International Islamic University Chittagong

Department of Business Administration

Mid-term Examination, Autumn-2023

Program- BBA, Course Code: Econ-1201

Course Title: Microeconomics

Time:1.5hour **Full Marks: 30**

[Answer all of the following questions. All questions are of equal marks. All parts of the same question must be answered serially]

No		Description of the Questions	Marks	CLO	H/L Order
1.	a.	What is the difference between the positive and normative economics? Give an example of each.	2	CLO1	Understand
	b.	Use a production possibilities frontier to describe the idea of *scarcity and choice*. Why does PPF curve shift?	3	CLO2	Apply
	c.	Define the concept of opportunity cost. A person rents a house for $24,000 per year. The house can be purchased for $200,000, and the renter has this amount of money in a bank account that pays 4 percent interest per year. Is buying the house a good deal for the tenant? Where does opportunity cost enter the picture?	5	CLO3	Analyze
2.	a.	Distinguish between movement along the demand curve and shift in the demand curve.	2	CLO1	Understand
	b.	Show the effect of change in income of a consumer on the quantity demanded for the necessary goods.	3	CLO2	Apply
	c.	Explain each of the following statements on the equilibriumthrough the supply-and-demand diagrams. i. "When flood hits the northern part of Bangladesh, the price of lentils rises throughout the country." ii. "When the weather turns warm in every summer, the price of hotel rooms in Cox's Bazar drops."	5	CLO3	Analyze
		OR			
	a.	Define elastic and inelastic demand. Give examples of commodities whose demand you would expect to be elastic and commodities whose demand you would expect to be inelastic.	2	CLO1	Understand
	b.	Distinguish among the Price, Cross and Income elasticity with example.	3	CLO2	Apply
	c.	Calculate the price; income and Cross elasticity of demand from the following table and comment: (see table below)	5	CLO3	Analyze

Price (P) of X	Price (P) of Y	Quantity (Q) of X
100	130	5000
160	120	4540

3.	a.	Define and demonstrate the relationship between total utility (TU) and marginal utility (MU).	2	CLO1	Understand
	b.	What does law of diminishing marginal utility illustrate? Use necessary graphs.	3	CLO2	Apply
	c.	A consumer equates the marginal utility of a product to its price to reach to equilibrium. Why? Consider the following table; Suppose the price of Good A is tk.7 and the price of good B is tk.3. Find out the utility maximizing consumption unit when the marginal utility of money is 5. Also find out the total expenditure of the consuer. (see table below)	5	CLO3	Analyze

Units	MU A	MU B
1	40	41
2	35	35
3	16	28
4	14	20
5	12	15
6	0	6

The end