BACHELOR'S OF ARTS PROGRAMME

(B.A.G)

ASSIGNMENT 2022-23

For July 2022 and January 2023 Admission cycle

COURSE CODE: BECC-131

PRINCIPLES OF MICROECONOMICS - I

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

Dear Students,

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-131 Principles of 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 as per the following schedule:
1. **By 30th April, 2023 by the students who took admission in the Academic Cycle July, 2022**.
2. **By 31st October, 2023 by the students who took admission in the Academic Cycle January, 2023**.

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 - 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. Using appropriate diagrams discuss the rationale behind rationing system for allocation of scarce resources? What are the consequences associated with the rationing system?
(20)

2. (a) Consider a consumer earning income M and facing a choice between two commodities X and Y available at price P_X and P_Y, respectively. Using appropriate diagrams with plotting good X and Y on the horizontal and vertical axis, respectively, bifurcate the price effect into substitution and income effect in case the price of good Y increases from P_Y to P_Y' and the fact that both the commodities are normal goods.
(15)

(b) Consider a consumer who has to choose between two normal goods A and B. Initially his income is Rs 10, and the per unit price of good A and good B is Rs 2 and Rs 3, respectively. Now, assume income of the consumer increases to Rs 20, the price of good A rises to Rs 3 and that of good B rises to Rs 4.50. What will be the impact of this change on the demand of the two goods?
(5)

Assignment Two

Answer the following Middle Category questions in about 250 words each. Each question carries 10 marks. Word limit does not apply in case of numerical questions.

3 × 10 = 30

3. (a) Given that a firm experiences a linear homogenous production function, comment upon the shape of the Expansion path, both in the long run and in the short run. **(4)**

(b) Consider the following Table which gives total cost schedule of a firm. Given that the average fixed cost of producing 2 units of output is Rs. 10. Find the total variable cost, total fixed cost, average variable cost, average fixed cost, short-run average cost, and short-run marginal cost schedules of the firm for the corresponding values of output.
(6)

Quantity	Total cost
1	50
2	65
3	75
4	95
5	130
6	185

4. (a) With respect to the demand and supply analysis, discuss the Walrasian equilibrium and the Walrasian stability condition. **(4)**

(b) The income elasticities of demand of two goods, X and Y are + 3.0 and − 0.2, respectively. Assuming income rises by 5 per cent. What will be the respective change in the quantities demanded of good X and good Y? **(4)**

(c) How can the cross-price elasticity of demand be used to identify the relationship between any two goods? **(2)**

5. (a) Draw a concave Production Possibility curve. What does the downward slope and the concavity of the curve imply? **(6)**

(b) Mark in the same figure, a production combination which is: **(2)**

(i) feasible and not efficient, and

(ii) both feasible and efficient.

(c) What could bring a leftward shift in the production possibility curve? **(2)**

Assignment Three

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

5 × 6 = 30

6. Explain the Law of diminishing marginal utility. In what case(s) this law may not apply?
(6)

7. Scarcity is the root cause for all Economic problems. Do you agree? Elaborate. **(6)**

8. What are the reasons behind varying returns viz., increasing, constant and decreasing returns to a factor in production? **(6)**

9. Discuss the shape of Input-output Isoquants. **(6)**

10. Differentiate between
    (i) Internal Economies and Internal Diseconomies of Scale.   **(3)**
    (ii) Public good and Merit good   **(3)**