of hierarchical structure of the firm.

20. Explain the transaction cost approach of Williamson.

21. What happens to production function and isoquants when labour deepening technical progress occurs?

22. Explain how a single product firm reaches equilibrium.

(7 x 5 = 35 marks)

Part C
Write long essay on **any two** of the following.

23. What do you mean by Linear Expenditure System? Explain the model given by R. Stone.

24. Explain Neumann-Morgenstern theory and the construction of NM utility index.

25. What is CES production function? What are the properties of CES production function?

26. Explain the modern theory of cost.

(2 x 12 = 24 marks)