

BECC-105

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

ASSIGNMENT 2021-22

- (1. July 2021 cycle)
- (2. January 2022 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-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-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, 2022**, in case you have taken admission to **July 2021** academic session
2. **By 31st October, 2022**, in case you have taken admission to **January 2022** 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

Course Code: BECC-105
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) Discuss the efficiency status of a perfectly competitive market. (5)
- (b) Consider Figure 1 below where MC, ATC, AVC, D, and AR represent the marginal cost, average total cost, average variable cost, demand, and average revenue curve respectively under a perfect competition. Based on the figure, answer the following questions: (15)
- (i) What is the profit maximising level of output for this firm in the short-run? At this quantity, what is the marginal revenue?
 - (ii) How much is the total cost for this firm in the short-run equilibrium?
 - (iii) In the short run, is the firm making economic profit or suffering loss? How much is that profit or loss? Should the firm shut down?
 - (iv) How much is fixed cost faced by this firm at equilibrium?
 - (v) What is the break-even price for this firm? What is the shut down price for this firm?
 - (vi) If fixed cost increases further, what impact will this have on this firm's profit maximising level of output in the short run?

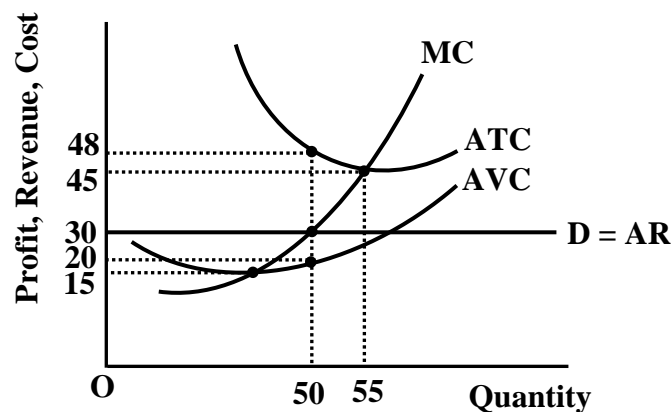


Figure 1

2. (a) Consider an individual who is assumed to be living for two periods, 1 and 2, earning income of Y_1 , Y_2 and consuming C_1 , C_2 in those two periods respectively. Assume market rate of interest to be r , and that the individual has the opportunity to be a lender or a borrower in

period 1. With the help of a diagram, discuss the impact of decrease in the rate of interest (r), if an individual chose to be a lender in period 1. (10)

(b) Discuss different forms of attitude of an individual towards risk. Use appropriate diagrams to compare a risk averse individual with a risk-loving individual. (10)

Assignment Two

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

$3 \times 10 = 30$

3. A consumer has the utility function over goods X and Y ,

$$U(X, Y) = \sqrt{X} + \sqrt{Y}$$

Let the price of good X be given by P_X , let the price of good Y be given by P_Y , and let income be given by M .

(a) Derive the consumer's Marshallian demand functions for good X and good Y . (5)

(b) Is good Y normal or inferior? (3)

(c) If $P_X = 2$, $P_Y = 1$, and $M = 12$, compute the utility maximizing consumption bundle of goods X and Y . (2)

4. (a) State and prove the Walras' law in respect of the excess demand functions. How does the Walras' law make sure that if all markets but one are cleared, then the remaining market must also be cleared? (5)

(b) "The issues of efficiency and equity are distinct." Discuss this statement in the context of Welfare Economics. (5)

5. Consider a Cobb-Douglas production function $Q = AL^\alpha K^\beta$ where the amount produced (Q) is given as a function of the labor (L) and capital (K) used and A , α , β are constants. Let the value of the constants in the above production function be given by $A = 1$, $\alpha = \frac{2}{3}$, $\beta = \frac{1}{3}$.

Wage rate (w) and per unit capital rate (r) be Rs 4 and Rs 27, respectively. Suppose that the firm wishes to produce 1080 units of output Q . What will be the optimal amount of factors that the firm needs to employ for this? Also calculate the minimum cost of producing such an output level? (10)

Assignment Three

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

$$5 \times 6 = 30$$

6. Differentiate between Discrete and Continuous probability distribution.
7. Discuss properties of a Profit function.
8. What is an Intertemporal budget constraint?
9. What is meant by a Neutral technical progress? Compare it with a Labour-deepening technical progress.
10. Discuss Quasi-linear preferences.