

# INTERNATIONAL ISLAMIC UNIVERSITY CHITTAGONG

Department of Business Administration

Program: BBA

Final Exam. Autumn-2018

Course Code: ECON-1201, Course Title: Microeconomics in Business

Time- 2.5 hours

Marks- 50

Answer any five of the following questions. (Different parts of same question should be answered serially)

1. a) What is Indifference Curve? 2  
b) What does Marginal Rate of Substitution (MRS) mean? Explain graphically. 4  
c) Explain the following properties of indifference curve- 4
  - i. Indifference curves never intersect
  - ii. Higher indifference curve gives higher level of satisfaction
2. a) What is Price Effect and Price Consumption Curve (PCC). 3  
b) How can you have the Marshallian demand curve from Price Consumption Curve? 7
3. a) Define the concepts of Average Physical Product and Marginal Physical Product of labor? 3  
b) Describe the different stages of production under the law of diminishing marginal returns. Which stage is regarded as the optimal one? 7
4. a) When is a market said to be perfectly competitive? 2  
b) Why is the demand curve of a perfectly competitive firm perfectly elastic or horizontal? 3  
c) Distinguish the super normal and normal profit situation of a perfectly competitive firm operating in the short run. 5
5. a) What is monopoly? How is it different from perfect competition? 5  
b) What are the causes of creating monopoly?  
b) How does Monopolist reach to equilibrium in the short-run? 5
6. a) Define the concepts average cost and marginal cost showing their relative shapes and positions. 3  
b) Show the relationship between average cost and marginal cost. 3  
b) How is long run average cost curve found? Why is it called envelop curve? 4
7. Write short notes on the followings 2.5×4= 10
  - a) Returns to scale
  - b) Oligopoly
  - c) Shut down point
  - d) Income effect