BACHELOR'S OF ARTS (ECONOMICS HONOURS) PROGRAMME

(BAECH)

ASSIGNMENT 2026-27

For July 2026 and January 2027 Admission cycle

COURSE CODE: BECC-105

INTERMEDIATE MICROECONOMICS - I

SCHOOL OF SOCIAL SCIENCES

INDIRAGANDHINATIONALOPENUNIVERSITY

MAIDAN GARHI, NEW DELHI-68

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- 105 INTERMEDIATE MICROECONOMICS – I** 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**. **The assignments should be submitted to the Coordinator of your Study Centre as per the following schedule:**

1. **By 31st March, 2027 by the students who took admission in the Academic Cycle July, 2026**.

2. **By 30th September, 2027 by the students who took admission in the Academic Cycle January, 2027**.

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. This 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:

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.

Organisation: Be a little selective and analytic before drawing up a rough outline of your answer. Give adequate attention to your introduction and conclusion.

1)

2) 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: BECC-105/2026-27
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 case of numerical questions 2×20 = 40

1. (a) Consider a consumer's utility function:

   $U=(x_1,x_2)=x_1^{1/2}\, x_2^{1/2}$

   Assuming price of good x_1 and good x_2 to be $p_1=10$ and $p_2= 20$, respectively and income of the consumer be M=600. Determine the optimal choice of consumption of goods x_1 and x_2. Derive the consumer's budget constraint. Determine the utility-maximising quantities of and calculate the maximum utility. Explain how the equilibrium changes if the price of falls to ₹5.

   (b) Explain the concept of revealed preference and discuss how it provides an alternative approach to analysing consumer behaviour. How does it differ from the cardinal utility approach?

2. (a) A perfectly competitive firm faces a market price of ₹50. Its total cost function is:

   $$TC = 100 + 10Q + Q^2$$

   Determine the followings

   i. The profit-maximising level of output.
   ii. The firm's profit.
   iii. The shutdown condition.
   iv. Whether the firm should continue production in the short run.

   (b) Explain the difference between short-run and long-run equilibrium under perfect competition. Why can firms earn supernormal profits in the short run but only normal profits in the long run?

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× 10 = 30

3. Compare the Hicksian and Slutsky approaches to decomposing the price effect into income and substitution effects.

4. a) State the Coase Theorem. How can private bargaining be a solution to externalities? Under what conditions will it work effectively?

b) A firm produces 100 units of output. The marginal private cost (MPC) is constant at ₹20. The production generates a marginal external cost (MEC) of ₹10 per unit. The marginal benefit (MB) to consumers is ₹30 per unit. Find:

i) What is the socially optimal level of output?

ii) Calculate the Pigovian tax that would internalize the externality.

5. Consider the following payoff matrix for two firms:

	Firm B: High Price	**Firm B: Low Price**
Firm A: High Price	(50, 50)	(20, 70)
Firm A: Low Price	(70, 20)	(30, 30)

(i) Identify the dominant strategy, if any, for each firm.
(ii) Determine the Nash equilibrium.
(iii) Explain why the Nash equilibrium may produce lower joint profits than cooperation.
(iv) Relate this outcome to the Prisoner's Dilemma in oligopoly.

Assignment Three

Answer the following Short Category questions in about 100 words each. Each question carries 6 marks. Word limit does not apply in application part of the question.

5 × 6 = 30

6. What are the key properties of the profit function? Explain the concept of convexity in this context.

7. Under what circumstances can a firm in perfect competition continue producing even when it is making losses in the short run?

8. What is a quasi-linear utility function?

9. Define MRS and explain its economic significance.

10. Explain moral hazard and free rider problem?