



UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / First Semester – Spring 2022

Paper: Principles of Micro Economics

Course Code: ECON-101

Roll No.
Time: 3 Hrs. Marks: 60

THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

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

- a. Ordinal Utility approach
- b. Budget line
- c. Normal goods
- d. Cross elasticity
- e. Income elasticity of demand

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

- i. Explain the Law of Diminishing Marginal Utility
- 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. when supply increases more than increase in demand