Course title: Basic Economics   Course Code: ECO201

Total marks: 35   Time: 2 hours

(Answer all questions. Figures on the right hand side indicate distribution of full marks.)

(1) Define indifference curve and marginal rate of substitution (MRS)? Why does marginal rate of substitution (MRS) diminish? Explain.   7

(2) Graphically explain the law of variable proportion. Among the three stages of law of variable proportion which stage is economically justifiable?   7

(3) Describe the characteristics of perfect competition market. In a perfect competition market why is price= average revenue (AR) = marginal revenue (MR)?   7

(4) Define national income. Write the differences between (i) micro and macroeconomics (ii) Gross domestic product (GDP) and gross national product (GNP).   7

(5) What does IS (investment saving) curve represent? Explain the effectiveness of tight monetary policy to control inflation.   7

The End