



THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Give short answers to the following concepts. (5x6=30)

- a. Marginal Utility**
- b. Elasticity of supply**
- c. Normal goods**
- d. Cross elasticity**
- e. Indifference Curve**

Q.2. Answer the following questions. (3x10=30)

- i. Explain the Law of Diminishing Marginal Rate of Substitution**
- ii. The demand and supply functions of automobile industry in Pakistan are $Q=60-3P$ and $Q=20+2P$. Find out equilibrium price and quantity. Show the equilibrium level graphically. What will happen in market if price come at the level of 4?**
- iii. Show graphically the impact of the following on the equilibrium price and quantity when:**
 - a. Demand increases and supply falls in equal proportion**
 - b. Supply increases more than increase in demand**