

**Internal Assessment Test**  
**Paper – Principles of Microeconomics**  
**BA (Prog) Semester V**

Marks – 20 marks

Time- 1hr

1. Draw a budget constraint and indifference curves for food and clothing. Show what happens to consumer's optimum bundle when the price of food falls. In your diagram, decompose the price effect into an income effect and a substitution effect.  
(6pts)

2. Explain how an increase in the wage can potentially decrease the amount that a person wants to work. (5pts)

3. What mechanisms allocate resources when the price of a good is not allowed to bring supply and demand into equilibrium ? Explain with its consequences. (5pts)

4. What determines how the burden of a tax is divided between buyers and sellers?  
Why? (4pts)

*Arjun*