

STELLA MARIS COLLEGE (AUTONOMOUS), CHENNAI – 86
(For Candidates admitted during the academic year 2015 – 2016)

SUBJECT CODE: 15EC/PC/MI14

M.A. DEGREE EXAMINATION NOVEMBER 2015
BRANCH III – ECONOMICS
FIRST SEMESTER

COURSE : CORE
PAPER : MICRO ECONOMIC ANALYSIS - I
TIME : 3 HOURS

MAX.MARKS: 100

SECTION – A

I. ANSWER ANY FIVE QUESTIONS. (5X8=40)

1. What is meant by Marginal Rate of Substitution? If Good A is neutral, what is the Marginal Rate of Substitution for Good B?
2. Distinguish between normal good and inferior good. If leisure is an inferior good, what do you say about the slope of the labour supply curve?
3. What is Friedman-Savage Hypothesis? Illustrate your answer with the use of a diagram.
4. What is meant by 'Ridge Lines'? How do you find economic regions with the help of ridge lines?
5. What is a homogeneous production function? Elucidate its properties.
6. Indicate at what point the marginal cost curve cuts the average variable cost curve and the average cost curve.
7. Why are isocost lines straight lines?

SECTION – B

II. ANSWER ANY THREE QUESTIONS. (3X20=60)

8. Elucidate the second order conditions for constrained optimisation. Apply the same in
(1) a constrained maximisation problem and
(2) cost reduction under Cobb-Douglas production function .
9. Elaborate Marshallian consumer surplus. Illustrate the measurement of consumer's surplus using indifference curve approach. Relax constant marginal utility of money and measure the consumer's surplus.

10. Describe product line. Graphically explain the returns to scale of a homogeneous production function with the help of product line and iso line.
11. State the most significant difference between traditional and modern theory of costs. Portray the short run and long run costs in modern economic theory.
12. Compare pure competition and imperfect competition markets by looking at their:
 - (1) assumptions
 - (2) behaviour of the firm
 - (3) basic magnitudes at equilibrium and
 - (4) predictions.
