

Set 4

Q1. A. Consumer's equilibrium with the help of utility analysis to be explained  $MU_x = P_x$ .  
 B. Properties of indifference curves- slope downwards from left to right, convex to origin and they do not intersect.

C. Income effect- income consumption curve with the help of a diagram to be explained.

Q2. A. Cobb-Douglas production function equation and characteristics to be explained.

B. Law of variable proportions-output is increased by increasing units of variable factor keeping other factors fixed explain with example and diagram.

C. Expansion path-locus of points of tangency between isoquants and isocost lines. Scale line explain with diagram.

Q3. A. Concepts of fixed, variable and total cost with the help of schedule and diagram to be explained.

B.

Quantity Q	Total fixed cost	Total Variable cost	Total cost=TFC+TVC	Marginal cost	Average fixed cost=TFC/Q	Average variable cost=TVC/Q	Average total cost=AFC+AVC
1	50	25	75	25	50	25	75
2	50	30	80	15	25	15	40
3	50	50	100	20	16.66	16.66	33.32
4	50	70	120	20	12.5	17.5	30
5	50	100	150	30	10	20	30
6	50	125	175	25	8.33	20.83	29.16
7	50	150	200	25	7.14	21.42	28.56

C. TR, AR and MR under imperfect competition with diagram and table to be explained.

Q4. A. Characteristics of a competitive market- large no of buyers and sellers, homogeneous goods, complete market information, no barriers to entry, no govt interference, no transport costs and perfect mobility of factors of production.

B. Equilibrium of a firm under competitive market with the help of TR-TC approach to be explained with diagram.

C. Producer's surplus- concept and measurement with example and diagram to be explained.

Q5. A. Giffen Paradox- concept and price and income negative effect to be explained with diagram.

B. Properties of isoquants- slope downwards from left to right, convex to origin, do not touch both axis and they do not intersect.

C. Long-run average cost curve- explain how we derive it from short-run average cost curves.

D. Concept and measurement of consumer's surplus- to be explained with diagram.