Time: **90 minutes**

Marks: **35**

Answer the following questions within 500 words each

1. a) Suppose a consumer exhibits a downward sloping demand curve. As her consumption moves from point A to point B (with B having a lower price level) along the demand curve, what happens to her total expenditure?

   b) The supply elasticity of rice farmers in Telangana is 0.37 in the short run and 0.52 in the long run. What can explain the difference?

   c) What is use of employment elasticity in a country's policy making?

   4+4+4

2. a) Explain a consumer's utility maximizing equilibrium in a two-commodity framework using the concept of marginal utility per unit of money

   b) What is the basis of a backward bending supply curve of labour? Explain using the labour-leisure choice problem.

   5+6

3. a) Consider a monopolist that faces a market demand function P = 16- 2Q and total cost function $C = 6Q^2$ with P denoting price and Q quantity. Find out
   i) Consumer Surplus; ii) Producer Surplus and iii) Profit for this monopolist.

   b) A perfectly competitive firm will never produce output while making a loss. Is this statement True, False or Uncertain?

   6+6