

PRINCIPLES OF MICROECONOMICS - I

Tutor Marked Assignments

Course Code: BECC-131

Assignment Code: Asst /TMA /2025-26

Total Marks: 100

Assignment One

Answer the following Descriptive Category questions in about 500 words each. Each question carries 20 marks

$2 \times 20 = 40$

- Distinguish between law of demand and price elasticity of demand. Identify the factors on which price elasticity of demand depends. How does elasticity of demand help the economic agents in decision making.
 - Given the following information, find out the price elasticity of demand and cross elasticity of demand:

$$Q_d = 10 - 2P + P_s$$

where Q_d is the quantity demanded, P is the price of the product which is given as Rs. 10, and P_s is the price of the substitute good which is given as Rs 20.

- Explain with illustration the three stages of production. Why should a rational producer under competitive condition should produce in stage II?
 - What is production possibility curve (PPC)? How does a PPC provide an economy's menu of choices?

Assignment Two

Answer the following Middle Category questions in about 250 words each. Each question carries 10 marks.

$3 \times 10 = 30$

- How do want and utility are interconnected to each other? How is the cardinal approach different from ordinal approach to consumer behavior?
 - On what grounds, the law of diminishing marginal utility is criticized by the modern economists?
- Discuss the various shapes of isoquants that may be assumed depending on the degree of substitutability. What are the properties of Isoquants?

- (b) Can a firm have a production function that exhibits increasing returns to scale, constant returns to scale and decreasing returns to scale as output increases? Give reasons in support of your answer.
5. What are implicit costs? How are these implicit costs are estimated? Do you think that these costs be included as part of costs of production? Give reasons for your answer.

Assignment Three

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

$$5 \times 6 = 30$$

6. Explain how does 'scarcity' lie at the root of all economic activities?
7. Explain with diagrams the approaches that are used to decompose the price effect into substitution effect and income effect.
8. Given the following supply and demand functions of a commodity X, determine its equilibrium price and quantity.

$$Q_d = 8000 - 1000P_x$$

$$Q_s = -4000 + 2000P_x$$

9. Discuss the relationship between marginal and average product curves.
10. What do you mean by the term 'isocosts'? How does isocosts help a producer to attain equilibrium?