



Register Number:  
DATE: 07-01-2021

**ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27**  
**M.A. ECONOMICS- I SEMESTER**  
**SEMESTER EXAMINATION: DECEMBER 2020**  
**EC 7218: MICRO ECONOMIC THEORY**

**Time: 2.5 Hours**

**Maximum Marks-70**

**This question paper has 1 printed page and 3 parts**

**Part A. Answer any five of the following:**

**2 X 5=10**

1. What will be the shape of the Income Consumption Curve for perfect substitutes? Use a diagram to explain.
2. Discuss the properties of demand functions.
3. Explain the difference between direct and cross price elasticity of demand.
4. Distinguish between strong and weak axioms of Revealed Preference Approach.
5. Explain the relation between total cost and total product curves using a diagram.
6. What do we mean by second-degree price discrimination? Give an example.
7. State Arrow's impossibility theorem.

**Part B. Answer any three of the following:**

**10 X 3 = 30**

8. Prove that Price effect is the summation of Income and Substitution effects following Hicks' method (Assume, consumer has two commodities,  $q_1$  and  $q_2$  and that both the commodities are normal. Analyze the situation when price of  $q_1$  falls).
9. Examine the relationship among total product, average product and marginal product.
10. Explain 'excess capacity' in the context of monopolistic competition with the help of a graph.
11. Explain how factor prices are determined when there is perfect competition in product market while imperfect competition in the factor market.
12. Explain the Marshallian theory of consumer equilibrium with the help of a diagram.

**Part C. Answer any two of the following:**

**15 X 2 = 30**

13. Define strong axiom of Revealed Preference. Using suitable diagrams, explain why complete ranking of bundles is impossible if one considers only weak axiom of revealed preference.
14. Critically examine the equilibrium condition of a monopolist under short run and long run.
15. What do we mean by Pareto-optimal situation? What are the conditions that need to be satisfied to achieve Pareto-optimality?

**EC 7218\_A\_20**