

( 6 )

Or

- (b) Using production transformation curve, show how a producer of multiple products attains equilibrium. 11

6. (a) (i) Explain the relationship among the different short-run cost curves. What are their significances in the theory of production? 4+4=8

- (ii) Write the meaning of social and private costs. 3

Or

- (b) Illustrate the relationship between short-run and long-run cost curves. Why is long-run average cost curve flatter than short-run average cost curve? 8+3=11

7. (a) Discuss the short-run and long-run equilibrium in a competitive industry. Why the perfectly competitive firms cannot earn supernormal profits in the long run? 4+4+3=11

( 7 )

Or

- (b) (i) Illustrate the short-run supply curve of a price-taking firm. 6

- (ii) What is input demand? Discuss how an input demand function is derived. 1+4=5

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