BACHELOR OF ARTS

(BAG)

ASSIGNMENT

For the students enrolled in
July 2019 and January 2020 sessions

COURSE CODE: BECC-131

PRINCIPLES OF MICROECONOMICS – I

SCHOOL OF SOCIAL SCIENCES
INDIRA GANDHI NATIONAL OPEN UNIVERSITY
MAIDAN GARHI, NEW DELHI-110068

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- 131 Principles of 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 A 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 B 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 C 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.

Submission of the completed assignments :

Admission batch	Last date of submission	Place of submission
For the students enrolled in July 2019	30th April 2020	Coordinator of the student's study center
For the students enrolled in January 2020	31st October 2020	

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.

   Wish you all the best !

**Discipline of Economics
SOSS, IGNOU, New Delhi**

BECC-131 : PRINCIPLES OF MICROECONOMICS - I
Tutor Marked Assignments

Course Code: BECC-131
Assignment Code: ASST /TMA /July 2019 and January 2020
Total Marks: 100

Assignment A

Answer the following Descriptive Category questions in about 500 words each. Each question carries 20 marks. Word limit will not apply in case of numerical questions.

$2 \times 20 = 40$

1. (a) Explain the concept of short-run and the long-run as associated with a firm.

   (b) Illustrate the relation between Marginal Cost (MC), Average Total Cost (ATC), Average Variable Cost (AVC) and Average Fixed Cost (AFC) curves. Given a total cost function,

   $$TC(Q) = 7Q^2 + 5Q + 75$$

   where Q represents quantity of output produced. Find the expression for Variable cost (VC), Fixed cost (FC), AVC, AFC and ATC.

   OR

   (a) Differentiate between Private and Social cost.

   (b) Describe with the help of a diagram interaction between the Short-run Average Total Cost curves and the Long-run Average Total Cost curve given that the firm has five plant sizes to consider *viz*. I, II, III, IV and V (in ascending order of their size), wherein plant size III turn out to be optimal plant size in the long run.

2. (a) Discuss the income and substitution effects of a price change in case of an inferior good.

   (b) Consider the demand curve AC of a good in Figure 1. Given distance AB and BC as x and y, respectively,

      (i) What will be the price elasticity of demand for the good at point B? What will be the price elasticity of demand for the good at point A and at point C?

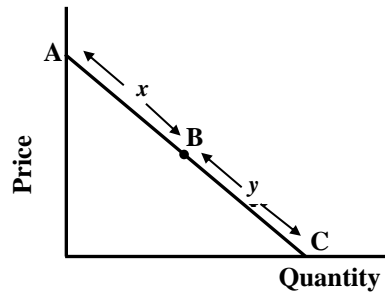(ii) Given that price elasticity at point B is 1, how *x* and *y* will be related?

Figure 1

OR

(a) A Giffen good is a special type of inferior good. Do you agree? Give reason.

(b) (i) Consider Figure 2, where DD' represents the rectangular hyperbola demand curve for a good. Find the price elasticity of demand for this good at point A and point B.
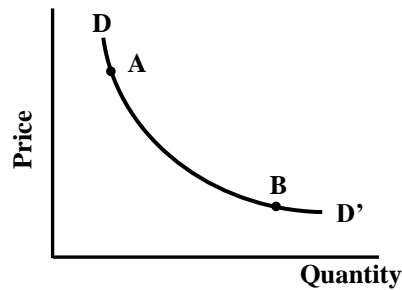

Figure 2

(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?

Assignment B

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

3. A rent ceiling prohibits charging rent that exceeds the ceiling amount. Suppose government decides to put a rent ceiling.

(a) With the help of a diagram show the effect of a rent ceiling on the supply and demand of a rented house if the ceiling is set below the market equilibrium rent.

(b) What will be the resultant effects on supply and demand of a rented house if the ceiling is set above the market equilibrium rent?

OR

(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.

(b) The demand and supply functions of a good are given by $Q_D = 110 - 5P$; $Q_S = 6P$ where P, Q_D and Q_S denote price, quantity demanded and quantity supplied, respectively. Find the inverse demand and supply functions and the market equilibrium price and quantity.

4. Consider a consumer who consumes two goods X and Y, priced at P_X and P_Y, respectively. Suppose price of good X rises to P_X'. Decompose price effect of this price increase into substitution and income effect using Hicksian approach.

OR

Does tangency of indifference curve with the budget line always result in optimal solution for the consumer utility maximisation problem? Discuss.

5. (a) Define Marginal rate of Technical Substitution (MRTS).

(b) Given that the two factor of production behave as perfect substitutes to one another in the production process, what will be the shape of the corresponding isoquant and the value of the MRTS as we move down along the isoquant?

OR

Compare the producer's equilibrium condition given by 'maximisation of output for a given cost' with that given by 'minimisation of cost for a given level of output'. Do both these conditions result in same outcome?

Assignment C

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

$$5 \times 6 = 30$$

6. What causes Increasing returns to a variable factor in the production process?

7. Differentiate between changes in supply and changes in quantity supplied.

8. Discuss the central problems of an Economy.

9. Law of Variable Proportion is a short-run concept. Do you agree?

10. Differentiate between External Economies and External Diseconomies.