

Q.1. Consumer's Equilibrium:-

In the words of Prof. Marshall, "Consumer's equilibrium is that state of consumer's demand which he thinks to be the best and which he does not want to alter. The law of consumer's equilibrium applied $\rightarrow MU = P$

Q.2. Indifference Curve:

In the words of Koutsoyiannis "An indifference curve is the locus of point particular combinations of goods which yield the same utility to the consumer, so that he is indifferent as to the particular combination he consumes.

Q.3. Properties of Indifference Curve:

- ① Indifference curve slope downwards to the right
- ② " " " is always convex to the origin.
- ③ " " " can never intersect each other.
- ④

Q.4. Budget line:

Budget line indicates the quantity of commodities X and Y that a consumer can buy at a given level of income.

Q.5. Marginal rate of substitution (MRS):

Marginal rate of substitution (MRS) refers to the sacrifice of one commodity for the another commodity which will give him the same level of satisfaction.

Perfect Competition:-

The situation in which large number of sellers sell homogeneous product at uniform price is known as perfect competition market.

8. Features of Perfect Competition Market:

- ① large number of buyers and sellers.
- ② Homogeneous product.
- ③ Freedom of entry and exit.
- ④ Absence of selling and transport cost.

9. Monopoly:

Monopoly is that market situation in which a firm has the sole right over production or sale of the product and it has no competitor in the market and no close substitute for its product.

9. Features:

- ① Single seller/firm.
- ② Price maker.
- ③ Price discrimination.
- ④ Production at optimum scale.
- ⑤ Restriction of entry and exit of firms.

9. Different between Perfect Competition and monopoly:-

- ① In perfect competition there are large numbers of buyers and sellers. But in monopoly there are single seller and large number buyers.

⑪ In perfect competition, freedom of entry and exit but in monopoly, Restrictions of entry and exit.

⑫ Perfect competitive "firm are price takers but monopoly firm is price maker."

Q. Price discrimination:

Charging different price for the same product from the different consumers on the basis of personal, situational and trade considerations is known as Price discrimination.

Q. Condition of profit maximisation under monopoly

① Marginal Revenue (MR) = Marginal Cost of Production (MC)

② Slope of MC is greater than slope of MR.

Q. Price effect:

The change in demand of a product or a service due to change in the price of it is known as price effect.

Q. Income effect:

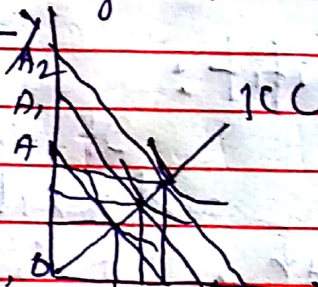
The income effect refers to the change in the demand for a product or service caused by a change in the income of consumers. It can be positive and negative.

Q. Substitution effects

The substitution effect refers to the change in demand for a good as a result of a change in the relative price of the good in terms of other goods.

Q. Income Consumption Curve (I.C.C)

Income consumption curve may be defined as the locus of points representing successive consumer equilibrium, as the income of the consumer increases, keeping prices of the two goods constant. This can be explained —



Q. Price Consumption Curve (P.C.C)

P.C.C may be defined as the locus of different equilibrium points showing optimal consumption when the slope of the budget line changes due to change in price of good.

Q. Complementary goods -

Complementary goods are products which are used together. For example DVD player and DVD disks to play in it.

Q. No.

Q. Substitute goods are two alternative
 A substitute goods is that can be used in place of another and that could be used, for same purpose, for example - tea and coffee.

Q. Inferior goods - In economics, an inferior good is a good whose demand decreases when consumer's income rises or demand increases when consumer's income decrease. For example - ~~wheat~~ wheat, organic pasta, noodle etc.

Q. Normal Profit:

It can now be summarised that free entry and exit implies zero profit when $SMC = AR = MR = SAC$. It is called normal profit. For, ~~example: Organic pasta, noodles, wheat,~~