

International Islamic University Chittagong

Department of Economics & Banking

Final-Term Examination: Spring-2018

Program: BSS(Honours)

Course Code: ECON-1101

Course Title: Principles of 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) Define total utility, average utility and marginal utility. 5
(b) Explain the law of diminishing marginal utility. 5
2. (a) What is indifference curve? What are the properties of indifference curve? 4
(b) Explain the consumer's equilibrium with the help of indifference curve analysis. 6
3. (a) Define PCC and ICC. 4
(b) Draw the PCC under the following situation- 3
 - i. X is Giffen
 - ii. X is price neutral
 - iii. X and Y are substitutes
- (c) Draw the ICC under the following situation- 3
 - i. X & Y both are normal
 - ii. X is normal, Y is inferior
 - iii. X is income neutral, Y is normal
4. (a) Define price effect, income effect and substitution effect. 4
(b) For an inferior good show that, Price effect = Substitution effect + Income effect 6
5. (a) Explain the law of variable proportion. 4
(b) Describe the three stages of production. At which stage is production reasonable? 6
6. (a) Define and draw the APP_L and MPP_L from the TPP_L . 5
(b) Explain the different types of returns to scale. 5
7. (a) What is MRTS? 3
(b) What is ridge line? Show that the area between two ridge lines is reasonable for producing output. 7