

International Islamic University Chittagong

Department of Business Administration

Program-BBA

Final Examination, Spring-2019

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

Full Marks: 50

Time: 2.5 hours.

[N.B. Answer any **FIVE** of the following questions. Each question carries equal marks. Right hand alignments indicate marks of a question. All the parts of a question must be answered consecutively.]

Q. No.	Questions	Marks
1.	a) What is Indifference Curve? Explain the properties of indifference curves elaborately.	5
	b) Suppose, the price of good X is Tk. 20 and the price of good Y is Tk. 30. If the monetary income of consumer is Tk. 1000, then plot a budget line. What does this budget line show? If the price of X and Y increases by 25% and 30% respectively, what would be the effect on the budget line?	5
2.	a) Distinguish between Price Consumption Curve (PCC) and Income Consumption Curve (ICC)? Draw the relevant graphs	5
	b) Decompose the price effect into income and substitution effect.	5
3.	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) Explain the three types of returns to scale with graphs and example. Which one is most desirable for a firm and why?	5
4.	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: $C=500+200Q^3+40Q^2-100Q$, find out TC, VC, FC, AFC, AVC and AC when $Q=10$	5
5.	a) When is a market said to be perfectly competitive?	2
	b) Distinguish the super normal and shut down situation of a perfectly competitive firm operating in the short run.	8
6.	a) What is monopoly? How is it different from perfect competition?	5
	b) What are the causes of creating monopoly? How does Monopolist reach to equilibrium in the short-run?	5
7.	Write short notes on the followings	10
	(a) Returns to scale (b) Price discrimination (c) Producer equilibrium (d) Oligopoly market (E) Monopolistic competition	