College Name: ____

Seat No: ______________________ Student's Name: ______________________________________

Copy No: ______________________

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION DECEMBER 2017; AFFILIATED COLLEGES
MICROECONOMICS; BA (BS)-521 (PART B)
BBA – V

Date: January 8, 2018 **Max Time: 100 Mins**
Max Marks: 40

INSTRUCTIONS:

1. **Attempt any 4 questions with relevant points. Do not write anything on the question paper. EXCEPT the initials mentioned above.**
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: The following table lists the cross -price elasticities of demand for several goods, where the percent quantity change is measured for the first good of the pair, and the percent price change is measured for the second good.

Good	Cross-price elasticities of demand
Air-conditioning units and kilowatts of electricity	-0.34
Coke and Pepsi	+0.63
High-fuel-consuming vehicles and gasoline	-0.28
McDonald's burgers and KFC burgers	+0.82
Butter and margarine	+1.54

Explain the sign of each of the cross-price elasticities. What does it imply about the relationship between the two goods in question?

Q3: For the following questions assume an economy in which consumers can use their income to purchase two goods, tea and coffee.

a. Explain the factors that influence a consumer's decision to consume.
b. Explain what will be the impact on the demand for coffee if the price of tea increases permanently. Use a diagram to illustrate your answer.
c. Identify the factors that may influence the supply of each good.

Q4: Explain how short run supply curve of a firm and industry derived assuming perfect competition?

Q5: What is meant by marginal rate of substitution (MRS)? Explain with the help of diagram.

Q6: What does "perfect competition" mean? State and explain the underlying assumptions of perfect competition.

Q7: Distinguish between inferior and Giffen goods on the basis of income and substitution effects using appropriate diagram.

Q8: Explain the fallacies in each of the following:

a. A firm, shutdown point comes where price is less than minimum average cost.
b. Average costs are minimized when marginal costs are at their lowest point.
c. Average cost is rising whenever marginal cost is rising.

END OF SUBJECTIVE PAPER