

PRINCIPLES OF MICRO ECONOMICS (HSS-1021)

ASSIGNMENT 1

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Assignment Name: PME ASSIGNMENT 1

Starting Date of Assignment Submission: 13.01.21

Ending Date of Assignment Submission: 16.01.21

1. You have one scarce hour to spend between studying for an examination or taking classes in a tutorial for Rs. 200 per hour. You choose to study for examination. What is the opportunity cost of studying?
2. Describe the trade-off faced by a member of Congress deciding how much to spend on national parks and a Maths professor deciding whether to prepare for class.
3. While providing poor students with midday meal package, what is the government trying to improve efficiency or equality?
4. Suppose USA has a high average wage level and a high level of output per person, while China has a low average wage level and low level of output per person. Which Country can benefit from trade?
5. You like the movie "Tumbbad" and want to visit the movie as many times as possible. The total satisfaction derived from watching movie is given in the following table.

No of times watch the Movie	1 st	2 nd	3 rd	4 th	5 th	6 th
Total Satisfaction	400	700	950	1170	1270	1300

If the cost of watching movie each time is Rs. 220/-, then how many times you will watch the Movie?

6. Does a trade-off between inflation and unemployment exist in Short run? Justify your answer.

7. Show the following transaction in the circular flow diagram. Birbhum oil mill produces and sells 300 litres of oil at a price of Rs. 110/litre per day. Birbhum oil mill engages 4 persons in his factory with a wage of Rs. 500/- per day.

8. Ravan Rusell borrowed Rs.10,000 to buy machinery for his small business. The total amount he repaid to his lender was Rs. 12,000. Identify the additional amount of Rs. 2000 Rusell paid his lender as which type of factor of payment in the circular flow model.

9. Draw a PPC showing changes for each of the following for an economy producing both pizza and robots:

- a. New robot making technology.
- b. Decrease in the demand for pizza
- c. Mad cow disease kills 85% of cows

10. PP Frontier slopes downward because production of one commodity (X) can be increased only by decreasing the production of second commodity (Y). Explain.