

1. (a) Suppose that the production of wheat and machine are indicated on x-axis and y-axis, how will the PPC change if:

(i) Factor inputs become two times more efficient than before. (3)

(ii) Scientist discover a new variety of seeds that yields three times more wheat. (3)

(b) Explain the trade-off between inflation and unemployment? (4)

(c) Explain the concept of "invisible hand". (4)

(d) "Trade can make everyone better off". Give example to prove it. (4)

2. The market for pizza has the following demand and supply schedules :

Price (\$)	4	5	6	7	8	9
Quantity demanded (Pizzas)	135	104	81	68	53	39
Quantity supplied (Pizzas)	26	53	81	98	110	121

(a) Graph the demand and supply curves. What are the equilibrium prices and quantity in this market. (6)

(b) If the actual price in this market were above the equilibrium price, what would drive the market towards the equilibrium? (6)

(c) If the actual price in this market were below the equilibrium price, what would drive the market towards the equilibrium? (6)

3. (a) What do you understand by the term elasticity? Explain income elasticity and cross price elasticity, with example. (6)

(b) Show producer and consumer surplus with the help of diagram. (6)

(c) Melissa buys an iPhone for \$240 and gets consumer surplus of \$160. Draw the graph and calculate?

(i) What is her willingness to pay? (2)

(ii) If she had bought the iPhone on sale for \$180, what would her consumer surplus have been? (2)

(iii) If the price of an iPhone were \$500, what would her consumer surplus have been? (2)

4. (a) How Price ceiling and price floor affect the market outcomes? (6)

(b) What determines the division of tax burden between buyers and sellers. Explain graphically. (6)

(c) Describe what a tariff is and its economic effects. (6)

5. (a) Define the Indifference curve and its properties. (6)

(b) What is the shape of indifference curves in case of perfect substitutes and perfect complementary goods. (6)

(c) Explain the trade-off between work and leisure with the help of indifference curve analysis? (6)

6. (a) Explain the difference between the public goods and common resources. Explain why Education is not considered as the pure public goods? (6)

(b) How does the existence of public goods lead to market failure, give example? (6)

(c) Explain the free rider problem. (6)

7. (a) Draw a demand and supply diagram to explain the effect of positive externality and negative externality with real life problem. (6)

(b) Explain the "Coase Theorem". (6)

(c) Is "pollution permits" is better approach than "Corrective taxes" to control the carbon emission by the industries? Do you agree or not, justify your answer. (6)

8. Write a short note on the following :

(a) In the context of strategic games, define strategies, payoff and rationality. (6)

(b) "Giffin goods are exceptions to the law of demand". (6)

(c) "Free markets produce the quantity of goods that maximizes the sum of consumer and producer surplus." (6)