ASSIGNMENT

CourseCode	**:**	**MAM-053**
Course Title	**:**	**Managerial Economics and Finance in Agribusiness**
Assignment Code	**:**	**MAM-053/2026**
Coverage	**:**	**All Blocks**

Note:

- Attempt any **FIVE**questions and submit this assignment to the Coordinatorof your studycentre. Each answer may contain approx. 500 words.
- Evaluation of the assignment follows the letter grading system. Grade A, B, C, D, or E will be awarded in order of performance of learners based on highest (A grade) to lowest (E grade). For details, go through the MBAABM programme guide.

1.	What do you understand by economic surplus? Discuss its components and measurements.
2.	Explain the laws of demand and supply. Discuss the conditions for market equilibrium of a commodity.
3.	What is a monopoly market? Discuss the Equilibrium of a monopolist in the short run and long run.
4.	What do you understand by accounting standards? Explain the objectives and benefits of accounting standards. Mentions the Indian accounting standards issued by the Institute of Chartered Accountants of India (ICAI).
5.	What is a trial balance? Prepare a trial balance using hypothetical data.
6.	Describe the accounting under a situation of price level change and its uses and limitations.
7.	Discuss the schemes available to support the financing for setting up enterprises.
8.	Explain the concept of risk management. Also, explain the whole process of risk management.

1. What do you understand by economic surplus? Discuss its components and measurements.

Answer:

Economic surplus is the net economic benefit created when a commodity is exchanged in a market. It measures the gain received by consumers and producers over and above the minimum amounts needed for them to participate in the transaction. In a simple market, total economic surplus is the sum of consumer surplus and producer surplus. It is therefore a useful measure of the welfare generated by market exchange.

Components of economic surplus

1. Consumer surplus is the difference between the maximum amount a consumer is willing to

pay for a commodity and the amount actually paid. For example, if a consumer is willing to pay Rs. 80 for a unit but the market price is Rs. 60, the consumer surplus on that unit is Rs. 20. For the whole market, consumer surplus is measured by the area below the demand curve and above the market price, up to the quantity purchased.

2. Producer surplus is the difference between the price actually received by a producer and the

minimum price required to supply the commodity. The minimum acceptable price is represented by the supply curve and reflects marginal cost. Thus, producer surplus is measured by the area above the supply curve and below the market price, up to the quantity sold.

Accordingly, Economic Surplus (ES) = Consumer Surplus (CS) + Producer Surplus (PS). At a competitive market equilibrium, units are exchanged up to the point where the value placed on the last unit by consumers is equal to the marginal cost of producing it. Under the usual assumptions, this gives the maximum total surplus available from voluntary exchange.

Measurement of economic surplus

For a market with straight-line demand and supply curves, the two surpluses can be measured geometrically. If Pe is the equilibrium price and Qe is the equilibrium quantity, consumer surplus is the triangular area between the demand curve and Pe, while producer surplus is the triangular area between Pe and the supply curve. Thus, CS = 1/2 x Qe x (demand-price intercept - Pe), and PS = 1/2 x Qe x (Pe - supply-price intercept). Total economic surplus is the sum of these two areas, or the area lying between the demand and supply curves from zero to Qe.