MASTER OF ARTS

(ECONOMICS)

(MAEC)

ASSIGNMENT 2026-27

For July 2026 and January 2027 Admission cycle

COURSE CODE: MEC 001/101

MICRO ECONOMIC ANALYSIS

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-endexamination. In the final result, assignments of a course carry 30% weightage while 70% weightage is given for term-end examination. This Assignment booklet has TMAs for the core course **MEC 101 MICRO ECONOMIC ANALYSIS** which is a six-credit course.

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.

MEC 101: MICRO ECONOMIC ANALYSIS
Tutor Marked Assignments

Course Code: MEC- 001/101
Assignment Code: Asst /TMA /2026-27
Total Marks: 100

PART I

Answer the following questions. Each question carries 20 marks

$2 \times 20 = 40$

1. Consider a Cobb-Douglas utility function

   $$U(X, Y) = X^{\alpha} Y^{(1-\alpha)},$$

   Where X and y are the two goods that a consumer consumes at per unit prices of P_x and P_y respectively. Assuming the income of the consumer to be ₹M, determine:

   a. Marshallian demand function for goods X and Y.

   b. Indirect utility function for such a consumer.

   c. The maximum utility attained by the consumer where $\alpha = 1/2$, P_x =₹ 2, P_y = ₹ 8 and M= ₹ 4000.

   d. Derive Roy's identity

2. a. A monopolist uses one input X, which she purchases at the fixed price p=5 in order to produce output q. Her demand and production functions are:

   P=85-3q and **$q= 2x^{1/2}$** respectively.

   Derive the equilibrium output and equilibrium profit.

   b. "In real world, sometimes it is not possible to achieve optimum welfare." Comment and discuss the obstacles in attaining Pareto optimum.

PART II

Answer the following questions. Each question carries 12 marks.

5 X 12=60

3. a.) How is Cournot's model of oligopoly different from Bertrand's model of oligopoly?
   b.) Suppose the demand for a product is given by p=d (q)=−0.8q+150 and the supply for the same product is given by p=s(q)=5.2q For both functions, q is the quantity and p is the price. Find out producer surplus and consumer surplus.

4. a.) Define games of complete and incomplete information

   b.) From the following pay-off matrix, where the payoffs (the negative values) are the years of possible imprisonment for individuals A and B, determine:

   (i) The optimal strategy for each individual.

   (ii) Do individuals A and B face a prisoner's dilemma?

	Individual B		
Individual A		Confess	Don't Confess
	Confess	(-5, -5)	(-1, -10)
	Don't Confess	(-10, -1)	(-2, -2)

5. a.) Do you think that a risk-averse individual gamble or will a risk lover purchase insurance? Explain your answer.

   b) Radha has assets worth 10,000 rupees and is facing a loss of 3,600 with a probability of 0.002. She is indifferent between paying G rupees for insurance protection and assuming the risk of loss personally. She values total assets of amount $w \geq 0$ according to the utility function $u(w) = w^{1/2}$. Determine G.

6. a.) What do you mean by market failure? What are its causes?
   b) What are the two principles of justice as mentioned by the philosopher Rawls?
7. Write short notes on following:
   a) vNM expected utility theory
   b) Homogeneous and Homothetic production functions
   c) Pooling and separating equilibrium
   d) Bilateral monopoly