

BECC-101

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

ASSIGNMENT 2021-22

For July 2021 and January 2022 Admission cycle

COURSE CODE: BECC-101

INTRODUCTORY MICROECONOMICS



**SCHOOL OF SOCIAL SCIENCES
INDIRAGANDHINATIONALOPENUNIVERSITY**

Dear Student,

As explained 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- 101 Introductory Microeconomics** which is a six credit course.

Assignment One has Descriptive Category Questions (DCQs) along with the application part. These questions are framed to check your understanding of various introductory concepts of Economics along with your ability to solve the application based questions 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.

Assignment Three has Short Category Questions (SCQs). These questions are meant to improve your skill of recalling in brief the relevant/precise information about various economic 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.

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 to the **Coordinator of your study centre**. This assignment is valid for two admission cycles (**July 2021 and January 2022**).

1. By **30th April, 2022** by the students who took admission in the Academic Cycle **July, 2021**.
2. By **31st October, 2022** by the students who took admission in the Academic Cycle **January, 2022**.

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-101 : INTRODUCTORY MICROECONOMICS
Tutor Marked Assignments

Course Code: BECC-101
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. Word limit does not apply in application part of the question.

2 × 20=40

1. (a) The Organisation of Petroleum Exporting Countries (OPEC) is an example of which form of market structure? Discuss its characteristic features. 10

(b) Using an appropriate diagram discuss Paul Sweezy's Kinked Demand curve theory. 10

2. (a) What are the assumptions of Indifference curve analysis of consumer equilibrium? 5

(b) Giffen goods must be inferior goods, while inferior goods, may or may not be Giffen goods. Do you agree? Comment. 4

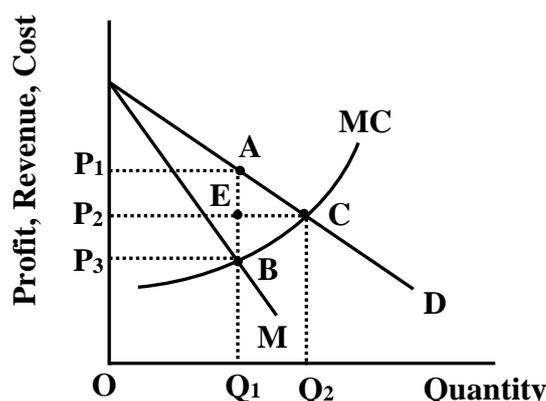
(c) Consider a consumer with income Rs 100. There are two commodities 1 and 2 to choose from. If the consumer spends all his income on good 1, he can buy 5 units of it. If he spends all his income on good 2, he can buy 20 units of it. Based on the given information, attempt the following:
 - (i) Write the equation of the budget constraint. Also, construct a budget line taking good 1 on the horizontal and good 2 on the vertical axis. What will be the slope of this budget line? 4
 - (ii) Suppose that in equilibrium this individual consumes 2 units of good 1 and 12 units of good 2. Plot this bundle in the same diagram. Draw a convex shaped indifference curve passing through this point. 3
 - (iii) Now suppose that income goes up to Rs 150. Illustrate how the budget constraint will change. If both goods are normal, mark the region on the new budget line where the new equilibrium will be? 4

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.

$3 \times 10 = 30$

3. (a) Consider the figure below where line D represents demand curve facing a monopolist, MR and MC represent the marginal revenue and the marginal cost curve, respectively.



Answer the following:

- (i) Which point depicts the monopoly equilibrium in the above figure? What will be the price charged and quantity produced by this monopolist? 2
 - (ii) What would have been the equilibrium output and price had it been a perfect competitive industry? Compare your result with that of a monopoly. 2
 - (b) Why a monopolist does not produce on the inelastic part of its demand curve? 3
 - (c) A monopolist has cost function $TC = 10 + 2Q$, where TC is the total cost of producing Q units of output. Demand in this market is given by the equation $Q = 14 - P$, where P stands for the price. Calculate the profit that the monopolist will be making. 3
4. (a) Consider the following Table which gives figures relating to the output of a commodity. The inputs used include, Land (which is fixed) and Labour (which is a variable factor).

No. of Labourers	Total Product
0	0
1	12
2	16
3	22
4	26
5	28
6	28
7	24
8	18

Based on the above table, attempt the following:

- (i) Mark the three stages of law of variable proportion in the above table. 2
 - (ii) In which stage will a rational producer choose to operate? Give reason. 3

 - (b) What are the reasons behind varying returns viz., increasing, constant and decreasing returns to a factor in production in the short-run? Will such varying returns to a factor hold in the long-run? 5
5. (a) Negative production externality leads to over-production. Do you agree? Illustrate using an appropriate diagram. 5
- (b) What role do taxes or subsidies play in internalising the externality that exists? 5

Assignment Three

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

5 × 6 = 30

- 6. What causes a backward bending labor supply curve? 6
- 7. Compare and contrast Marshallian theory with the Ricardian theory of rent. 6
- 8. Explain the concept of Derived demand of the factor of production. 6
- 9. What is the rationale behind the rationing system for allocation of scarce resources? 6
- 10. Explain the Second Fundamental Theorem of Welfare Economics. 6