KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION JUNE 2015; AFFILIATED COLLEGES
MICRO ECONOMICS; BA (H)–311
BS – I

Date: June 5, 2015   **Max Time: 120 Mins**
                                                                 Max Marks: 30

INSTRUCTIONS:
1. **Attempt any 3 questions. Do not write anything on the question paper.**
2. **Mobile phones or any other communicating device will not be allowed in the examination room. Students will have to remove the batteries of these devices before entering the examination hall.**

Q.No.2: Explain the following statements with reasons, briefly
   (a) An increase in demand means people will be willing to pay a higher price for a given quantity.
   (b) Indifference curve can intersect each other
   (c) In case of complementary goods demand curve shifts downward to left.
   (d) Demand curves shows the prices people will pay for various possible quantities.

Q.NO.3:
   (a) What is the relationship between MPP (marginal physical product) and MC (marginal cost) curve? Why are they so related?
   (b) What is the relationship between APP (average physical product) and AVC (average variable cost) curve? Why are they so related?
   (c) What is the relationship between MC (marginal cost), AVC (average variable cost) and ATC (average total cost) curves? Why are they so related?

Q.NO.4: What would effect on equilibrium price and quantity if
   (a) demand increases and supply remain unchanged
   (b) demand and supply both increase
   (c) demand increases and supply decreases

Q.NO.5: Explain the fallacies in each of the following statements.
   (a) Average costs are minimized when marginal costs are at their lowest points.
   (b) Because fixed costs never change, average cost is a constant for each level of output.
   (c) Average cost is rising whenever marginal cost is rising.
   (d) A competitive firm will produce output up to the point where price equals average variable cost.
   (e) A firm's shutdown point comes where price is less than minimum average cost.

END OF SUBJECTIVE PAPER