



Register Number:
DATE:

ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27
M.A. ECONOMICS- I SEMESTER
SEMESTER EXAMINATION: OCTOBER 2018
EC 7218: MICRO ECONOMIC THEORY

Time: 2.5 Hours

Maximum Marks-70

This paper contains one printed page and three parts

Part A. Answer any FIVE of the following

2 X 5=10

1. Draw the indifference curve when in a two commodity world, consumer has satiation in both of the commodities.
2. Distinguish between Bandwagon and Snob effect.
3. State compensating and equivalent variations of income.
4. Why does the ordinary demand curve lie to the right of compensated demand curves? Explain.
5. Distinguish between monopoly and monopolistic competition with example.
6. Briefly explain Kaldor Hicks compensation criterion.
7. Distinguish between Bentham's criterion and Cardinalists' criterion of welfare measurement.

Part B Answer any Three of the following

10 X 3 = 30

8. Using necessary illustration, prove following Slutsky that Price effect = Income effect + Substitution effect following Slutsky (assuming both goods are normal).
9. Explain the three stages of production with respect to AP, MP and TP.
10. A monopolist produces his output using the cost function $C = X^2 + 10X$. He sells his output in two markets and the demand functions in these markets are: $X_1 = 32 - 0.4p_1$, $X_2 = 18 - 0.1p_2$.
 - a. Suppose, the monopolist is able to price-discriminate between the two markets. Determine his price-quantity combination in each market. What is his total profit?
 - b. Suppose, price discrimination is prohibited and the monopolist charges the same price in both markets. Determine his price, output and profit.
11. Explain how factor prices are determined when a single seller faces a single buyer.
12. Describe three conditions that must be satisfied in order to attain a Pareto-efficient situation in an economy.

Part C. Answer any two of the following

15 X 2 = 30

13. 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.
14. Critically examine Stackelberg's duopoly model.
15. Write a note on Arrow's impossibility theorem.