



# UNIVERSITY OF THE PUNJAB

Fifth Semester – 2019

Examination: B.S. 4 Years Program

Roll No. in Fig. ....

Roll No. in Words. ....

PAPER: Micro Economics

MAX. TIME: 15 Min.

Course Code: ECON-301 Part-I (Compulsory)

MAX. MARKS: 10

Signature of Supdt.:

**Attempt this Paper on this Question Sheet only.**

**Please encircle the correct option. Division of marks is given in front of each question.**

**This Paper will be collected back after expiry of time limit mentioned above.**

**Q.1. Encircle the right answer, cutting and overwriting is not allowed. (1x10=10)**

1. When price elasticity is less than one, changes in price and in total expenditures always moves in -  
-----
  - a) Opposite direction
  - b) Same direction
  - c) Both a and b
  - d) all of the above
2. The equilibrium price ----- and equilibrium quantity-----of new cars, if the government imposes the sales tax on car manufacturers.
  - a) rise, rise
  - b) fall, rise
  - c) rise, fall
  - d) fall, fall
3. A decline in airfares cause the demand of inter-city bus to----- and the equilibrium bus fare tend to be-----.
  - a) Lower, higher
  - b) Lower, lower
  - c) Higher, higher
  - d) Higher, low
4. Which of the following would be studied primarily by micro economist?
  - i) Does increase in government spending will lower the unemployment rate?
  - ii) Does Microsoft Corporation's dominance of the software industry harm consumers?
  - iii) Why is the average rate of household saving low in Pakistan?
  - iv) All of the above.
5. Find the profit maximizing price and level of output for a monopolist with the demand curve  $p=12-q$  and the marginal cost  $MC=2q$ , where  $p$  is the price and  $Q$  is the output per week.
  - a)  $P=12, q=3$
  - b)  $P=9, q=3$
  - c)  $P=3, q=3$
  - d)  $P=9, q=9$
6. Shape of short run Marginal Cost curve is:
  - a) Horizontal
  - b) Vertical
  - c) U shape
  - d) Negative slope
7. Zero coefficient of cross price elasticity means:
  - a) The two commodities are substitutes
  - b) The two commodities are complementary goods
  - c) The two commodities are not related
  - d) None of the above
8. Slope of indifference curve is/are:
  - a) Negative
  - b) The units of  $y$  commodity sacrificed to obtain another unit of  $x$
  - c) Marginal rate of substitution
  - d) All of the above
9. The production function  $Q = L^a K^b$  has ----- if  $a + b = 1$ .
  - a) Constant return to scale
  - b) Increasing return to scale
  - c) Decreasing return to scale
  - d) Diminishing returns of labor
10. What is the elasticity of demand for office table, when the price of a table is RS.400, buyers wish to purchase 10,000 tables, when the price falls to RS.380, and quantity demand rises to 12,000 tables? What is the elasticity of demand?
  - a) 1.263
  - b) 4.0
  - c) 0.7916
  - d) 1.14



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Roll No. ....

**PAPER: Micro Economics**

**Course Code: ECON-301 Part – II**

**MAX. TIME: 2 Hrs. 45 Min.**

**MAX. MARKS: 50**

**ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED**

Q.No.2 write short answers to the following

(5 x 4=20)

- I. Price effect
- II. Indifference curve
- III. The assumptions of imperfect competition
- IV. The relationship between marginal revenue and price elasticity

Q.No.3 Explain the short run equilibrium under perfect competition with the help of graphs.

(10)

Q.No.4 Explain and discuss the short run curves of traditional cost theory.

(10)

Q.No.5 Explain the laws of return to scale with the help of graphs.

(10)