

International Islamic University Chittagong

Department of Business Administration

Final Examination

Semester: Autumn 2022; Program: BBA

Course Title: Microeconomics in Business; Course Title: ECON-1201

Time: 2.5 hours

Marks-50

All parts of same question must be answered serially.

1. a) What is Indifference Curve? Explain the properties of indifference curves elaborately. 5
- b) Suppose, the price of good X is Tk. 50 and the price of good Y is Tk. 40. If the monetary income of consumer is Tk. 5000, then plot a budget line. What does this budget line show? If the price of X and Y increases by 15% and 20% respectively, what would be the effect on the budget line? 5

OR

- a) Define income effect, substitution effect, and price effect. What is Income Consumption Curve (ICC)? Show how the change in income effects a consumer's equilibrium. 5
- b) Decompose the price effect into income and substitution effect. 5
2. a) What is Law of Variable Proportions? Illustrate three zones of production. Which zone is called to be a rational zone and why? 5
- b) What do you mean by returns to scale? Explain its different types with suitable graphs and example. 5
3. a) Describe the relationship among average cost, marginal cost and average variable cost. Show that,  $ATC=AFC+AVC$ . 5
- b) You are given a cost function:  $C=200+100Q^3+50Q^2-80Q$ , find out TC, VC, FC, AFC, AVC and AC when  $Q=10$  5
4. a) What are the characteristics of perfect competitive market? "A firm under perfect competition is better than that of monopoly" Why? Explain using relevant Graph. 5
- b) Discuss the shut-down condition of a firm under perfect competition. What are the causes of shut-down? Explain graphically. 5

OR

- a) Define Monopoly with its classification. Explain the equilibrium process of monopoly? Mention some example from Bangladesh. 5
- b) State the difference between monopolistic and perfectly competitive market. Which market is better for consumer? Explain your answer with example from Bangladesh 5
5. Write short Note (any four) 10
- a) Oligopoly market
- b) Marginal Rate of Substitution (MRS)
- c) Price Discrimination
- d) Price Consumption Curve (PCC)
- e) Envelop Curve