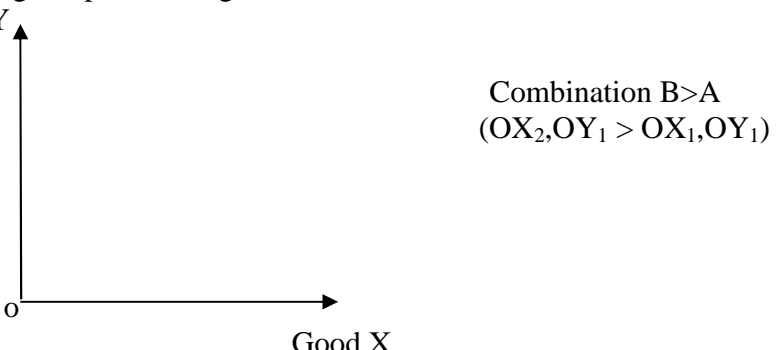


	<p>inelastic demand.</p> <p>ii) $E_d = \frac{\text{Change in Quantity Demanded}}{\text{Change in Price}} \times \frac{\text{Original Price}}{\text{Original Quantity}}$ (Absolute values taken) $= (4/2) \times (5/20)$ $= 0.5$ ($E_d < 1$, relatively inelastic demand.)</p>	(2)
10.	<p>Higher indifference curve represents higher level of satisfaction, in other words any combination that lie on a higher indifference curve i.e. away from origin represents higher level of satisfaction.</p> <p>Good Y</p>  <p>Combination B > A $(OX_2, OY_1 > OX_1, OY_1)$</p> <p>Good X</p> <p>The underlying assumption here is the assumption of monotonic preference which represents that a consumer will prefer a combination which contains more of at least one and no less of the other.</p> <p>Or</p> <p>If $MU_x/P_x > MU_y/P_y$, then it means that satisfaction of the consumer derives from spending a rupee on Good X greater than the satisfaction derived from spending a rupee on Good Y.</p> <p>The consumer will reallocate his income by substituting Good X for Good Y. As the consumption of Good X increases the marginal utility derived from it goes on diminishing and reverse proposition occurs for Good Y, this process will continue till MU_x/P_x becomes equal to MU_y/P_y.</p>	(2+1+1)
11.	<p>Marginal Opportunity Cost (MOC) of a given commodity along a PPC is defined as the amount of sacrifice of a commodity so as to gain one additional unit of the other commodity. MOC can also be termed as Marginal Rate of Transformation i.e. the ratio of number of units of a Good sacrificed to produce an additional unit of the other Good.</p> <p>Schedule</p>	(2) (2)
12(a).	<p>Price rigidity is the price of the product fixed after deliberations and negotiations by the oligopolistic firms, to which they generally stick with a view to avoid any sort of price war.</p>	(2)
12(b).	<p>Firm's equilibrium is that level of output where its profits are maximized</p> <p>Conditions of Firm's Equilibrium:</p> <p>i) Marginal Revenue must be equal to Marginal Cost.</p> <p>ii) Marginal Cost must be rising.</p> <p>The conditions implies that the slope of rising Marginal Cost Curve is equal to the slope of Marginal Revenue curve.</p>	(2)

