

( 2 )

(b) The movement of a consumer's budget line, on an indifference map, to a parallel position to the right indicates that

- (i) the price of one goods has fallen
- (ii) the consumers' taste for each goods has increased
- (iii) there has been a change in his marginal preferences
- (iv) the consumers' income has increased

(c) Slutsky equation deals with decomposition of

- (i) goods into superior and inferior goods
- (ii) price effect into substitution and income effects
- (iii) goods into necessities and luxuries
- (iv) goods into high-priced and low-priced goods

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(d) If two factors are perfect substitutes, the isoquant will be

- (i) a parabola
- (ii) a straight line
- (iii) a rectangular hyperbola
- (iv) an L-shaped curve

(e) Write an example of social cost.

(f) Write an example of Giffen goods.

(g) Under perfect competition (when input prices are fixed and there are no external economies or diseconomies), the industry supply curve is derived by

- (i) vertically adding the AC curves
- (ii) horizontally adding the AC curves
- (iii) vertically adding the MC curves
- (iv) horizontally adding the MC curves