

Q.4 Impact of International Trade on Economic Surplus

Country A		
Price (Rs.)	QD	QS
5	0	200
4	10	160
3	20	120
2	30	80
1	40	40
0	50	0

Country B		
Price (Rs.)	QD	QS
5	0	50
4	40	40
3	80	30
2	120	20
1	160	10
0	200	0

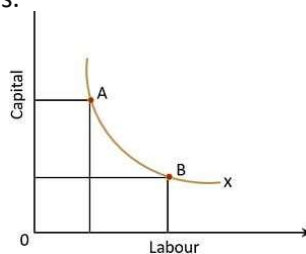
- Find for closed economies and an open economy
 - Consumer Surplus
 - Producer Surplus
 - Govt. Surplus
 - Total Surplus
 - DWL if any

Chapter 6 – Production Functions & Economies of Scale

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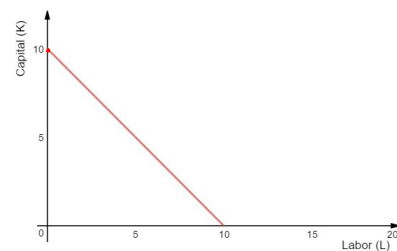
Isoquant

- It is a line drawn through the set of points at which the same quantity of output is produced while changing the quantities of two inputs.



Isocost

- An Isocost line shows all combinations of inputs which cost the same total amount.



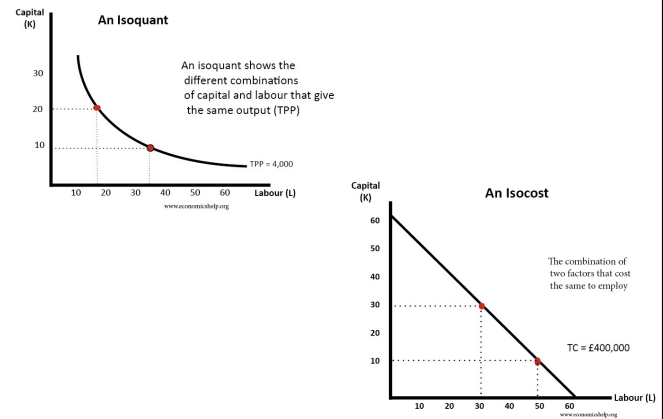
Q.1

- Gator Ltd. Wants to produce 100 quantity of their top-selling product.
- Isoquant of 100 products is as follows:

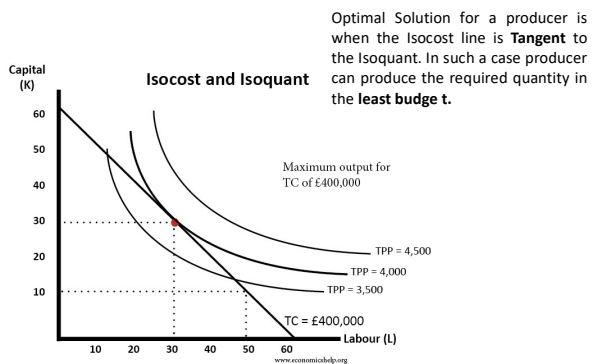
Capital (Machine)	Labor
5	5
4	10
3	20
2	50
1	100

- The company wants to decide the minimum budget for the production target.
- The cost of 1 machine is Rs.1 Lacs and the cost of 1 unit of labor would be Rs.10,000.
- Mr. X with market research suggests a budget of Rs.6,00,000 for while Ms. Y with the experience in the industry has suggested a budget of Rs.4,00,000. Advise the approximate level of budget Gator Ltd. should keep.

Combining Isocost & Isoquant



Optimal Solution for a Producer



Fixed Cost v/s Variable Cost

When Units change

Basis	Fixed Cost	Variable Cost
Full Value	Remains Same	Changes
Per Unit	Changes	Remains same