

M. A. DEGREE END SEMESTER EXAMINATION - OCT. 2020 : FEBRUARY 2021**SEMESTER 1 : ECONOMICS****COURSE : 16P1ECOT01 : MICROECONOMIC THEORY - I***(For Regular - 2020 Admission and Supplementary - 2016/2017/2018 /2019 Admissions)*

Time : Three Hours

Max. Marks: 75

PART A Answer any 8 (2 marks each)

1. Bandwagon effect
2. Snob effect
3. Slutsky Equation
4. What is duality in consumer behavior analysis?
5. Certainty equivalent
6. Risk neutral
7. Describe homogenous production function
8. VES production function
9. Planning curve
10. Properties of Isoquant.
11. Agency theory
12. Physical capital – specificity

(2 x 8 = 16)**PART B Answer any 7 (5 marks each)**

13. Write on network externalities.
14. What is Veblen Effect? How it is different from Bandwagon effect
15. Compare and contrast Bandwagon effect and Veblen effect
16. Analyze Friedman-Savage hypothesis.
17. Show why a risk averter prefer a sure sum of money to a lottery?
18. Critically explain the traditional theory of cost
19. Briefly discuss the long run cost curves in the modern theory
20. Define asset specificity. What are the different types of asset specificity?
21. How does the concept of “Team Production” leads to the emergence of the firm?
22. Elaborate Coase theorem and examine how it helps in bringing efficiency.

(5 x 7 = 35)**PART C Answer any 2 (12 marks each)**

23. Examine the characteristics model of Lancaster
24. Analyze Friedman-Savage hypothesis and contrast it with Markowitz hypothesis
25. Find the least cost combination of factors for producing 100 units of output from the production function $Q = AL^{0.5} K^{0.5}$ (A=10, price of labour = Rs. 4000per unit, price of capital = Rs. 8000per unit)
26. Explain the difference between moral hazard and adverse selection in insurance markets. Can one exist without the other?

(12 x 2 = 24)