

Solution 1

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Note: The synoptic answers given below are the guidance to maintain uniformity and consistency in the assessment . Due credit should be given to candidates who provide neat diagrams and explanations. Working of numerical and formulae are expected wherever applicable.

Ans.1) 1

a

1.)Condition $MU_x = P_x$, Given here the price P_x is Rs.500 and MU_x is 500 when he purchases 4 books, so consumer will purchased four units of books.

2) Diagram showing Number of books on the x axis and MU_x and P_x on the Y axis . Horizontal line for price and downward sloping line for MU_x .Equilibrium is at point E where MU_x and Price line are meeting.

b. Meaning.Schedule and diagram of an Indifference curve and Map. Any three characteristics with diagrams .

c. Draw two panel diagram where upper panel A showing PCC curve with indifference map and PL line and lower panel B demand schedule with examples and explanation.

Ans.2)

a)

Law of Variable Proportions with hypothetical data and diagram by highlighting three stages in short run. A rational producer will operate till stage II here total product is maximum and marginal product is zero. After that marginal product is negative and Total product is declining.

b) i) Draw an Isoquant by using units of labour and capital given in the table and define it.

ii)

Combinations	Units of labour	Units of capital	$MRTSLK = \Delta K / \Delta L$
A	1	35	
B	2	30	5/1
C	3	26	4/1
D	4	23	3/1
E	5	21	2/1

Write equation and show in the diagram $MRTSLK$.

c) Assumption ,Iso- cost line with set of Isoquants , equilibrium and maximum output with diagram and explanation

Ans..3)a)

Output (Units)	Total Cost (Rs.)	TFC	TVC	AFC	AVC	MC
0	60	60	-	-	-	-
1	80	60	20	60	20	20
2	100	60	40	30	20	20

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3	111	60	51	20	17	11
4	116	60	56	15	14	5
5	130	60	70	12	14	14
6	150	60	90	10	15	20

- b) Long Run Cost behaviour , LAC as a series of Short Run cost , Envelope curve and explanation.
c) Behaviour of TR,AR& MR through a hypothetical example and relationship with diagrams and explanation.

Ans.4)

- a) Willingness of a producers to supply at a given price level with the help of cost curve in short run and long run through diagram.
b) TC and TR curve with maximization of profit through a diagram. and explanation.
c) Meaning and formulas for Consumer Surplus , Producer Surplus and Total surplus meaning and explanation how it is profited for both consumer and producer with diagram.

Ans.5)

- a) Constraint through income constraint line , position, shape and slope of budget line with diagram.
b) Isoquants slope downward to the right,convex to the origin, do not intersect with each other and cannot touch either axis and higher the Isoquant more output etc..
c) When MC is more than AC, when MC is less than AC and when both are equal.
Diagrammatic presentation.
d) Features like, Large no. of buyers and sellers , homogenous goods, , perfect knowledge, free entry and exit, perfect mobility of factors of production, absence of government regulations and no transport cost.
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