**ST. JOSEPH’S UNIVERSITY, BENGALURU -27**

Registration Number:

Date 6-12-22

**M.A (ECONOMICS) – I SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2022**

**(Examination conducted in December 2022)**

**EC 7221 – MICROECONOMIC THEORY**

**Time: 2 Hours Max Marks: 50**

**This paper contains 1 printed page and 3 parts**

**PART A: Answer any FIVE of the following 2\*5 = 10**

1. What is bliss point?
2. What is the difference between partial equilibrium and general equilibrium? Explain using examples.
3. Define elasticity of substitution.
4. What is Kaldor Hicks compensation criterion?
5. State Arrow’s Impossibility Theorem.
6. What is the difference between own (direct) and cross price elasticity of demand?

**PART B: Answer the following 5\*2 = 10**

1. Explain the strong and weak axioms of revealed preference theory.
2. Explain how factor prices are determined when there is perfect competition in product as well as factor markets.

**PART C: Answer any TWO of the following 15\*2 = 30**

1. What do we mean by Pareto-optimal situation? What are the conditions that need to be satisfied to achieve Pareto-optimality?
2. Prove that Price effect is the summation of Income and Substitution effects following Hicks’ method, when q1 is normal, but q2 is inferior. Analyze the situation when price of q1 falls.
3. Explain the features of perfectly competitive market. Compare the equilibrium conditions under perfect competition and monopoly.