

College Name: _____

Student Name: _____ Seat No: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION JUNE 2016; AFFILIATED COLLEGES
MICROECONOMICS BA (H) – 311
BBA – I

Date: June 10, 2016

Max Time: 1.5 Hrs

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.**

Q2: 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.

Q3: a) Suppose two of your friends are having arguments. One says that the demand curve shows What quantities people will buy at various possible prices? The other argues that a demand curves shows the prices people will pay for various possible quantities. Which of your friend is correct?

b) Suppose two of your friends are having arguments. One says that an increase in demand means that people will buy a larger quantity at any given price. The other argues that it means that people will be willing to pay a higher price for a given quantity. Who is right? Explain.

Q4: What would effect on equilibrium price and quantity if

- i) demand increases and supply remain unchanged
- ii) demand and supply both increase
- iii) demand increases and supply decreases.

Q5: What is perfect competition? What are it assumptions? Do producer always earn super normal profit under perfect competition?

END OF SUBJECTIVE PAPER