

Name.....Reg. No.....

**M.A. DEGREE END SEMESTER EXAMINATION NOVEMBER 2016**  
**SEMESTER - 1: ECONOMICS**

**COURSE: 16P1ECOT01: MICROECONOMIC THEORY - 1**

Time: Three Hours

Max. Marks: 75

**PART A**

Answer **any eight** of the following in three to four sentences. Each question carries **2** marks

1. Distinguish between a normal and an inferior good.
2. Explain Markowitz Hypothesis.
3. Explain Principal Agent Problem.
4. What do you mean by Homothetic preference?
5. Write a note on weak axiom and strong axiom of revealed preference.
6. Describe engineering cost curves.
7. Explain any two duality theorems.
8. Explain Slutsky equation.
9. What are compensated demand curves?
10. Explain Veblen effect.
11. Discuss moral hazard.
12. Discuss Bandwagon Effect.

(2 × 8 = 16)

**PART B**

Answer **any seven** of the following, not exceeding two pages. Each question carries **5** marks

13. Explain the case of risk aversion, risk lover and risk neutral in an expected utility framework.
14. Explain the time allocation model of Gary S Becker.
15. Show that Cobb-Douglas preferences are homothetic preferences.
16. Explain Friedman and Savage hypothesis.
17. Explain the adverse selection theory.
18. Discuss the production function of a multiproduct firm.
19. Write a note on indirect utility function.
20. Distinguish between homogeneous and non-homogeneous production function.

**(PTO)**

21. Explain the St. Petersburg paradox and Bernoullian Hypothesis.  
22. What do you mean by Armstrong theory of marginal preference?

(5 × 7 = 35)

### **PART C**

Write long essay on **any two** of the following. Each question carries **12** marks

23. Derive cost function from a production function.  
24. Explain Neumann-Morgenstern theory and construction of NM utility index.  
25. Distinguish between LAC in the traditional cost theory and LAC in the modern cost theory?  
26. Critically evaluate the characteristic model of Kelvin Lancaster.

(12 × 2 = 24)

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