Consumer Behaviour

1. Define utility. How is it measured
2. State the law of diminishing marginal utility along with assumptions.
3. Explain the law of equi-marginal utility. state the formula and brief how a consumer can attain equilibrium in a two commodity case.
4. Define consumer surplus with a diagram. What are indifference curves? Explain with diagrams the properties on indifference curves.
5. Explain budget line and budget sets.
6. What do you mean by marginal rate of substitution?
7. State the condition to be satisfied for consumer to be in equilibrium in Ordinal approach ($MRS_{ab} = P_a/P_b$)
8. Explain Income effect, Substitution effect and Price effect.
9. Distinguish between Total Utility and Marginal Utility.

A. Explain the process of achieving equilibrium using indifference curves and budget lines.

A firm is operating with a total variable cost of rupees 400 when four units of the given output are produced, and the total fixed cost are rupees 200. What will be the average total cost of producing 10 units of output?

Theory of Demand

1. Law of demand & its assumptions
2. Meaning of elasticity of demand- types & classification (Price elasticity, Income elasticity & Cross Elasticity)
3. Why the demand curve slopes downwards? Reasons- DMU, Income effect & Substitution effect
4. Methods of calculating elasticity of demand (percentage method, proportionate, expenditure method, Arc method)
5. Exemptions to the law of demand. With examples.
6. Movement along demand curve vs shift of demand curve with diagrams.
7. Factors affecting the demand or elasticity of demand
8. Explain the 5 types of elasticity of demand with diagrams.

Consumer buys 200 u
-1.5. at what price wil

Delta P

Delta Q

P1 & Q1

Ep = Delta Q/Delta p * P1/Q1 Ep = % change Qd / % Change in price

= (Q2-Q1)/ (P2-P1) * P1/Q1

-1.5 = (300-200)/ (P2 – 20) * 20 / 200

-1.5 *10 = 100/ (P2-20)

-15 = 100/ (P2-20)

P2-20 = 100 / -15

P2-20 = -6.67

P2 = -6.67+20

P2 = 13.33

P1 20 rs

Q1 200 Units

P2 x

Q2 300 units

COST FUNCTION

1. Implicit vs Explicit Cost
2. Opportunity cost
3. Economic Profit (R & C)
4. Normal Profit & Super Profit (R & C)
5. Shut down cost & Break-even point
6. Fixed cost & Variable cost

A. Problem, with graphs – 6 graphs= TFC, TVC, AC, MC, AFC & AVC
   - Formula, calculation, graphs- total 6

B. Short run & Long run Costs (Diagrams)

REVENUE FUNCTION

1. Definition & formula's for TR, AR & MR.

COMPETITION

1. Characteristics of markets
2. Types of competition
   a. Characteristic features (Perfect Competition, Monopoly, Monopolistic, Oligopoly)
   b. Profit maximization- graphs (Perfect Competition, Monopoly, Monopolistic)

Demand curve is indeterminate in oligopoly & no graphs.

Pricing decision:

1. **PC- Firm is the price taker**
2. **Monopoly- Firm is the price maker- Price Discrimination**
    - **Same product- it is charged two different prices in two markets**
    - **Market Penetration / Price skimming**
3. **Monopolistic – Price is charged based on the product features/ Advertisement- Selling expenses**
4. **Oligopoly – Pricing is Rigid- Collusive & non-collusive (Oil Producing and Exporting Countries)**

Theory of Production:

1. Define Production function (Cobb-Douglas Production Function)
2. Explain the difference between fixed factors & variable factors of production
3. Explain the law of variable proportions, state the assumptions of the law
4. Distinguish between short run & long run production function.
5. Explain the law of diminishing returns and the assumptions.
6. What do you mean by Marginal rate of technical substitution?
7. Define producer equilibrium
8. Explain using Iso-cost & Iso -Quants, the equilibrium for a producer. State the condition.
9. State the properties of Iso-Quants with the help of diagrams.

A. Explain the three stages of production and brief the stages along with the graphs. In which stage an ideal entrepreneur would operate, substantiate.
B. Problem on calculation of TP, AP & MP with graphs.

SUPPLY FUNCTION

1. Determinants of Supply (Govt policy, tax rates, level of technology, cost of production)
2. Explain the law of supply and state the factors that affect supply of a commodity
3. Problem on equilibrium using demand & supply function.
4. State the difference between shift of supply vs movement along supply. “what do you Increase or decrease of supply”
5. Elasticity of supply- 5 types- Problem on Es.