# BACHELOR'S OF ARTS (ECONOMICS HONOURS) PROGRAMME

## (BAECH)

# ASSIGNMENT 2022-23

For July 2022 and January 2023 Admission cycle

## COURSE CODE: BECC-105

## INTERMEDIATE MICROECONOMICS - I



## 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-endexamination. 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-105 Intermediate Microeconomics-I** 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:**
1. **By 30th April, 2023,** in case you have taken admission to **July 2022** academic session
2. **By 31st October, 2023,** in case you have taken admission to **January 2023** academic session

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.

# INTERMEDIATE MICROECONOMICS - I
## Tutor Marked Assignments

### Assignment One

**Answer the following Descriptive Category questions in about 500 words each. Each question carries 20 marks. Word limit does not apply in case of numerical questions.**

**2 × 20=40**

1.  (a) Distinguish between substitution effect and Income effect. Make a comparison with illustration between Slusky's approach and Hicksian approach to decompose the price effect into substitution effect and income effect. **(5)**

    (b) Consider a consumer with the utility function given by U(X, Y) = XY where X and Y represent the two goods of consumption priced at $P_x$ and $P_y$, respectively. The income of this consumer is assumed Rs 120, $P_x$ = Rs. 3 and $P_y$ = Rs.1. Suppose price of good X falls to Rs. 2.50, what will be its impact on consumption quantities of both the goods. **(15)**

2.  (a) What is the distinction between short run production function and long run production function? Explain with example and diagram the various stages of total product associated with law of variable proportions. **(10)**

    (b) For the given production function

    $$Q = 4.5 \ K^{0.4} \ L^{0.7}$$

    Drive a function in the form K = f (L) for the isoquant representing an output of 54. **(10)**

### Assignment Two

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

**3 × 10 = 30**

3.  Consider A Firm facing the demand schedule P = 190 – 0.6q and the total cost function TC = 40 + 30q + $0.4q^2$
    a) What output will maximize profit? **(5)**
    b) What output will maximize total revenue? **(3)**
    c) What will the output if the firm makes the profit of Rs. 4,760 **(2)**

4. Given a firms' demand schedule P = 200 − 2q and its total cost function TC = $\frac{2}{3}q^3 - 14q^2 + 222q + 50$, find out its **(10)**

   (i) Total revenue
   (ii) Marginal revenue
   (iii) Profit

5. Given the utility function of a consumer, U = 4 $A^{0.5}$ $B^{0.5}$, he spends all his income amounting Rs. 120 on the two goods A and B. Good A costs Rs. 10 a unit and B Costs Rs. 15. What combination of A and B will be purchased by him? **(10)**

## Assignment Three

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

**5 × 6 = 30**

6. What is consumer's surplus and how it is measured? Explain with illustration. **(6)**

7. Distinguish between utility function and expected utility function. Discuss the assumptions associated with the Von Neumann Morgenstern Utility Function. **(6)**

8. 'The second fundamental theorem of welfare economics treats the concepts of efficiency and equity differently'. Explain. **(6)**

9. A firm faces the Average Fixed Cost function as AFC = $200x^{-1}$ and Average Variable Cost function as AVC = $0.2x^2$ where x represents output. Show diagrammatically what shape will its total cost function (AC) take? **(6)**

10. Make distinction between any three of the followings: **(6)**
    (i) Weak preference and strong preference
    (ii) Numeraire good and non-discrete good
    (iii) Homogenous function and Homothetic function
    (iv) Compensating variation and Equivalent variation.