

# Semester spring 2011

## Assignment no 02

## ECO402

Total Marks: 15

### Question no.1:

Suppose you are working in a mobile making firm operating in a perfectly competitive market. Your cost of production is given by:

$$TC = 5000 + Q^2$$

Where Q is the level of output and TC is total cost. The fixed cost of production is Rs.5000.

- If the price of a mobile is Rs.7200, how many mobiles should you produce to maximize profit?
- What will your profit level be?

(Marks = 6 + 6)

### Question no.02:

If a sales tax of Rs.50 per unit of output is placed on one firm whose product sells for Rs.500 in a competitive industry.

What will happen to price, output and profit?

(Marks = 03)

### Important Note:

- Calculate to the point where calculation is being required. **NO** need to write irrelevant material or extra interpretation.

### Important Tips

- This Assignment can be best attempted from the knowledge acquired after watching video lecture no. 16 to lecture no 29 and reading handouts as well as recommended text book.
- Video lectures can be downloaded for free from [www.youtube.com/vu](http://www.youtube.com/vu).

### Schedule

Opening Date and Time	June, 09, 2011 At 12:01 A.M. (Mid-Night)
Due Date and Time	June, 15, 2011 At 11:59 P.M. (Mid-Night)

**Note:** Only in the case of Assignment, **24 Hrs extra / grace period** after the above mentioned due date is usually available to overcome uploading difficulties which may be faced by the students on last date. This extra time should only be used to meet the emergencies and above mentioned due dates should always be treated as final to avoid any inconvenience.

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### Important Instructions:

Please read the following instructions carefully before attempting the assignment solution.

#### Deadline:

- Make sure that you upload the solution file before the due date. No assignment will be accepted through e-mail once the solution has been uploaded by the instructor.

#### Formatting guidelines:

- Use the font style "Times New Roman" and font size "12".
- It is advised to compose your document in MS-Word 2003.
- Use black and blue font colors only.

#### Solution guidelines:

- Every student will work individually and has to write in the form of an analytical assignment.
- Give the answer according to question, there will be negative marking for irrelevant material.
- For acquiring the relevant knowledge don't rely only on handouts but watch the video lectures and use other reference books also.

#### Rules for Marking

Please note that your assignment will not be graded or graded as Zero (0) if:

- It has been submitted after due date
- The file you uploaded does not open or is corrupt
- It is in any format other than .doc (MS. Word)
- It is cheated or copied from other students, internet, books, journals etc...