showing the income consumption curve in the following cases :

(i) Both x and y are normal goods.

(ii) Good x is normal good and good y is inferior good.

(iii) Good x is inferior good and good y is normal good. 2+3+3+3=11

6. (a) What are the three stages of short-run production function? Why does it not make any economic sense to produce in stage I or stage III? 6+5=11

Or

(b) Define isoquant and isocost. Show how these tools can be used in determining the optimal factor combination of a firm for a given level of output. 4+7=11

7. (a) What is internal economies and internal diseconomies of large-scale production? Explain the various economies and diseconomies of scale that accrue to the firm when it expands its scale of production.

2+9=11

Or

(b) Explain with illustrations the following concepts of costs :

(i) Average Fixed Cost (AFC)

(ii) Average Variable Cost (AVC)

(iii) Average Total Cost (ATC)

(iv) Marginal Cost (MC)

Why does ATC curve reach its lowest point after AVC curve? 2+2+2+2+3=11

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