

BECC-101 : INTRODUCTORY MICROECONOMICS

Tutor Marked Assignments

Course Code: BECC-101

Assignment Code: Asst /TMA /2023-24

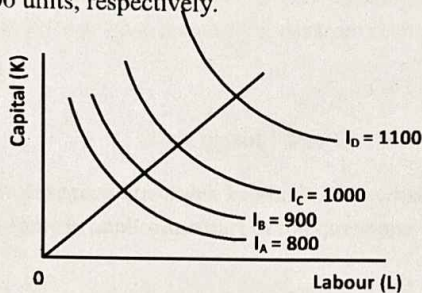
Total Marks: 100

Assignment One

Last Date - March 24'

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) Consider the figure below where capital (K) and labour (L) are the factors of production in producing output. I_A, I_B, I_C, I_D represent isoquants for output levels 800, 900, 1000 and 1100 units, respectively.



- (i) Identify the returns to scale represented by the above set of isoquants. What are the factors that lead to such returns to scale? 5
- (ii) Expansion of output by a firm comes with increasing average unit cost of production. Identify the phenomenon in terms of scale economies. Also discuss the reasons behind such a phenomenon. 5
- (b) What are the reasons behind internal economies and internal diseconomies of scale faced by a firm? 10
2. a) Using appropriate diagrams compare and contrast long-run equilibrium conditions faced by a firm under perfect and monopolistic competition market structures. 10

- (b) A firm operating in a competitive market faces a marginal cost function given by

$$MC(Q) = 2Q + 100$$

where MC is the marginal cost, Q represents level of output produced and P is the price. If the unit price of output is Rs 60, what level of output will maximize profits? What will be the maximum profit? At what minimum price will the firm produce a positive output? 10

Assignment Two

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

- 3 (a) Illustrate with the help of a diagram, higher the price elasticity of demand, larger will be the per unit tax burden borne by the producers. 5
- (b) Using appropriate diagrams, compare and contrast the shapes of demand and supply curves when there are multiple equilibriums with the shapes of demand and supply curves when there is a unique equilibrium with respect to a commodity. 5
4. Explain the concept of Technical efficiency. Technical efficiency will not necessarily ensure overall Pareto optimum product mix. Why? (10)
5. With the help of a diagram, illustrate the deadweight loss associated with a negative externality. How does a Pigouvian tax work to solve the welfare loss from such a deadweight loss? (10)

Assignment Three

Answer the following Short Category questions in about 100 words each. Each question carries 6 marks. Word limit does not apply in application part of the question.

5 × 6 = 30

6. Why does the marginal rate of technical substitution (MRTS) decline as we move rightward and downward along a convex-shaped isoquant? (6)
7. The concept of quasi-rent is an extension of the Ricardian concept of rent to other factors of production. Elucidate. (6)
8. The concept of quasi-rent is an extension of the Ricardian concept of rent to other factors of production. Elucidate. (6)
9. Discuss the concept of excess capacity associated with the long run equilibrium under Monopolistic competition. (6)
10. Draw an income consumption curve in case the good marked on the horizontal axis is a necessity good while that marked on the vertical axis is a superior good. (6)