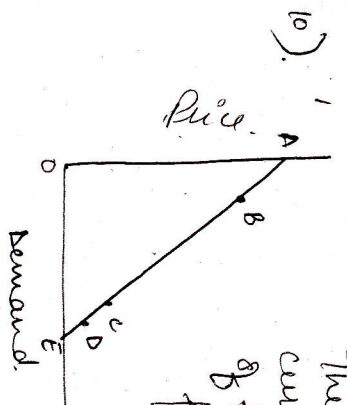


3. Why is PPC concave?
4. Build a good demanded at a price of Rs 7 per unit. Price elasticity of demand is -1. How many units will be demanded if price rises to Rs 8 per unit. Use expenditure method.
5. Explain the central problem of 'how to produce'.
6. A consumer consumes only two goods X and Y and is in equilibrium. Price of X falls. Explain the reaction of the consumer through the utility analysis.
7. State any three factors that cause an 'increase' in demand of a commodity.
8. How does the nature of a commodity influence its price elasticity of demand?
9. Explain the inverse relationship between the price of a commodity and its demand.
10. How is price elasticity of demand of a commodity affected by the number of its substitutes?



The diagram shows AE is the demand curve of a commodity. On the basis of this diagram, state whether the following statements are true or false. Give reasons for your answer.

- (a) Demand at point B is price elastic
- (b) Demand at point C is more elastic than at point B.
- (c) Demand at point C is price elastic
- (d) Price elasticity of demand at point C is greater than the price elasticity of demand at point D.

Assignment 4

6 marks.

- 1) ~~Explain~~ Explain consumer equilibrium in case of one commodity.
- 2) What is PPC and explain its properties?
- 3) Explain the difference between
 - (i) inferior and normal goods. } Give examples.
 - (ii) Cardinal and ordinal utility
- 4) Explain the properties of IC.
- 5) Explain consumer equilibrium with the help of IC analysis?
- 6) For a consumer to be in equilibrium, why must marginal rate of substitution be equal to the ratio of prices of the two goods?