1) Set 5 Solution   F.Y. BSc. Sem-I paper-II Soluation   58313

Q1 —

a) law of equi-marginal utility -

the eqilibrium condition can be stated as

- $MUx = Px$
- assumptions

give an example.

commodity ~~units~~	X			Y			Z		
units	mux	px	mux x px	mu_y	Py	muy/py	muz	Pz	muz/Pz
1	60	11	11.45	50	8	6.25	70	6	11.67
2	55	11	5	46	8	5.75	64	6	10.67
3	48	11	4.36	40	8	5.00	56	6	9.33
4	40	11	3.63	32	8	4.00	45	6	7.50
5	30	11	2.73	22	8	2.75	30	6	5.00
6	15	11	1.36	10	8	1.25	15	6	2.50

eqilibrium $55/11 = 40/8 = 36/6 = 5$

Total utility derived - 576 units

units purchased - $2x + 3y + 5z$

$2 \times 11 = 22$
$3 \times 8 = 24$
$5 \times 6 = 30$

76

b) —

utility denotes satisfaction. utility is the capacity of a good or service to satisfy our wants.

- Cardinal utility — a consumeres preferences is based on his judgement of satisfaction that he possibly may drive out of his preference he may do so by cardinal measurement of utility, such as 20, 50, 100.

- ordinal utility — consumer compares the level of satisfaction from different combinations like apple and oranges. consumer may say that combinations A of apples & oranges gives her higher than equal or lower level of satisfaction than comb. B.

c) → various features of indifference curve.

1) Indifference curves slope downward from left to right
2) Indifference curves are convex to the origin.
3) Indifference curves should not intersect.
4) Exceptions to the normal indifference curve.

Q. 2 —

a → meaning & Types of production function.

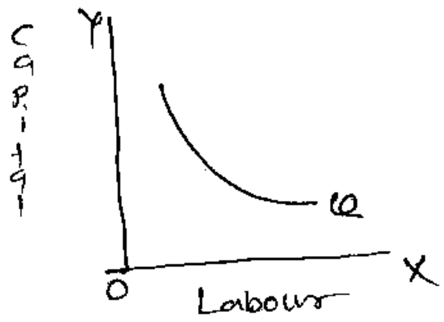
$$Q = f(N, L, K, E, T)$$

Types.

① fixed proportion
② variable proportion production function.

① short run
② long run - Give ~~detail~~. in short.

b → Isoquants is a curve that represents the different combinations of inputs that can be efficiently used to produce a given level of output it is also known as equal product curve.



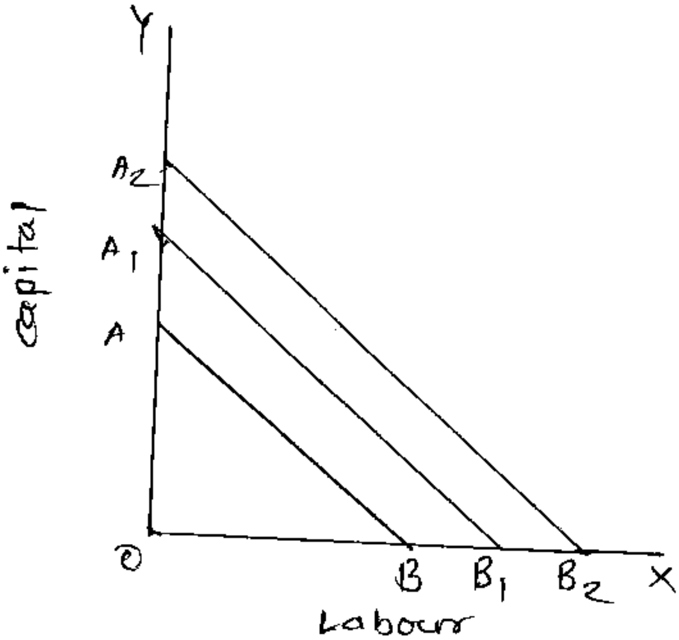
Types —

① linear Isoquants —
② Right Angled Isoquants —
③ Kinked Isoquants.

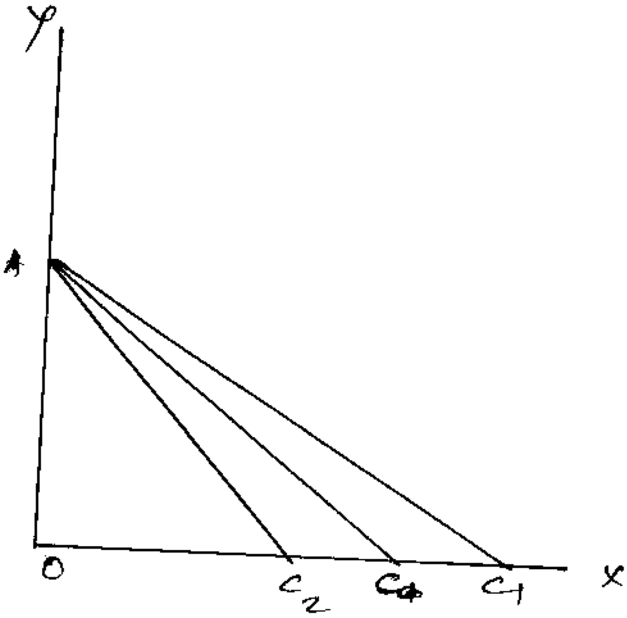
③

Q2 - e -

c) - The Iso-cost line shows various combinations of labour & capital that the firm could buy or given amount of money at the given factor prices this is explained in following figure.



Iso cost line



slope of Iso cost line.

Q 3 —

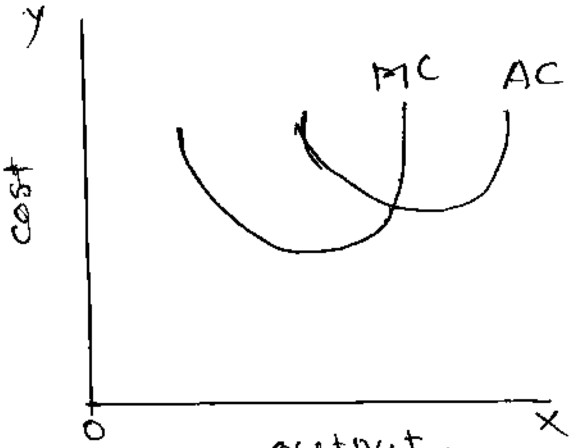
a) - various concepts of costs.

① Real cost
② Social & private cost
③ Historical cost & Replacement cost
④ Sunk cost & Incremental cost
⑤ Money cost - Implicit & explicit
⑥ Account cost & Economic cost
⑦ fixed, variable & Total cost.
⑧ Total Average & Marginal cost.

(4)

3) —

b.) - Relationship between AC & MC.



Relationship between
AC & MC.

c) → meaning & Types of Revenue.
Revenue Refers to ~~a firm is determined by~~ the recpts obtained by a firm ~~its revenue & cost~~ or a seller form the sell of certain quantity of a commodity
Total Revenue.
Average Revenue.
Marginal Revenue..

Q4) —

a) — Meaning & features of perfect competition.
a market with many buyers and sellers, trading identical products, so that each buyer and seller is a price taker is called a competive market. It is also some time called a perfectly competive market.

features of perfect com.
① Large Numbers of Buyers & Sellers -
② Homogeneous goods -
③ compleat market Information.
④ No Barriers to entry.

(5)

Q 4 —

b) — difference between firm & Industry -

a ~~firm~~ is "an organization that combines and organizes resources for the purpose of the producing goods & services ~~for~~ sell at profit It is business unit which transforms factors inputs into value added goods & services. it is basic producing or supplying unit. the legal forms of a firm includes

ⓐ Sole proprietorship

ⓑ partnership.

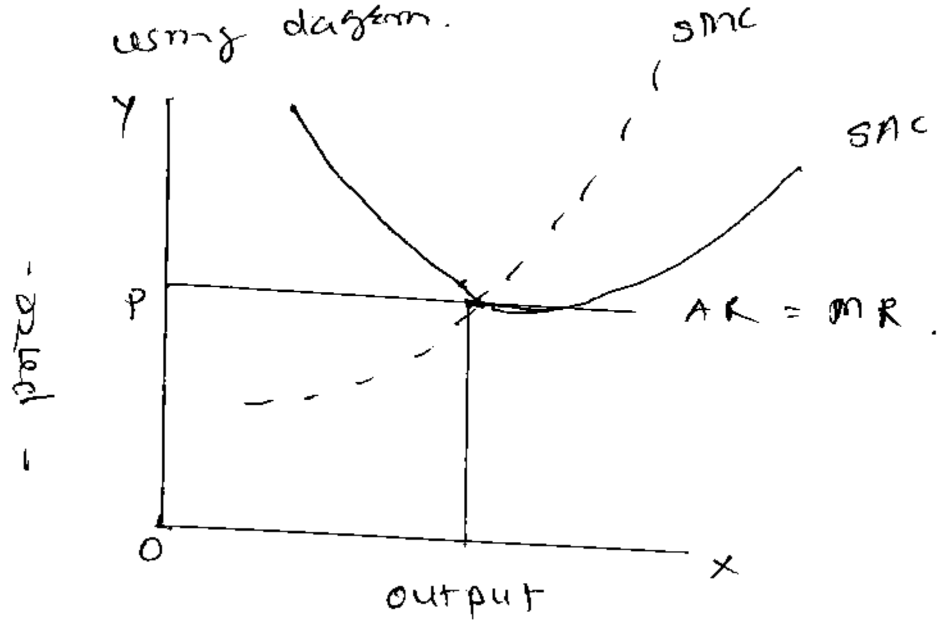
ⓒ joint stock company.

Industry — Industry is group of firms who produce same or homogenious goods or series.

give features -

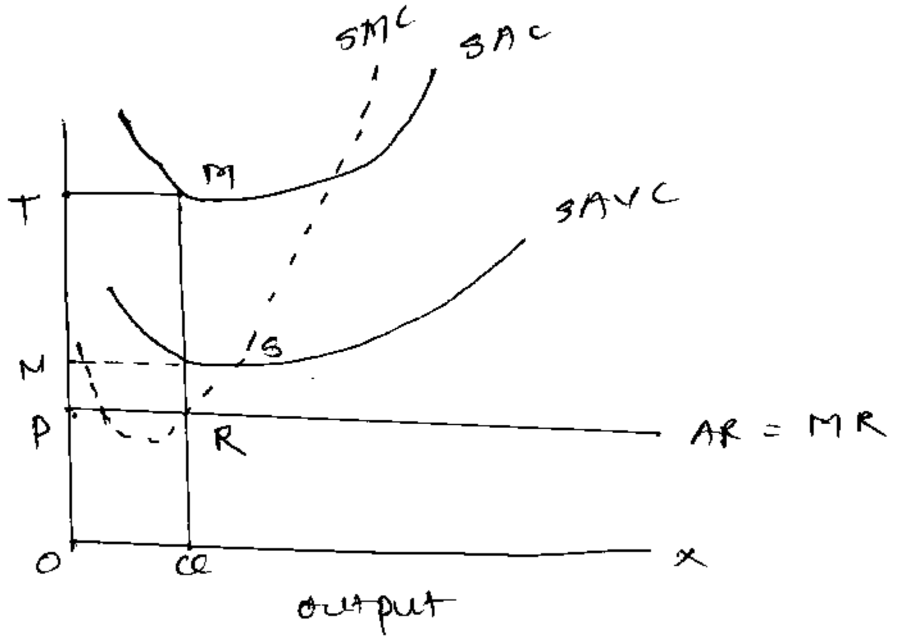
~~(2)~~ — ~~Draw the equilibrium price when supply curve shifted in perfect competition.~~

c ⟶ What is normal profit? show equilibrium of competitive market firm in the short run under with — ① ~~super~~normal profit ② shutdown point using diagram.



— Normal profit -

shut - down point -

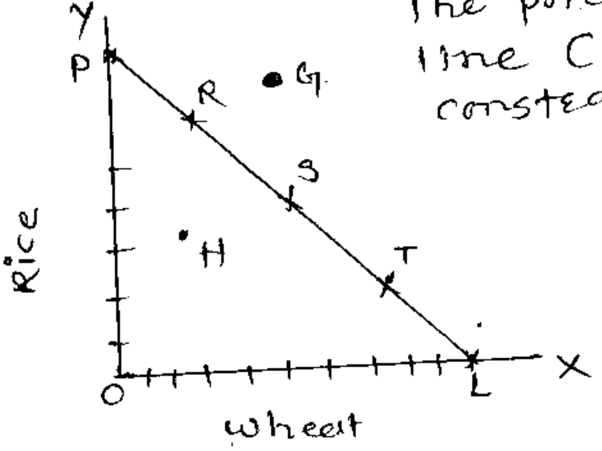


shout down point -

Q5 -

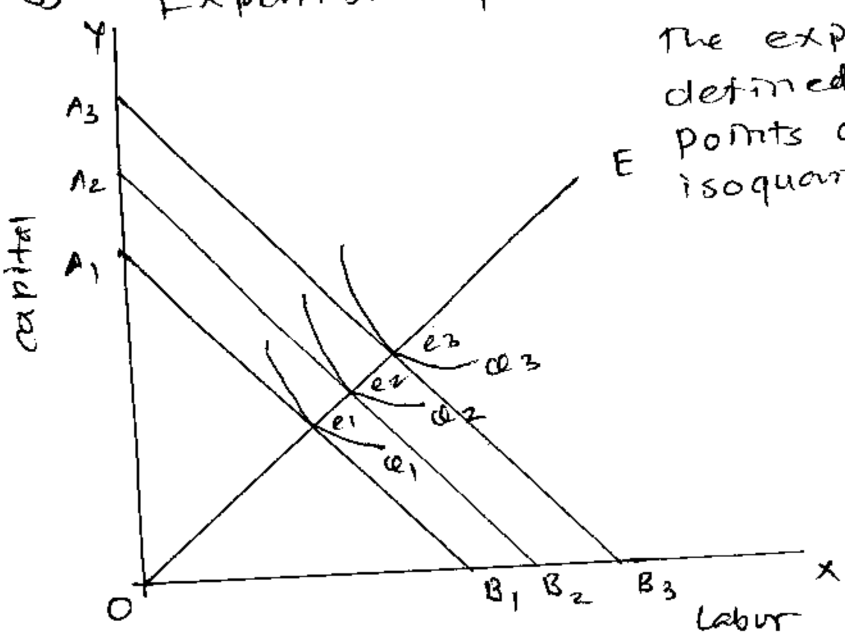
a — price line -

The price line is also known as budget line (budget constraint) or income constraint line.



b) — Expansion path -

The expansion path defined as is defined as the locus of the points of tangency between the isoquants & the iso-cost lines.



Q 5 —

c — ~~price~~ elasticity ~~of Demand & Revenue~~
Average Revenue.

$$\text{Average Revenue} = \frac{\text{Total Revenue}}{\text{output}}$$

$$AR = \frac{TR}{Q}$$

Average Revenue is the price or revenue by the number of unit of output.

d) → consumer surplus.