DOON UNIVERSITY, DEHRADUN
Semester Final Examination, II Semester, 2013
School of Social Sciences

MSc Economics
Course: SSEI 150: Microeconomics II

Time Allowed: 3 hrs. ***Max. Marks: 50***
Note: Attempt All Questions from Sections A,B,C.

SECTION : A
All questions are compulsory and carry equal marks. ***(Marks: 5x2=10)***

1. Who propounded the revealed preference theory? State the theory of revealed preferences.
2. Show that the Cobb-Douglas production function is a linear homogenous production function.
3. Is collusion possible in a two person zero-sum game? Explain.
4. What is the basic difference between partial equilibrium and general equilibrium?
5. Write the demand functions each for a public good and a private good. What is measured along the vertical axis while drawing the demand function for a public good?

SECTION : B
Answer any FOUR. ***(Marks: 4x5=20)***

1. What is a linear expenditure function? Explain.
2. Which method of production is widely used in India? Mathematically show for a Cobb-Douglas production function that the elasticity of substitution is equal to one.
3. What do you mean by a strategy in a game theory? Discuss with suitable example how a saddle point is arrived at in a two person zero sum game.
4. What do you mean by production possibility? What is the shape of a production possibility frontier? Explain how we arrive at the particular shape with the help of graphical analysis.
5. Discuss how the government may play a role in reducing exploitation of consumer by a monopoly.

SECTION : C
Answer any TWO. ***(Marks: 2x10=20)***

1. Assume that an economy comprises of two consumers A and B consuming only two commodities X and Y. Diagrammatically show the preferences of the two consumers. Discuss the process of exchange that may take place between these two consumers. *(Hint: Use the Edgeworth Box Diagram)*
2. Discuss Walrasian General equilibrium Analysis stating the existence, uniqueness and stability problem of equilibrium. Use suitable diagrams to explain your answer.
3. What do you mean by long run? Show that under perfect competition a firm will earn normal profits in the long run. Explain diagrammatically.