(c) Derivation of Engel curve from income consumption curve for necessaries

(d) Ridge lines

(e) Envelope curve

Answer the following questions (**within 500 words** each) :

3. (a) Explain with the help of diagrams, the effects of the following changes on the demand of a commodity : 4+4+4=12

(i) Change in the income of consumer

(ii) Unfavourable change in the taste of buyer of the commodity

(iii) Change in prices of related goods

Or

(b) (i) Discuss the various factors that affect price elasticity of demand.

(ii) The demand for goods x and y have equal price elasticity. The demand of x rises from 100 units to 250 units due to a 20 percent fall in its price. Calculate the percentage rise in demand of y, if its price falls by 8 percent. 6+6=12

4. (a) Deduce the inverse relationship between the quantity demanded of a commodity and its price in terms of Marshallian analysis. How would you explain, in terms of this analysis, the phenomenon that a fall in price of salt does not make a consumer buy more of it? 8+3=11

Or

(b) Explain consumer's equilibrium condition with the help of indifference curve approach. How will a change in consumer's income affect his equilibrium? 8+3=11

5. (a) Using indifference curve analysis, show how price effect of a commodity is decomposed into income effect and substitution effect. 11

Or

(b) What is income consumption curve? Draw indifference curve diagrams