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BBA in TM, 2nd Sem. Date: July 09, 2025 (Morning)

ISLAMIC UNIVERSITY OF TECHNOLOGY (IUT)
ORGANISATION OF ISLAMIC COOPERATION (OIC)

DEPARTMENT OF BUSINESS AND TECHNOLOGY MANAGEMENT

Mid-Semester Examination	Summer Semester, A. Y. 2023-2024
Course No. : BTM 4203	Time : 2 hours
Course Title : Microeconomics	Full Marks : 120

Answer **all 4 (four)** questions. All questions carry equal marks. Marks of each question and corresponding CO and PO are written in the right margin with brackets.

1. a) What is economics, and how does it help individuals and societies make choices in a world of scarcity? 07 (CO1) (PO2)

   b) Differentiate between a movement along the demand curve and a shift of the demand curve. What are the main determinants that can shift the supply curve? Provide examples. 10 (CO2) (PO1)

   c) What are equilibrium price and quantity in a market, and under what conditions does a surplus or a shortage occur? 10 (CO2) (PO1)

   d) Harry's income declines, and as a result, he buys more pumpkin juice. Is pumpkin juice an inferior or a normal good? What happens to Harry's demand curve for pumpkin juice? 03 (CO2) (PO2)

2. a) A storm destroys half the fava bean crop. Is this event more likely to hurt fava bean farmers if the demand for fava beans is very elastic or very inelastic? Explain. 05 (CO2) (PO2)

   b) Explain the concepts of price elasticity of demand, income elasticity of demand, and cross-price elasticity of demand. 15 (CO2) (PO1)

   c) You are advising three farmers who respond differently to price changes in the market: 10 (CO2) (PO1)
      i. Farmer A is able to increase production immediately when prices rise.
      ii. Farmer B finds it difficult to change output quickly, even when prices increase.
      iii. Farmer C notices that any change in price leads to an exactly proportional change in the quantity they supply.

      For each farmer, identify the type of price elasticity of supply that best fits their situation. Explain your reasoning based on how responsive their supply is to price changes.

3. a) Governments often intervene in markets by imposing price ceilings and price floors to protect consumers or producers. For example, a price ceiling of $2 per ice cream cone may be set when the market equilibrium price is $3, and a price floor of $4 per loaf of bread may be introduced when the equilibrium price is $3. 15 (CO2) (PO2)

      Discuss the economic outcomes of such interventions. In your answer, explain how price ceilings and price floors affect market equilibrium, and the resulting shortages or surpluses.

   b) What is tax incidence? Analyze how a tax on buyers or sellers affects market price, quantity, and the burden shared. How does elasticity influence the burden of a tax? 15 (CO1) (PO1)

4. Describe and explain the ten principles of economics. Provide relevant examples to support your explanation where appropriate. 30 (CO1) (PO1)