

BECC-132

BACHELOR'S OF ARTS PROGRAMME
(B.A.G)

ASSIGNMENT 2021-22

COURSE CODE: BECC-132
PRINCIPLES OF MICROECONOMICS - II



SCHOOL OF SOCIAL SCIENCES
INDIRAGANDHINATIONALOPENUNIVERSITY
MAIDAN GARHI, NEW DELHI-68

Dear Student,

As we have informed you in the Programme Guide, evaluation at IGNOU consists of two parts: i) continuous evaluation through assignments, and ii) term-end examination. In the final result, assignments of a course carry 30% weightage while 70% weightage is given for term-end examination.

You will have to do three Tutor Marked Assignments (TMA) for a six credit course and two TMAs for a four credit course. This Assignment booklet has TMAs for the core course **BECC-132 Principles of Microeconomics-II** which is a six credit course. The booklet therefore has three TMAs whose total marks add up to 100 and carry a weightage of 30 %.

Assignment One has Descriptive Category Questions (DCQs). These are meant for writing essay type answers, with an introduction and a conclusion. These are intended to test your ability to describe your understanding/knowledge about the topic in a systematic, to-the-point and coherent manner.

Assignment Two has Middle Category Questions (MCQs). These questions require you to first analyse the topic in terms of arguments and explanations and then write the answers in a concise manner. They are meant to test your ability to distinguish, compare and contrast, or clear understanding of the concepts and processes.

Assignment Three has Short Category Questions (SCQs). These questions are meant to improve your skill of recall in brief the relevant/precise information about persons, writing, events, or clear understanding of concepts and processes.

Before you attempt the assignments, please read the instructions carefully provided in the Programme Guide. It is important that you write the answers to all the TMA questions in your own words. Your answers should be within the approximate range of the word-limit set for a particular section. Remember, writing answers to assignment questions will improve your writing skills and prepare you for the term-end examination.

As mentioned in the Programme Guide, you need to submit all the assignments within the stipulated time for being eligible to appear in the term-end examination. .

The assignments should be submitted to the Coordinator of your Study Centre by the following dates:

1. **By 30th April, 2022 by the students who took admission in the Academic Cycle July, 2021.**
2. **By 31st October, 2022 by the students who took admission in the Academic Cycle January, 2022.**

You must obtain a receipt from the Study Centre for the assignments submitted and retain it. If possible, keep a xerox copy of the assignments with you.

The Study Centre will have to return the assignments to you after they are evaluated. Please insist on this. The Study Centre has to send the marks to the Student Evaluation Division at IGNOU, New Delhi.

We expect you to answer each question as per guidelines for each category as mentioned in the assignment. You will find it useful to keep the following points in mind:

- 1) **Planning:** Read the assignments carefully, go through the Units on which they are based. Make some points regarding each question and then rearrange them in a logical order.
- 2) **Organisation:** Be a little selective and analytic before drawing up a rough outline of your answer. Give adequate attention to your introduction and conclusion.

Make sure that your answer:

- a) is logical and coherent;
- b) has clear connections between sentences and paragraphs, and
- c) is written correctly giving adequate consideration to your expression, style and presentation.

- 3) **Presentation:** Once you are satisfied with your answer, you can write down the final version for submission, writing each answer neatly and underlining the points you wish to emphasize. Make sure that the answer is within the stipulated word limit.

PRINCIPLES OF MICROECONOMICS - II
Tutor Marked Assignments

Course Code: BECC-132
Assignment Code: Asst /TMA /2021-22
Total Marks: 100

Assignment One

Answer the following Descriptive Category questions in about 500 words each. Each question carries 20 marks

2 × 20=40

1. (a) Compare and contrast the Cournot model with the Stackelberg model of Duopoly. (10)
(b) With regards the Kinked demand curve theory given by Paul Sweezy, answer the following:
 - (i) The demand curve facing an oligopolist has a kink at the level of the prevailing price. Discuss. (5)
 - (ii) Why does the slope of the demand curve vary on the both sides of the kink? Give reason. (5)

2. (a) Heckscher-Ohlin theory of international trade begins where the Ricardian theory of international trade ends. Elucidate. (10)
(b) Consider two countries I and II producing two commodities A and B. There is only one factor of production, that is, Labour hours. The table below gives labour hours required by each country to produce a unit of commodities A and B.

Labour hours needed to produce a unit of

Country	Commodity A	Commodity B
I	4	2
II	6	4

Answer the following:

- (i) Which country has an absolute advantage in producing commodity A? Give reason. (4)
- (ii) Which country has a comparative advantage in producing commodity B? Give reason. (4)
- (iii) If trade takes place between both the given countries, which country will export commodity A? (2)

Assignment Two

Answer the following Middle Category questions in about 250 words each. Each question carries 10 marks.

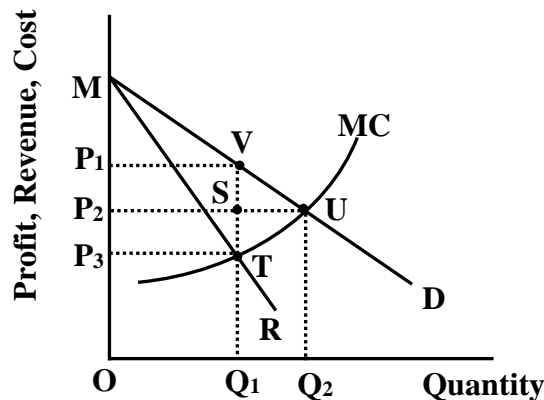
$3 \times 10 = 30$

3. (a) A firm in a perfect competitive market structure faces a marginal cost function given by

$$MC(Q) = 4Q + 5$$

where Q represents quantity of output produced. This firm earns marginal revenue of Rs 25 oneach unit sale of its output. Suppose this firm decides to produce 3 units of output, is this a profit maximising decision by the firm? If not, how much should this firm produce to earn maximum profits? In the long-run will this firm earn negative economic profits, positive economic profits, or zero economic profits? (5)

- (b) Consider the figure below where line D represents market demand curve facing an industry, MR and MC represent the marginal revenue and the marginal cost curve, respectively.



Answer the following:

- (i) Which point depicts perfect competitive industry equilibrium? What will be equilibrium if the industry turns out to be a monopoly? (3)
- (ii) Deadweight loss associated with a monopoly is represented by which area? (2)
4. Using appropriate diagram, show how interaction of demand and supply curve in land market leads to determination of equilibrium rent. (10)
5. (a) What are the various causes of a market failure? (5)
- (b) Explain various ways to internalize externalities. (5)

Assignment Three

Answer the following Short Category questions in about 100 words each. Each question carries 6 marks.

$5 \times 6 = 30$

6. Draw a backward bending labour supply curve. Explain why does this curve bend backwards?
7. Discuss the Loanable Funds theory of interest rate determination.
8. What is a Moral Hazard problem?
9. What is the impact of the WTO on Indian economy?
10. Explain the First Fundamental Theorem of Welfare Economics.