

Date:02-03-2022

Registration number:

ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU-27

MA Economics - I SEMESTER

SEMESTER EXAMINATION: OCTOBER 2021

(Examination conducted in March 2022)

**EC 7221 - Microeconomic Theory**

Time- 2 ½ hrs Max Marks-70

This question paper contains one printed page and three parts

**Part A**

**Answer any 5 questions 2\*5 = 10 Marks**

1. What are returns to scale in the production function?
2. Draw the indifference curve when both commodities are perfect substitutes? Give an example.
3. Why does the ordinary demand curve lie to the right of compensated demand curves?
4. Explain the difference between direct and cross price elasticity of demand.
5. What is meant by ridge lines in production?
6. What is the difference between second-degree and third-degree price discrimination? Give an example.
7. Distinguish between Bentham’s and Cardinalists’ criterion.

**Part B**

**Answer any 3 questions 10\*3 = 30 Marks**

8. Prove that Price effect is the summation of Income and Substitution effects following Hicks’ method (Assume, consumer has two commodities, q1 and q2 and that both the commodities are normal. Analyse the situation when price of q1 falls).

9. Discuss, in detail, the equilibrium of the firm.

10. Explain how factor prices are determined when there is perfect competition in product market, while imperfect competition in factor market.

11. Explain ‘excess capacity’ in the context of monopolistic competition with the help of a diagram.

12. Discuss the factors that will lead to market failure.

**Part C**

**Answer any 2 questions 15\*2 = 30 Marks**

1. a. Define strong axiom of revealed preference theory. Using suitable diagram, explain why complete ranking of bundles is impossible if one considers weak axiom of revealed preference. (10)

b. What is Veblen effect? Explain with diagram. (5)

1. Describe three conditions that must be satisfied in order to attain Pareto efficiency.
2. Discuss and compare the equilibrium conditions for a competitive market and a monopoly market.