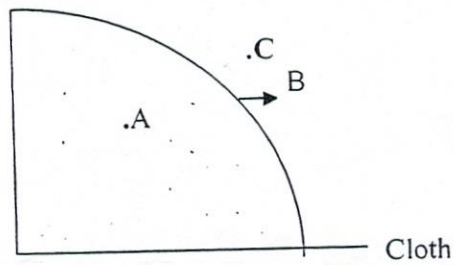
# International Islamic University Chittagong

**Department of Economics & Banking**

**Mid-term Examination, Autumn-2023**
Program: BSS (Hons) in Economics & Banking
Course Code: ECON-1101
Course Title: Principles of Microeconomics
Time: **1 hour 30 minutes**
Full Marks: **30**

[Answer any five of the following questions. Figures in the right margin indicate full marks.]

| QN | Description of Questions | Marks | CLOs & PLOs | Cognitive learning |
|---|---|---|---|---|
| 1(a) | What are the three basic problems of an economy? How are the problems solved in a capitalist economy and in an Islamic Economy? | 05 | | Creating |
| 1(b) | Food   Explain the points A, B, and C in the graph. What reasons are liable to a rightward shift in this PPC? Also, explain the concept of Opportunity Cost in this regard. | 05 | | Creating |
| 2(a) | Derive a supply curve assuming the following supply function: $Q_s = -2+4P$. Comment on the shape of the derived Supply Curve. Does it satisfy the Law of supply? | 04 | | Creating |
| 2(b) | Suppose a market is initially in equilibrium. What change in price will occur due to the improvement in production technology? | 03 | | Creating |
| 2(c) | What change in equilibrium price do you predict following an increase in the income of the individuals? | 03 | | Analyzing |
| | OR | | | |
| 2(a) | Define market equilibrium. Graph the equilibrium of the Rice market. What will | 05 | | Creating |

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| | happen in the market if the actual price is above or below the equilibrium? | | |
| 2(b) | Suppose, Rice and Wheat are two related goods. What will happen to the equilibrium price and quantity of Rice if the price of Wheat increases? Explain the answer with an appropriate graph. | 05 | Analyzing |
| 3(a) | Define Elasticity, Price Elasticity of Demand, and Price Elasticity of Supply. Explain five types of price elasticities. | 05 | Analyzing |
| 3(b) | Given, a demand equation, $Q = 100 - 2P + 0.02Y$, where Q is the quantity demanded, P is the price and Y is the income.<br><br>Find out the Price elasticity of demand and Income elasticity of demand where the initial value of $P = 20$, and $Y = 5000$. Also, make a comment on your answer. | 05 | Evaluating |