BACHELOR'S OF ARTS (ECONOMICS HONOURS) PROGRAMME

(BAECH)

ASSIGNMENT 2021
For January 2021 Admission cycle

COURSE CODE: BECC-108

INTERMEDIATE MICROECONOMICS - II

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-endexamination. In the final result, assignments of a course carry 30% weightage while 70% weightageis 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-108Intermediate Microeconomics- II** 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 is intended to test your ability to understand the topic in a systematic, to-the-point and coherent manner.

Assignment Two 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 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 October, 2021 by the students who took admission in the Academic Cycle January, 2021**.

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.

Course Code: BECC-108
Assignment Code: Asst /TMA /2021
Total Marks: 100

Assignment One

Answer the following questions. Each question carries 20 marks

$2 \times 20 = 40$

1. (a) Elucidate price and output determination under any two non-collusive models of Oligopoly. (10)

   (b) Consider a market structure comprising two identical firms (A and B), each with the cost function given by

   $C_i = 30Q_i$, where Q_i for $i = \{A, B\}$ is output produced by each firm.

   Market demand is given by
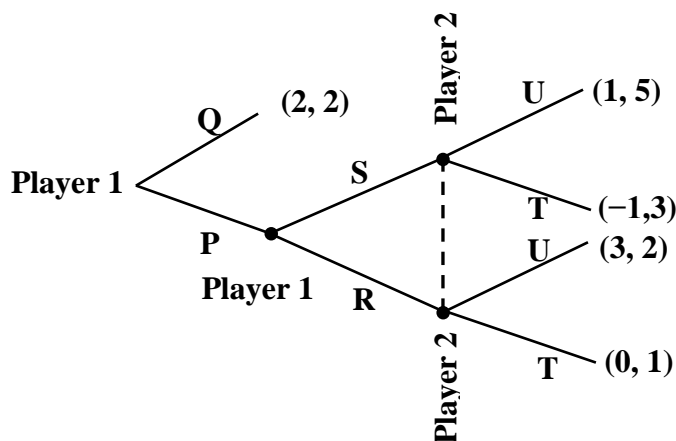 $$P = 210 - 1.5Q, \text{ where } Q = Q_A + Q_B$$

   (i) Find Cournot equilibrium. (5)

   (ii) What will be the outcome if the firms decide to collude? Compare it with the results under the Cournot equilibrium. (5)

2. (a) How would you differentiate a Static game from a Dynamic game? (6)
   (b) What is meant by a Subgame Perfect Nash equilibrium? (6)
   (c) Consider the following game.

   (i) Can Backward induction be applied in this game to find a solution? Why or why not? (4)

   (ii) What will be the Subgame Perfect Nash equilibria for the given game? (4)

Assignment Two

Answer the following questions. Each question carries 10 marks.

$$3 \times 10 = 30$$

3. Consider an Edgeworth box that describes a two-person, two-commodity exchange scenario. Explain how trade takes place between the two individuals starting from the initial endowment position. What is the significance of the slope of the ray passing through a Pareto optimal point and the endowment point? (10)

4. Discuss the situation when the price mechanism fails to allocate resources efficiently. What could be possible ways to correct such a failure? (10)

5. A monopolist operates under two plants, 1 and 2. The marginal costs of the two plants are given by

$$MC_1 = 20 + 2Q_1 \text{ and } MC_2 = 10 + 5Q_2$$

where Q_1 and Q_2 represent units of output produced by plant 1 and 2 respectively. If the price of this product is given by $20 - 3(Q_1 + Q_2)$, how much should the firm plan to produce in each plant, and at what price should it plan to sell the product? (10)

Assignment Three

Answer the following questions. Each question carries 6 marks.

$$5 \times 6 = 30$$

6. What is the role of price elasticity of demand in applying the third-degree price discrimination?
7. Differentiate between Signalling and Screening as solutions to problem of asymmetric information.
8. Compare and contrast the Benthamite welfare function with the Rawlsian welfare function.
9. Discuss the concept of Excess capacity associated with the monopolistic competition.
10. A game may have multiple Nash equilibria or none at all.Do you agree? Give reason.