

Assignment

Principle of Microeconomics

BA(prog) V Sem

1. Describe the effects of implementing a price ceiling below the equilibrium price and price floor above the equilibrium price graphically. How might these interventions impact the market ? Give one real world example of each.
2. How do taxes affect equilibrium price and quantity in the market? How does the elasticity of demand and supply influence the distribution of tax burdens between consumers and producers?
3. What factors determine the price elasticity of demand for a product? How does each factor influence elasticity? How does a change in price affect total revenue when demand is elastic versus inelastic?
4. Define cross-price elasticity of demand. What do positive and negative values indicate about the relationship between two goods? Also Describe income elasticity of demand. Differentiate between normal and inferior goods using the concept of income elasticity.

5. Describe how a consumer determines their optimal consumption bundle. And also Describe the properties of indifference curves. How do they represent a consumer's preferences? Why can't two indifference curves intersect?
6. Differentiate between the substitution effect and the income effect when the price of a good decreases in case of normal goods. How do these effects influence a consumer's optimal choice?
7. Define the concept of opportunity cost. Why is understanding opportunity cost essential when making decisions? Provide a real-world example illustrating this principle through PPC model

