

ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Economics)

WARNING

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

Course: Introduction to Microeconomics (801)
Level: M. Sc. Economics
Credit Hours: 03

Semester: Autumn, 2013
Total Marks: 100
Pass Marks: 40

ASSIGNMENT No. 1

(Units: 1-5)

- Q. 1 Discuss why there is need of building economic models? Also describe general features of economic models. (20)
- Q. 2 Define indifference curves and its characteristics. Why does the assumption of transitivity of preferences mean that indifference curves do not cross each other? (20)
- Q. 3 Differentiate between homogeneous and non-homogeneous production function. Also show graphically returns to scale for homogeneous production function. (20)
- Q. 4 a) Explain in detail that how the new innovations may increase efficiency of all methods of production?
b) Optimize the following Cobb-Douglas production function subject to the given constraints by:
i) Forming Lagrange Function
ii) Finding the Critical Values
 $q = K^{0.2}L^{0.4}$ Subject to $4K + 2L = 350$ (10+10)
- Q. 5 Explain that how the cost function can be derived from production function? (20)

ASSIGNMENT No. 2

Total Marks: 100

(Units: 6–9)

Pass Marks: 40

- Q.1 Bring out the relationship between marginal cost and price under perfect competition, imperfect competition and monopoly. **(20)**
- Q.2 Show the effects of the followings on industry equilibrium in case of perfect competition.
- i) Change in the market demand
 - ii) The cost of production change
 - iii) The taxes are imposed **(20)**
- Q.3 Describe the necessary conditions for the implementations of price discriminations and how price discriminating monopolist maximize his profit? **(20)**
- Q.4 Describe how the cartel agreement maximize the joint profit of the industries? **(20)**
- Q.5 Under which oligopoly model does the outcome most nearly resemble that of pure monopoly and the perfect competition? **(20)**

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