

EEC-11

**Bachelor's Degree Programme
(BDP)**

**ASSIGNMENT
2020-21**

**Course Code: EEC-11
Title of Course: Fundamentals of Economics**



**School of Social Sciences
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EEC-11
FUNDAMENTALS OF ECONOMICS
Assignment (TMA)
2020-21

Programme Code: BDP
Course Code: EEC-11

Dear Student,

As explained in the Programme Guide for BDP, you will have to do one assignment for this Elective course in Economics (EEC-11). This is a Tutor Marked Assignment (TMA) and carries 100 marks.

It is important that you write answers to all the questions in your own words. The TMA is designed to enable you to answer different categories of questions. Here evaluation is made keeping in view your ability to present your answer in a systematic, precise and coherent manner. The assignment is divided into three Sections. Remember that all questions are compulsory. Section A comprises two long answer questions of 20 marks each. Section B comprises four questions of 12 marks each while in Section C you have to answer two questions of 6 marks each.

Submission: The completed assignments should be submitted to the Coordinator of your Study Centre.

Last date for submission of assignment is

31st March, 2021	for the students appearing in the June 2021 Term End Examination
30th September, 2021	for the students appearing in December 2021 Term End Examination

EEC-11

FUNDAMENTALS OF ECONOMICS

TMA

(Coverage: Blocks 1 to 9)

Programme Code: BDP

Course Code: EEC-11

Asst. Code: EEC-11/AST-1(TMA)/2020-21

Maximum Marks: 100

Note: Answer all the questions.

Section-A

Long Answer Questions (Answer in about 500 words each)

15x 2=30

1. (a) Compare and contrast the Heckscher-Ohlin theory of trade and the Ricardian comparative cost theory. **(5)**
(b) Consider two countries A and B, both producing commodities X and Y using labour as a factor of production. The output produced by a unit of labour in each of the country is given in the following table:

Table 1: Output of Good X and Y produced per unit of labour in country A and B

	Country A	Country B
Commodity X	9	1
Commodity Y	40	9

Based on the above information, explain how trade can benefit both country A and B. Which country will import commodity X and which country commodity Y? **(10)**

2. (a) Use IS and LM framework to distinguish between the Classical and Keynesian approaches to goods and money market equilibrium determination. **(10)**

(b) Consider the following model: **(5)**

$C = 10 + 0.5Y_d$ where C stands for consumption

Y_d (Disposable income) = $Y - T$ where Y is the income and T stands for tax.

I (Autonomous investment) = 40

G (Government expenditure) = 30

T (Tax) = 20

Find out the equilibrium level of Income, Consumption and Savings.

Section –B

Medium-Answer Questions (Answer in about 250 words each)

10x 5=50

3. (i) Using an appropriate diagram, explain the interplay between the marginal product and the average product curves at the stages of increasing returns and diminishing returns.
(ii) Also include the total product curve in the diagram and explain the three different stages of production. A rational producer would choose to produce in which stage?
4. (i) Consider Figure 1, where DD' represents the demand curve for a good. Find the price elasticity of demand for this good at point A and point B.
(ii) Given the price elasticity of demand for a good as 0.6. Suppose price of this good decreases by 10%, what would we expect to happen to the quantity demanded?

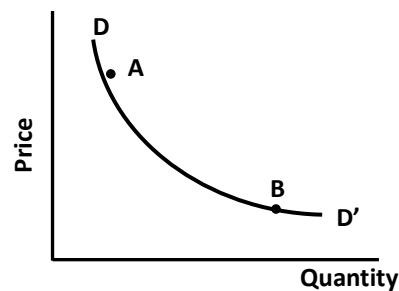


Figure 1

5. Using appropriate diagrams compare long-run equilibrium conditions of a firm under perfect competition, monopoly and monopolistic competition market structures.
6. Compare and contrast Classical quantity theory of money with the Keynesian theory of demand for money.
7. (i) What is meant by the derived demand?
(ii) Explain the relation between the marginal revenue product and marginal physical product under perfect and under imperfect commodity market conditions.

Section – C

Short Answer Questions (Answer in about 100 words each)

10x 2=20

8. Distinguish between any two of the followings:
 - i. Demand-pull inflation and Cost-pull inflation

- ii. Goods market equilibrium and Money market equilibrium
- iii. Cardinal utility approach and Ordinal utility approach to consumer behaviour
- iv. External Economies and Diseconomies of Scale
- v. Incidence of a tax and Impact of a tax

9. Explain the followings:

- i. Inflationary impact of budget deficit
- ii. Liquidity Trap
- iii. Engel's Curve
- iv. Economic Region of Production
- v. Law of Diminishing Marginal Utility