

(6)

Or

- (b) Define expansion path. Discuss how it can be derived with the help of budget line and isoproduct curve. $2+9=11$

6. (a) Illustrate how long-run average cost curve is derived from a set of short-run average cost curves. Discuss how economies and diseconomies of scale determine the shape of the LAC curve.

$5+6=11$

Or

- (b) Write short notes on the following cost concepts : $3+3+3+2=11$

- (i) Money costs and real costs
- (ii) Explicit costs and implicit costs
- (iii) Fixed cost and variable cost
- (iv) Opportunity costs

7. (a) (i) Explain the profit maximisation rule under perfect competition. 4
- (ii) Define profit function. What are its properties? $2+5=7$

(7)

Or

- (b) Analyse the essential difference in the nature of equilibrium of a firm under perfect competition in the short run and in the long run with diagrams. 11
