

BECC-105

BACHELOR'S OF ARTS (ECONOMICS HONOURS) PROGRAMME

(BAECH)

ASSIGNMENT 2024-25

For July 2024 and January 2025 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-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 as per the following schedule:

1. **By 31st March, 2025 by the students who took admission in the Academic Cycle July, 2024.**
2. **By 30th September, 2025 by the students who took admission in the Academic Cycle January, 2025.**

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.

BECC -105 INTERMEDIATE MICROECONOMICS-I
Tutor Marked Assignments

Course Code: BECC-105
Assignment Code: Asst /TMA /2024-25
Total Marks: 100

Assignment 1

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) Decompose the Price Effect into Slutsky Substitution and Income effect for an inferior commodity. Use diagram to show the same.
 - (b) Differentiate between Risk aversion and Risk neutrality. How does insurance help in reducing risk? Show with an example.
2.
 - (a) What is an Isoquant? Explain the properties of an Isoquant. How do you define the economic region of production? Explain using diagram.
 - (b) Consider a market for good X represented by the following demand function, $q = 125 - 20P$. Now assume the market price of this good to be Rs. 5, calculate
 - a) The initial consumer's surplus at market price of Rs. 5.
 - b) The change in consumer's surplus when price falls to Re 1.
 - c) The gain due to fall in price to the consumers who could buy at old price of Rs. 5 (that is, the gain to the old buyers); also the gain to the new buyers of good X at lower price of Re 1.

Assignment 2

Answer the following Middle Category questions in about 250 words each. Each question carries 10 marks. 3 × 10 = 30

3. Consider the following Cobb-Douglas utility function

$$U(x_1, x_2) = x_1^2 x_2^2$$

$$P_1 = 10, P_2 = 5$$

Where x_1 and x_2 are the two goods and P_1 and P_2 are their respective prices.

- (i) Determine the optimal choice of consumption of x_1 and x_2

(ii) Find the expression for Indirect Utility Function

4. What is meant by “Cost Minimisation”? Explain how a rational producer maximizes his profits using Isoquant and Isocost line.
5. State and explain the two fundamental theorems of welfare economics.

Assignment 3

Answer the following Short Category questions in about 100 words each. Each question carries 6 marks. 5 × 6 = 30

6. List the three important properties about preferences. When are preferences said to be “well-behaved”?
7. If production function is given by $Q = 10\sqrt{LK}$
 - (i) Calculate the elasticity of output with respect to labor (L)
 - (ii) Calculate the elasticity of output with respect to capital (K)
 - (iii) What kind of returns to scale does it exhibit?
8. What are the two approaches to profit maximization under perfect competition? If $TR = 400Q - 2Q^2$, $TC = 1800 + 50Q + 3Q^2$. Find the profit maximizing level of output for the firm.
9. What is a Walrasian equilibrium? Explain how a “non-competitive equilibrium is inefficient”.
10. Write short note on any three
 - (i) Compensating Variation
 - (ii) Certainty Equivalent
 - (iii) Labor- deepening Technical Progress
 - (iv) CES production function