

Instruction: Attempt any Five Questions. All questions carry equal marks. Extra Attempt of any Question will not be considered.

Question No. 1

Define Economics. Briefly discuss its scope.

Question No. 2

Define indifference curve. Explain the main properties of indifference curves.

Question No. 3

Define and explain the following: (a) Price Elasticity of Demand. (b) Income Elasticity of Demand. (c) Cross Elasticity of Demand.

Question No. 4

What is Monopolistic Competition? How is price and output determined under Monopolistic competition.

Question No. 5

Critically examine Liquidity Preference Theory of interest.

Question No. 6

Discuss the merits and demerits of direct and indirect taxes.

Question No. 7

Discuss the economics role of State in Islam.

Question No. 8

Given the total cost function of a firm:

$$C=Q^3-12Q^2+60Q$$

Find the following: (i) MC (ii) Slope of MC (iii) AC (iv) Slope of AC

See Guideline/Hints for each question on next page.

Guideline/Hints for each question

Question 1: Definition and Scope of Economics

- Define economics using definitions from Adam Smith, Alfred Marshall, and modern economists.
- Discuss the two main branches: **Microeconomics** (individual units) and **Macroeconomics** (economy-wide issues).
- Cover the scope, including consumption, production, distribution, and economic policies.

Question 2: Indifference Curve and Its Properties

- Define an **indifference curve** as a graphical representation of consumer preferences.
- Explain its key properties: downward sloping, convex to the origin, higher curves indicate higher satisfaction, and curves never intersect.

Question 3: Elasticities of Demand

- Define each type of elasticity and provide formulas.
- **Price Elasticity:** Measures response of demand to price changes.
- **Income Elasticity:** Measures response of demand to income changes.
- **Cross Elasticity:** Measures how demand for one good changes with the price of another good.

Question 4: Monopolistic Competition & Price Determination

- Define **monopolistic competition** (many sellers, differentiated products).
- Explain short-run (profits/losses possible) and long-run (normal profits) equilibrium using diagrams.
- Discuss price determination based on demand, costs, and non-price competition.

Question 5: Liquidity Preference Theory of Interest

- Explain **Keynes' Liquidity Preference Theory**, focusing on **transaction, precautionary, and speculative motives**.
- Critically analyze its limitations, such as the role of savings, alternative interest rate determinants, and modern views.

Question 6: Direct vs. Indirect Taxes

- Define **direct taxes** (income tax, corporate tax) and **indirect taxes** (GST, sales tax).
- Discuss merits (equity, revenue generation) and demerits (administrative burden, tax evasion).
- Compare their impact on income distribution and economic efficiency.

Question 7: Economic Role of State in Islam

- Explain Islamic economic principles: **justice, prohibition of interest (Riba), wealth distribution (Zakat), and welfare of society.**
- Discuss the state's role in ensuring economic stability, fair trade, and social welfare.

Question 8: Cost Function Analysis

1. **sMarginal Cost (MC):** Differentiate CCC w.r.t. QQQ.
2. **Slope of MC:** Differentiate MC w.r.t. QQQ.
3. **Average Cost (AC):** Divide CCC by QQQ.
4. **Slope of AC:** Differentiate AC w.r.t. QQQ.

Use calculus rules to solve and interpret the results

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