

International Islamic University Chittagong (IIUC)

Department of Economics & Banking

Final Examination: Spring-2019

Program: BSS (Honours)

Course Code: ECON-1101

Course Title: Principles Microeconomics

Time: 2.5 Hours

Full Marks: 50

Answer any Three of the following questions. All parts of a question must be answered sequentially. Figures in the right margin indicate full marks.

1. (a) Distinguish between Cardinal and Ordinal utility with example. 2
(b) Assume the utility function $U=100q-q^2$. Find marginal utility and draw the marginal utility curve. 2
(c) 'Demand curve is the portion of marginal utility curve which lies in the positive quadrant.'- explain the statement. 6
2. (a) An indifference curve should neither be straight-line nor concave rather should be convex.- explain it. 4
(b) A consumer achieves equilibrium if it can maximize utility by spending a given amount of money income. Regarding indifference curve analysis, point out the required conditions of consumer's equilibrium and show the conditions with necessary graphs. 6
3. (a) Define price consumption curve (PCC) with necessary diagram. Explain the shape of PCC for two commodities X and Y, under the following situation- 05
i. X is normal and Y is normal Giffen
ii. X is price neutral and Y is normal
(b) What is meant by income consumption curve (ICC)? How can you explain ICC for neutral and inferior good? Use proper graph. 05
4. (a) Show the equilibrium of consumer for one commodity? How can you explain the consumer equilibrium for two commodities? Draw necessary curves in favour of your answer. . 07
(b) "Marginal rate of substitution (MRS) is nothing but the ratio of marginal utilities"-Prove. 03
5. (a) Delineate the concept of law of variable proportion. 4
(b) Explain the concept of returns to scale with required example. Describe the types of the returns to scale. 6
6. (a) 'Slope of the Iso-cost curve is the negative of factor price ratio.'-Prove it 4
(b) Explain the optimal factor combination by using Isoquant and Iso-cost curve. 6
7. Write short notes (Any Three): 10
i. Ridge Line
ii. Expansion Path
iii. Marginal rate of technical substitution
iv. Consumer Surplus

