**Time: Three Hours**                                            **Full Marks: 60**

*Questions are of value as indicated in the margin.*

Answer ***any five*** questions.

1. (a) Clearly state and illustrate the laws of demand and supply. Show the incidence and stability of equilibrium through the interaction of the demand and supply curves.
   (b) How do the equilibrium prices and quantities change, if – (i) there is increase in consumer's income and (ii) drought in the supply?

   8+4

2. (a) When and how does the government intervene in the market to create price ceiling and floor? When can a black market in the commodity market be created?
   (b) State and show the concepts of perceived demand and supply curves when unit tax is imposed by the government.

   7+5

3. (a) What do you mean by own and cross price elasticities of demand? Would their signs be same or different?
   (b) Examine the relationship between price elasticities of demand and total revenue?

   6+6

4. (a) What is a budget line? How can we determine the horizontal and vertical intercepts of the budget lines? How can a budget line shift as income and/or commodity prices change?
   (b) If two commodities are perfect substitutes, what are the possible consumer equilibria when indifference curve interacts with the budget line?

   8+4

5. Define production function and distinguish between the short and long run of it. In case of a single variable production function, what are different stages of production? Show that a rational producer will always operate at the $2^{nd}$ stage of production.

   4+4+4

6. Define perfectly competitive market and its assumptions? Show that in long run perfectly competitive market, producers always earn normal profit.

$$4+8$$

7. What is a monopoly market? How is monopoly power generated? Using a diagram show that a monopolist always earns positive profit

$$2+3+7$$

8. Write short notes on: (a) Expansion path, (b) Relationship between total, average and marginal costs, (c) Implicit and opportunity costs.

$$3+5+4$$