1. Define oligopoly market.

An oligopoly market structure characterized by a small number of large firms that dominate the market. These firms sell either homogeneous or differentiated products, and their actions significantly influence each other.

2. What is diminishing return to scale?

Diminishing returns to scale refer to a situation where increasing all inputs by a certain proportion leads to a less than proportional increase in output.

3. What is Average Cost?

Average cost is the total cost divided by the number of units produced.

$AC = TC / Q$

4. Define Variable cost.

Variable cost refers to costs that change with the level of output. Examples: include raw material, direct labor etc.

Section - B

i. Fixed Cost:

- Costs that don't change with the level of Production.

- Time-dependent, incurred regardless of Production

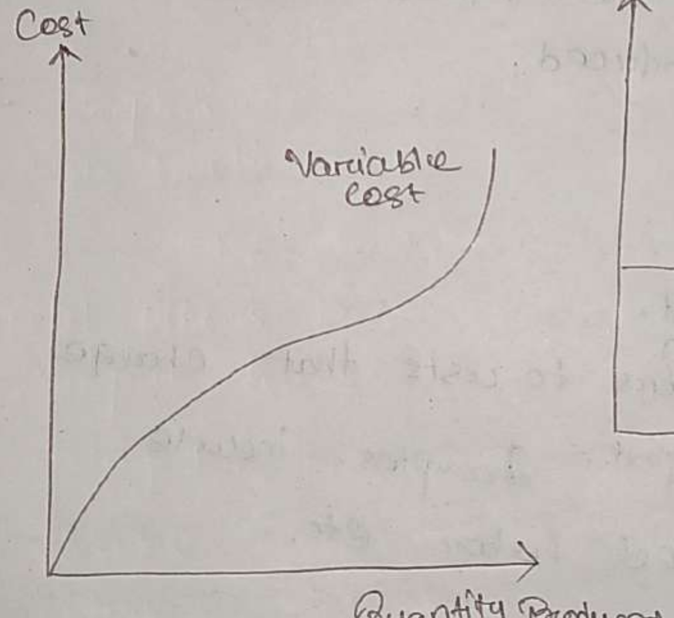
- Example: Rent, Salaries, Property taxes, insuran

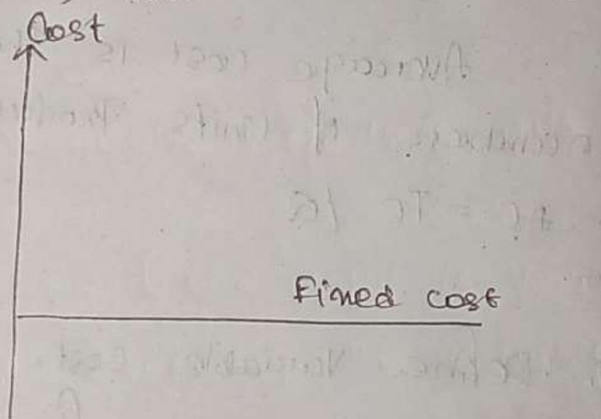
Variable cost:

Costs that vary directly with the level of Production:

- Characteristics: Volume - dependent, change with Production output.

- Example: Raw material, labor costs, Commisions





2. Isoquant Curves, also known as equal - Product curves, have Several key Characteristics: they are downward - sloping, convex to the origin, and do not intersect each other.

These Properties reflects the relationship between inputs (like labor and capital) and output levels, illustrating how firm's can produce the same output with different combinations of inputs.

Characteristics are:

Downward sloping

Convex to the Origin

Non - intersecting

Higher Curve = Higher output

Sec - C

1. What do you mean by return to Scale? Explain.

Return to Scale refers to the change in output resulting from a Proportional change in all inputs:

- Increasing Returns to Scale:
  Output increases more than input.
- Constant Returns to Scale:
  Output increases in same Proportion.

Decreasing Return to Scale:
Output increases less than input.

IRS: If inputs are doubled and output more than doubles.
Example: Doubling labor and capital increases output by 2.5 times.

CRS: If inputs are doubled and output also doubles.
- Indicate optimal scale of production

DRS: If ~~increases~~ inputs are doubled and output increases less than double.
Happens due to inefficiencies, difficulties in management etc.

2. Explain the law of variable Proportions with its limitations.

The law states that if one input is variable and others are fixed, increasing the variable input leads to:
- Stage 1: Increasing returns
- Stage 2: Diminishing returns
- Stage 3: Negative returns

Limitations:
- Assumes only one variable input
- Short-run concept
- Assumes homogeneity of inputs.