BACHELOR'S OF ARTS (ECONOMICS HONOURS) PROGRAMME (BAECH)

ASSIGNMENT 2023-24
For July 2023 and January 2024 Admission cycle

Course Code: BECC-108
Title of Course: Intermediate Microeconomics-II

School of Social Sciences
Indira Gandhi National Open University
Maidan Garhi, New Delhi-110 068

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Dear Student,

As explained in the Programme Guide, evaluation of a course at IGNOU comprise 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 to term-end examination. You will have to do three assignments for a six-credit course and two assignments for a four-credit course. This assignment booklet has assignments for the core course BECC-108: Intermediate Microeconomics-II.

Section I has Long answer questions. 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 a topic in a systematic, to-the-point and coherent manner.
Section II has Medium answer questions. 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 yourability to distinguish, compare and contrast, and clear understanding of
the concepts and processes.
Section III has Short answer questions. These questions are meant to improve your skill of recall in brief the relevant/ precise information about various concepts and processes.

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

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. Completed assignments should be submitted to the Coordinator of your Study Centre by:

For students registered in July 2023 cycle: 30.04.2024
For students registered in January 2024 cycle: 31.10.2024

You must obtain a receipt from the Study Centre for the assignments submitted and retain it. If possible, keep a photocopy/ scanned copy of the assignments submitted by you.

The Study Centre will have to return the assignments to you after they are evaluated. Please insist on this.

BECC- 108 INTERMEDIATE MICROECONOMICS - II

Answer all the questions.

Section I: Long answer questions (word limit - 500 words). Each question carries 20 marks.
$$2 \times 20 = 40$$

1. (a) Explain the features of a monopoly market structure. What are the characteristics of a natural monopoly? (8)

   (b) How does a monopolist decide its profit maximising output? Explain with the help of appropriate diagram. (12)

2. (a) Consider a duopoly of firm 1 and 2 producing a homogenous product, the demand of which is described by the following demand function:
$$Q = 1/2(100 – P)$$
Where Q is total production of both firms (i.e., $Q = Q_1 + Q_2$) marginal cost of production faced by both firms be Rs. 40, i.e.$MC_1 = MC_2 = 20$. Calculate the residual demand function for both the firms. Using them ascertain their reaction curves and the Cournot-Nash equilibrium quantity produced by each firm?
   (10)
   (b) Discuss the dominant strategy and dominated strategy in a game through an example. Is Nash equilibrium always indicated dominant strategy? Why or why not? Explain. (10)

Section II: Medium answer questions (word limit - 250 words). Each question carries 10 marks.
$$3 \times 10 = 30$$

3. Consider a monopolist facing an inverse demand function $P(Q) = 10 – Q$, and total cost function $2Q + Q^2$. Calculate the deadweight loss associated with this market condition.

4. What do you understand by the term 'adverse selection'? Discuss with the reference to market for lemons.

5. Explain the concept of contract curve by showing efficiency in production. How is pareto optimality related to the contract curve? Discuss.

Section III: Short answer questions (word limit - 100 words). Each question carries 6 marks.
$$5 \times 6 = 30$$

6. Bring out the difference between the general equilibrium analysis and partial equilibrium analysis.

7. What are the inefficiencies related to a positive externality? Explain with the help of a diagram.

8. Explain the concept of price discrimination with reference to first degree price discrimination.

9. Distinguish between the classical utilitarian social welfare function and the minimax social welfare function.

10. Differentiate between a sequential game and a simultaneous game with the help of examples.