

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

**Question No. 1**

Critically examine Robbin's definition of Economics.

**Question No. 2**

Explain and illustrate the law of Equi-Marginal utility. Point out its practical significance.

**Question No. 3**

Give the practical importance of Elasticity of demand. What are the determinants of elasticity of demand?

**Question No. 4**

Define Monopoly. How is price and output determined under monopoly?

**Question No. 5**

Explain the modern theory of factor pricing and criticize it.

**Question No. 6**

Define National Income. How can it be computed?

**Question No. 7**

Discuss the impact of Zakat on production and distribution.

**Question No. 8**

The total revenue function is given:

$$TR=12Q - Q^2$$

(a) Find AR

(b) Find MR

(c) Find slope of MR

(d) Find slope of AR

**See Guideline/Hints for each question on next page.**

## **Guideline/Hints for each question**

### **Question 1: Critically Examine Robbins' Definition of Economics**

- State **Lionel Robbins' definition**: Economics as a science of **scarcity and choice**.
- Discuss **its key features**: unlimited wants, limited resources, allocation decisions.
- Critically analyze: **ignores welfare aspect, focuses only on scarcity, not applicable to socialist economies**.

### **Question 2: Law of Equi-Marginal Utility & Its Practical Significance**

- Define **law of equi-marginal utility**: Consumers maximize total satisfaction when MU per unit of money is equal for all goods.
- Explain with **formula**:  $MU_A/P_A = MU_B/P_B$
- **Illustrate with example/diagram** (budget allocation).
- Discuss **practical significance**: resource allocation, business pricing, taxation policies.

### **Question 3: Practical Importance & Determinants of Elasticity of Demand**

- Explain **why elasticity matters** in pricing, taxation, business decisions, and international trade.
- List **determinants**: nature of goods, availability of substitutes, income level, proportion of income spent, time period.

### **Question 4: Monopoly – Price & Output Determination**

- Define **monopoly** (single seller, no close substitutes, price maker).
- Explain **equilibrium condition**:  $MR = MC$ .
- **Graphically illustrate** short-run and long-run price/output determination.
- Discuss monopoly pricing strategies and inefficiencies.

### **Question 5: Modern Theory of Factor Pricing & Its Criticism**

- Define **Modern Theory of Factor Pricing** (Marginal Productivity Theory).
- Explain how **factors of production are paid based on their marginal productivity**.
- **Criticize**: assumes perfect competition, ignores bargaining power, does not consider non-monetary factors.

### **Question 6: National Income Definition & Computation**

- Define **National Income**: total monetary value of goods and services produced in a country.
- Explain **methods of computation**:
  1. **Product/Value-added method**
  2. **Income method**

3. Expenditure method

- Discuss difficulties in measurement: **data availability, informal economy, price changes.**

**Question 7: Impact of Zakat on Production & Distribution**

- Define **Zakat** as an Islamic wealth redistribution mechanism.
- **Impact on production:** encourages **investment**, discourages **hoarding**, promotes **business activity**.
- **Impact on distribution:** reduces **inequality**, enhances **social welfare**, supports **poverty alleviation**.

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