

2. Write short notes on any *four* of the following
(**within 150 words** each) : $4 \times 4 = 16$

- (a) Axioms of rational choice
- (b) Choice under risk
- (c) Cobb-Douglas production function
- (d) Economies of scope
- (e) Profit functions

Answer the following questions :

3. (a) Analyze graphically the concept of utility maximization and choice with a reference to two-goods case. 12

Or

- (b) (i) Write the meaning of expenditure minimization. What are the properties of expenditure function? $4+3=7$
- (ii) Explain the Lump Sum principle. 5

4. (a) Using Hicksian and Slutsky's methods, show how price effect of a normal good is decomposed into income effect and substitution effect. $5\frac{1}{2} + 5\frac{1}{2} = 11$

Or

- (b) Explain the revealed preference theory of consumer behaviour. What are its advantages over cardinal utility analysis? Mention its limitations.

$6+3+2=11$

5. (a) (i) What is production function? Draw the isoquant map and state its characteristics. $2+4=6$

- (ii) Why does marginal rate of technical substitution between factors diminish? 5