Answer ALL questions. Time allowed: 2 hours

01) a) Define the term **scarcity** in economic point of view.

b) What can be concluded about an economy which is

    i)   Operating on its PPC, and

    ii)   Operating inside the PPC.

c) What is meant by **Price Elasticity of Demand**?

d) You are given the following information on the **Income Elasticity of Demand (IED)** for two goods A & B.

Good	IED
A	-2
B	+2

i) Which is a '**Normal good**' and which is an '**Inferior good**'?

ii) Give possible examples of each good and explain why you have chosen these goods?

2. a) Define a '**Production Function**'.

b) You are given the following information about the output of a **good Y**, as successive workers are added (employed) to a fixed amount of land and capital equipment.

Number of workers	0	1	2	3	4	5	6	7	8
Total Output (units of Y)	0	4	10	18	24	28	30	30	29

Using the above information answer the following questions.

    i) Calculate the **Average Product (AP)** and **Marginal Product (MP)**

    ii) Plot them on a clearly labeled graph

iii) At what level of employment does **diminishing returns** sets in?

iv) Indicate clearly the **"Stages of Production"** on this graph.

v) In which **'stage of production'** does a rational producer operate? Why?

2. a) List the characteristics of 'Indifference Curves'?

b) You are given the following information.

Price of good X = Rs. 100/=, Price of good Y = Rs. 500/=, and

Income of a particular person = Rs. 2,000/=

Using the above information answer the following questions:

i) Find out the maximum amount of good X this person can buy,

ii) Find out the maximum amount of good Y this person can buy, and

iii) Draw the Budget Line for the two goods X and Y?

3. a) Write down the conditions of consumer equilibrium in cardinal utility approach?

b) The following table shows an individual's marginal utility schedule for commodities X and Y. Assume Px = Rs.2, Py = Rs.1, individual's total money inc is Rs.12; and he spends all his income to by X and Y. How much amount of X a will he buy?

Quantity	1	2	3	4	5	6	7	8
MUx	16	14	12	10	8	6	4	2
MUy	11	10	9	8	7	6	5	4

c) The individual demand and the individual supply of a commodity X is given belo Individual demand: (8-Px), and Individual supply: (20Px-40); (consider there are unique individuals and 100 identical producers in the market). Find out the equilibr price and equilibrium quantity mathematically.