

Topics for the Final State Exam – Bachelor in Economics and Finance

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(1)

Budget constraint. Preferences and rationality, marginal rate of substitution. Utility function.

(2)

Consumer's optimum: interior and corner solution - graphically and algebraically (complementary slackness conditions). Marshallian demand function.

(3)

Income offer curve, Engel curve, income elasticity of demand. Price offer curve, price elasticity of demand. Normal and inferior good. Luxury good and necessity. Ordinary and Giffen good. Gross substitute and gross complement.

(4)

Hicksian decomposition of income and substitution effect of a price change. Hicksian versus Marshallian demands. Slutsky equation.

(5)

Duality. Reciprocity of utility maximization and expenditure minimization. Indirect utility function, Expenditure function, Hicksian and Marshallian demands and their relations.

(6)

Welfare impact of price changes. Consumer surplus, compensating variation and equivalent variation. Graphically and algebraically.

(7)

Revealed preference relation. Weak and strong axiom of revealed preference. Recovering preferences from choice behavior. Slutsky decomposition of income and substitution effect. Slutsky demand.

(8)

Consumer buying and selling. Endowment and budget constraint. Consumer's optimum, net and gross demand. Comparative statics: changes in endowment and prices. Slutsky equation revisited.

(9)

Labor supply. Budget constraint, optimum and comparative statics. Slutsky equation of demand for leisure. Backward-bending labor supply.

(10)

Intertemporal choice. Budget constraint: present and future values. Time preference of consumption. Optimum: lender/borrower. Comparative statics, Slutsky equation and changes of interest rates. Inflation and real interest rate.

(11)

Decision-making under uncertainty. Expected value and expected utility. Cardinalistic utility function and risk aversion. Insurance, certainty equivalent, fair gamble. Choice of optimal insurance.

(12)

Technology: Production function and production set, isoquant, and their properties. Marginal product and technical rate of substitution. Returns to scale.

(13)

Profit maximization. Short-run and long-run optimization. Opportunity costs.

(14)

Cost minimization. Cost function, derived factor demands, and their properties. Isocost lines. Long-run and short-run costs. Sunk costs.

(15)

Cost curves. Fixed and variable costs, marginal and average costs. Long-run cost curves - envelope.

(16)

Pure competition. Assumptions. Profit maximization in the long-run and in the short-run. Revenue function, marginal revenue. Supply in the long-run and in the short-run. Producer's surplus.

(17)

Pure competition: Industry supply in the short-run and in the long-run, given constant input prices. Differences in the cost structure of individual firms in the industry – economic rent.

(18)

Monopoly. What causes monopolies? Output, price and marginal cost of a monopolist. Revenue, average and marginal revenue. Monopolist's profit. Differences between monopoly and pure competition. Monopoly and efficiency.

(19)

Price discrimination. Third-degree price discrimination, optimal solution for segmented markets. First- and second-degree price discrimination.

(20)

Oligopoly: Important features of the model. Cournot and Bertrand models. Stackelberg model. Price leadership. Collusion and profit maximization.