

ISLAMIC UNIVERSITY OF TECHNOLOGY (IUT)  
ORGANISATION OF ISLAMIC COOPERATION (OIC)

**DEPARTMENT OF BUSINESS AND TECHNOLOGY MANAGEMENT**

Mid-Semester Examination

Summer Semester, A. Y. 2021-2022

Course No. : BTM 4209

Time : 1.5 hours

Course Title : Micro Economics

Full Marks : 75

Answer all 3 (three) questions. All questions carry equal marks. Marks in the margin indicate full marks. Programmable calculators are not allowed. Do not write on this question paper.

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|----|---|----|------------|
| 1. | a) Describe the importance of studying economics to an engineer friend of yours highlighting the need of understanding opportunity cost, law of marginal utility, perfect market hypothesis, global view. | 15 | CO1<br>PO1 |
|    | b) Analyze the Mankiw's ten principles of economics.  | 10 | CO4<br>PO2 |
| 2. | a) What is a competitive market? Briefly describe about a market that is not perfectly competitive.   | 5  | CO3<br>PO1 |
|    | b) The market for pizza has the following demand and supply schedules:  | 10 | CO2<br>PO1 |

Price	Quantity Demanded	Quantity Supplied
\$4	135 pizzas	26 pizzas
5	81	81
7	68	98
8	53	110
9	39	121

Requirements:

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|----|--|----|------------|
|    | i. Develop a graph of the demand and supply curves. What are the equilibrium price and quantity in this market?  |    |            |
|    | ii. If the actual price in this market were above the equilibrium price, what would drive the market toward the equilibrium?   |    |            |
|    | iii. If the actual price in this market were below the equilibrium price, what would drive the market toward the equilibrium?  |    |            |
| 2. | c) Consider the following events: Scientists reveal that eating oranges decreases the risk of diabetes, and at the same time, farmers use a new fertilizer that makes orange trees produce more oranges. Illustrate and explain what effect these changes have on the equilibrium price and quantity of oranges. | 10 | CO2<br>PO1 |
| 3. | a) Explain the difference between absolute advantage and comparative advantage.  | 5  | CO1<br>PO1 |
|    | b) Use a production possibilities frontier to describe the idea of "efficiency."   | 5  | CO1<br>PO1 |
|    | c) Why do economists sometimes offer conflicting advice to policymakers?   | 5  | CO1<br>PO1 |
|    | d) Maria can read 20 pages of economics in an hour. She can also read 50 pages of sociology in an hour. She spends 5 hours per day studying.   | 10 | CO1<br>PO1 |
|    | i. Draw Maria's production possibilities frontier for reading economics and sociology.   |    |            |
|    | ii. What is Maria's opportunity cost of reading 100 pages of sociology?  |    |            |