Attempt any three questions, all questions carry equal marks.

QI. Define the following concepts.
- Cross Elasticity of demand
- Expansion path
- Indifference Curve

QII. Show and explain how a short-run equilibrium is attained under Monopoly market.

QIII. Discuss increasing, decreasing and constant returns to scale with the help of examples.

QIV. Jot down the assumptions of Monopolistic Competition. How the short run equilibrium is achieved in the monopolistic Competition.

First Think and then Ink
1. Discuss the concept of opportunity cost. Distinguish between positive and normative economics.

2. Discuss the strength and weakness of using the market to allocate and distribute scarce resources.

3. Explain what is meant by equilibrium price and equilibrium quantity. Discuss the principal factors that shift demand and supply curves.

4. Define Perfect Competition. Show why a Perfectly Competitive firm chooses the output at which price equals marginal cost.

5. What are the economies and diseconomies of scale and why might they exist?

6. WRITE SHORT NOTES ON ANY TWO OF THE FOLLOWING:

   1. Budget constraint
   2. Production Function
   3. Elastic, Inelastic and unelastic demand
Instructions: Attempt any five questions. All questions carry equal marks.

Q. 1  a. How would you justify that monopoly from of market is harmful?
     b. Discuss the barriers to entry under monopoly from of market?

Q. 2  a. Differentiate between technical efficiency and allocative efficiency?
     b. If a Perfectly Competitive market is most efficient form of market than how an individual firm can earn supernormal profit?

Q. 3  Evaluate the following statements:
  1. The income elasticity of demand for food tends to be high
  2. The demand for a particular brand of commodity is more inelastic as compared to the whole product group.
  3. Diminishing marginal utility applies to income as it applies to other commodities.

Q. 4  a. Differentiate between the following
     1. Capitalist and Command Economic System
     2. Economic and Accounting Profit
     b. The decision about what to produce largely depends upon the nature of political system prevailing in that country.

Q. 5  a. justify whether the law of diminishing marginal return is applicable to all market condition.
     b. Critical evaluate whether in free market system, everything is available for free.

Q. 6  Explain the theory of marginal productivity of input?

Q. 7  a. Differentiate between the following:
     1. Iso cost and quant curve
     2. Long run and Short run time period
     b. Evaluate the characteristics of indifference curve
Date: January 14, 2009  Max Time: 3 Hours  Max Marks: 60

Instructions: Attempt any five questions. All questions carry equal marks.

Q. I What are the economic arguments in favor and against monopoly market? (12)

Q. II (a) How can a firm in perfect competition makes supernormal profits?  
(b) Explain the difference between economies and diseconomies of scale with at least two examples of each. (12)

Q. III (a) The price of a good is Rs. 1.20 per unit and annual demand is 800,000 units. Market research indicates that an increasing in price of 10 paisa per unit will result in a fall an annual demand of 75,000 units. What is the price elasticity of demand measuring the responsiveness of demand over this range of price increase? (04)

(b) Suppose that there are two products A and B. Product A currently sells for Rs. 5, and demand at this price is 1,700 units. If the price fell to Rs. 4.60, demand would increase to 2,000 units. Product B currently sells for Rs. 8 and demand at this price is 9,500 units. If the price fell to Rs. 7.50, demand would increase to 10,000 units. In each of these cases, calculates:
(i) Then price elasticity of demand for the price changes given; and
(ii) The total effect on total revenue, if demand is met in full at both the old and the new prices, of the change in price. (08)

Q. IV Evaluate the following statements (12)
(a) It is possible for the average total cost curve to be falling while the average variable cost curve is rising.
(b) Marginal fixed costs per unit will fall as output increases.

Q. V Distinguish between  
(i) Economic profit and Accounting profit.  
(ii) Positive and normative economics  
(iii) Capitalist and Socialist Economic System. (12)

Q. VI Show how wage and employment levels are determined, according to Marginal productivity theory in a perfectly competitive market? (12)

Q. VII Explain in detail what conditions do you expect will determine price in:  
(a) A retail fruit and vegetable market? And  
(b) An auction of antiques and paintings? (12)
Q.No.1 (a) what is the relationship between total revenue and elasticity? When price rises and fall? (06)
(b) What general conclusion can you reach with regard to the relation between price, total revenue and elasticity? (06)

Q.No.2 (a) Define non-price competition. (06)
(b) Why do monopolistic competitors engage in it while perfectly competitive firms do not? (06)

Q.NO.3 Distinguish among opportunity costs, explicit costs and implicit costs with at least two examples of each. (12)

Q.No.4 Discuss the pros and cons of different economics systems. (12)

Q.No.5 (a) Jot down the properties of Indifference curves. (06)
(b) Why the per unit cost curves are U-shaped? (06)

Q.No.6 (a) Comment on the following statement: Long-run average cost is a meaningless concept since in this period most conditions underlying the cost function will probably change in unpredictable ways. (06)
(b) What are the relations between increasing returns to scale and decreasing long-run average cost? (06)

Q.No.7 Both the marginal utility approach and indifference curve approach yield the same equilibrium position for a rational consumer. Compare these explanations of equilibrium and discuss the relative advantage of two approaches. (12)
Instructions:
Attempt any five questions. All question carry equal marks:

Q.No.1  
(a) Define Economics its nature and scope? (06)  
(b) Explain the statement: “Economics is the study of choices?” (06)

Q.No.2  
(a) Define Production Possibility Frontier Curve? Does PPF shows that every choice is trade off? (06)  
(b) How does Production Possibility frontier illustrate scarcity and production efficiency? (06)

Q.No.3  
(a) Explain market equilibrium? Illustrate? (06)  
(b) What happens to the price when there is shortage or when there is surplus? (06)

Q.No.4  
(a) Define the price elasticity of demand using formula? Illustrate Elasticity along a straight line Demand curve? (06)  
(b) Why the demand for a luxury is generally more elastic than necessity? (06)

Q.No.5  
(a) What is the law of diminishing returns? (06)  
(b) Why does marginal product eventually diminish? Illustrate using graph? (06)

Q.No.6  
(a) What does a firm’s long-run cost curve shows? How it is related with the firm’s short-run cost curve? (06)  
(b) How is firm’s minimum efficient scale determined? (06)

Q.No.7  
Determine monopoly market? What theories of price are used under monopoly? (12)
KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI

FINAL EXAMINATION: AFFILIATED COLLEGES
BUSINESS ECONOMICS: BA (M) - 511
MBA - I

Max Time: 3 Hours
Max Marks: 60

INSTRUCTIONS:

Attempt any six questions.

Q.No.1 What role does rational self-interest play in economic analysis?

Q.No.2 Why does the scarcity problem force individual to consider opportunity Costs?

Q.No.3 Does an increasing in demand always lead to a rise in price? How goods Rationed?

Q.No.4 Explain how a firm's choice a production technique is affected by the Price of the inputs that it purchases.

Q.No.5 Explain the following statement: Capitalism not only accepts self-interest as a fact of human existence, it Relies on self-interest to achieve society's material goals.

Q.No.6 What is the perfectly competitive firm's short run supply curve?

Q.No.7 Define the concepts of elasticity and cross price elasticity of demand, Relate cross price elasticity to the concepts of complements and Substitutes.

Q.No.8 Define consumer surplus, indifference curves and budget line? What a Consumer will do in order to maximize utility.
INSTRUCTIONS:
Attempt any six questions, all questions carry equal marks.

Q.No.1 Discuss strength and weaknesses of using the market to allocate and distribute scarce resources.

Q.No.2 Show how market reconciles demand and supply through price adjustment.

Q.No.3 Discuss principal factors that shift demand and supply.

Q.No.4 Analyze how elasticity relates to the revenue effect of a price change. Show why bad harvests can help farmers.

Q.No.5 Contrast the means by which pure capitalism, centrally planned economies and mixed economies attempt to cope with economic scarcity.

Q.No.6 (a) Calculate the marginal and average costs for each level of output from the following total cost data.

(b) Show the marginal and average costs are related.

Output  0    1    2    3    4    5    6    7    8    9
Total Cost  12   27   40   51   60   70   80   91  104  120

Q.No.7 Define impact competition, oligopoly and monopolistic competition. Show how differences in cost and demand lead to different market structure.

Q.No.8 Define isoquants and examine their role in the choice of production technique.