EXAM

Section I (30 points max)

FIVE Multiple-choice questions

For each question only one choice is correct.

Each correct answer is worth 6 points. Each wrong answer is worth -1,5 points

Each non-answer is worth 0 points

Section II (32 points max)

Answer just ONE of two proposed open-ended questions (your own choice)

Section III (32 points max)

Answer just ONE of two proposed open-ended questions (your own choice)

- Students who presented a group work can choose between part II and part III

- Students who **did not** present any group work **MUST** do both part II and part III

Example of one multiple-choice question:

In presence of asymmetric information and adverse selection:

(i) Agents are opportunistic and perfectly rational (*correct: +6*)

(ii) Agents are opportunistic and bounded rational (*wrong: -1,5*)

(iii) The average quality of the goods exchanged on the market depends on the number of agents on that market (*wrong: -1,5*)

(iv) The supply curve is a function of the agents' income (*wrong: -1,5*)

- Both for section II and for section III, each question is usually divided into 2, 3 or more sub-questions

Example of one open-ended question:

- a) Which are the characteristics that must be satisfied to have a moral hazard problem? (7 points)
- b) Describe the Principal-Agent model under asymmetric information, using a discrete example (with one principal and one agent), and assuming that the principal is risk neutral and the agent is risk averse. (15 points)
- c) Why do we get a second best solution in the case described in point b)? (10 points)

- Final mark: weighted average of the three parts (or the weighted average of the two parts and of the group work)
- Dates:

  June 12, 2018

  July 11, 2018
- Time available:

  45 minutes for each section

  (i) Students who presented a group work: 1 hour and 30 minutes

  (ii) Students who did not present a group work: 2 hours and 15 minutes