

International Islamic University Chittagong (IIUC)
Department of Economics & Banking
Midterm Examination, Autumn-2022
Program: BSS(Honours)

Course Code: ECON-2302
 Time: 1.5 Hours

Course Title: Intermediate Microeconomics
 Full Marks: 30

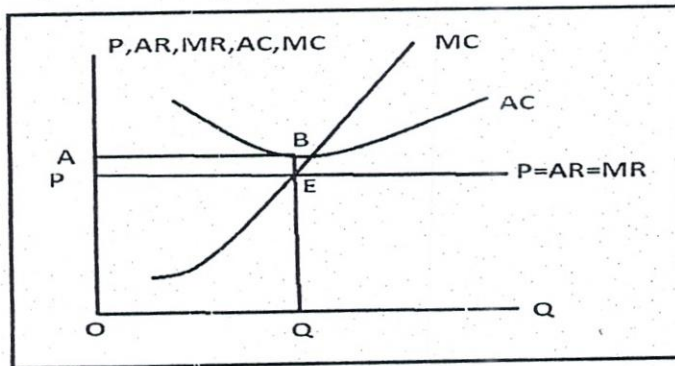
Answer any Three of the following questions. All parts of a question must be answered sequentially. Figures in the right margin indicate full marks.

1. (a) Illustrate approaches of obtaining AVC from TVC. 4
 (b) Show that vertical summation of AFC and AVC yields short run-average cost. 4
 (c) Why perfect competitive firms are called price taker? 2

2. (a) Explain relation between average cost and marginal cost. 3
 (b) Consider the following table where TFC and TVC are given. Now draw AFC, AVC, AC and MC in a single graph using the table. 7

Q	1	2	3	4	5	6
TFC	60	60	60	60	60	60
TVC	30	40	45	55	75	120

3. (a) What are the conditions of short run equilibrium? Explain the situation where firm earns super normal profit. 3
 (b) Specify the followings with the help of the graph given: 3
 i) What are the profit maximizing equilibrium conditions of a firm?
 ii) What is the equilibrium point in this graph?
 iii) Calculate AR, MR, AC, MC at equilibrium.
 iv) Calculate TR, TC at equilibrium.
 v) Specify whether the firm is earning profit or loss.



- (c) Explain the derivation of industry supply curve under increasing cost industry. 4
4. (a) What is the shut-down point? How long a rational producer will continue producing output even if it incurs loss? 6
 (b) Prove that the upward segment of the marginal cost curve that lies above the average variable cost is the supply curve of a perfect competitive firm. 4