TUTOR MARKED ASSIGNMENT

COURSE CODE	**:**	**BCOG-171**
COURSE TITLE	**:**	**PRINCIPLES OF MICRO ECONOMICS**
ASSIGNMENT CODE	**:**	**BCOG-171/TMA/2026-27**
COVERAGE	**:**	**ALL BLOCKS**

Maximum Marks: 100

Note: Attempt all the questions.

Section – A
(Attempt all the questions. Each question carries 10 marks.)

Q.1 Explain fully the concept of monopolistic competition. What are the reasons behind the difficulties which come in the way of free entry of firms into a market? **(10)**

Q.2 What is meant by returns to scale? Discuss the economies and diseconomies of scale. **(10)**

Q.3 Explain the law of demand with the help of a demand schedule and a demand curve. **(10)**

Q.4 Define the concept of Marginal cost. What is the relation between average cost and marginal cost? Use suitable diagrams. **(10)**

Q.5 State the Law of Equimarginal Utility. Discuss its limitations. **(10)**

Section – B
(Attempt all the questions. Each question carries 6 marks.)

Q.6 Explain the fundamental/central problems of an economy. **(6)**

Q.7 What is the elasticity of supply? Discuss the important determinants of the elasticity of supply. **(6)**

Q.8 Define Indifference Curve. Explain the assumptions of the indifference curve. **(6)**

Q.9 Define the perfect competitive market. Explain the characteristics of perfect competition. **(6)**

Q.10 Discuss the three methods of raising wages. **(6)**

Section – C
(Attempt all the questions. Each question carries 5 marks.)

Q.11 What do you understand by factors of production? Briefly explain each of the four main factors. **(5)**

Q.12 Distinguish between Microeconomics and Macroeconomics. **(5)**

Q.13 What is meant by price elasticity of demand? Briefly explain the determinants of price elasticity of demand. **(5)**

Q.14 What is the theory of Production? Explain the relevance of the theory of production in various fields. **(5)**

Q.1 Explain fully the concept of monopolistic competition. What are the reasons behind the difficulties which come in the way of free entry of firms into a market? (10)

Answer

Monopolistic competition is a market situation in which many firms sell products that are close substitutes but are not exactly identical. The idea combines two features: competition because many sellers compete for customers, and a small element of monopoly because each seller has some control over the price of its own differentiated product. Restaurants, clothing shops, salons and brands of toothpaste provide familiar examples. A customer may prefer one seller even when similar products are available elsewhere.

Main features of monopolistic competition

- There are many buyers and sellers. Each firm has a relatively small share of the whole market, so one seller cannot control the entire industry. However, its decisions about quality, packaging and service may affect its own customers.
- Product differentiation is the central feature. Goods may differ in design, brand, location, quality, packaging or after-sales service. Sometimes the physical difference is small, but advertising creates a distinct image. This makes the firm's demand curve downward sloping: it can raise its price somewhat without losing every buyer.
- Selling costs matter. Firms spend on advertisements, attractive displays, product improvement and customer service to build loyalty. Such expenditure may increase demand for a particular brand, although it also adds to cost.
- In the usual textbook model, firms can enter or leave in the long run. If existing firms earn extra profits, new competitors are attracted. Over time the entry of similar but differentiated products reduces the demand available to each old firm. Long-run economic profit tends towards normal profit, though firms can retain some spare capacity.
- Price and non-price competition exist together. One shop may offer discounts, while another offers better design, cleanliness, location or convenience. The products are substitutes, but not perfect substitutes.

Why entry is difficult in practice

Free entry is an important assumption of the simplified model, but it does not mean that starting a business is completely costless. Actual markets may contain several obstacles.