

Solution Set 1 FYBSC

Q1. A. Law of equi-marginal utility- with respect to more than one commodity

$MU_x/P_x = MU_y/P_y = MU_z/P_z = MUM$ to be explained with example.

B. Indifference schedule and curve with the help of example and diagram to be explained.

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

Q2. A. Law of variable proportions-output is increased by increasing units of variable factor keeping other factors fixed explain with example and diagram.

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

C. Types of isoquants- linear, right-angled, kinked and smooth convex isoquants.

Q3.A. Behaviour of TFC, TVC and TC in the short-run with diagram and table 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	75	40	115	40	75	40	115
2	75	70	145	30	37.5	35	72.5
3	75	90	165	20	25	30	55
4	75	105	180	15	18.75	26.25	45
5	75	130	205	25	15	26	41
6	75	180	225	50	12.5	30	42.5
7	75	240	315	60	10.71	34.28	44.99

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. Short-run equilibrium of the firm under identical cost with the help of MR-MC approach with diagram to be explained wrt to excess profit, normal profit, loss and shut down point.

C. Concept of economic efficiency in the competitive market-to be explained with consumer and producer surplus.

Q5.A. Budget constraint- Price line to be explained with diagram.

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

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

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