**SESSION MARCH 2023**

**PROGRAM BACHELOR OF COMMERCE (B.COM.)**

**SEMESTER I**

**COURSE CODE &amp; NAME DCM 1102– ECONOMIC THEORY**

**CREDITS 4**

**Assignment Set – 1**

**1. What is utility? Examine the importance of law of diminishing marginal utility in**

**demand analysis.**

**Ans:** People buy goods and services since it provides them with a level of satisfaction which is referred to as utility. There are many economic theories based on the economic utility of a good or service, and it is necessary to understand the concept of utility since it has a direct impact on the demand and price of that good or service. Since it is not possible to measure and quantify the utility of a consumer, some economists believe that an indirect estimate of

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**2. Write a note on factors affecting supply along with suitable examples.**

**Ans: FACTORS AFFECTING SUPPLY**

Many important factors are involved in establishing the supply of a product or service. Any kind of change in any of these factors will have an impact on the supply of the product and can result in a change in the supply of the goods or services.

**Some of these factors are as follows:**

**3. Elucidate the concept of isoquants. Also discuss their types.**

**Ans: An isoquant** is a locus of points that represent the different technically efficient ways of combining the factors of production for producing a fixed level of output. Isoquant term is taken from a Greek word ‘iso’ which implies ‘equal’ and ‘quantus’ that means ‘quantity’.

The isoquant curve is known as the ‘equal product curve’ or production indifference curve. An isoquant curve presents the locus of points which indicates various combinations of two

**Assignment Set – 2**

**4. Define monopolistic competition and price determination in it.**

**Ans:** A monopolistic competition market is a kind of market system that has the combination of a monopoly and perfect competition markets. In the monopolistic competitive market system, many firms or sellers offer the same products, but they are not the perfect substitutes.

There are several competitors in the market, but the main point is that each competitor is

**5. Critically analyze the subsistence theory of wage determination.**

**Ans: SUBSISTENCE THEORY OF WAGE DETERMINATION**

The subsistence theory of wages was first explained by David Ricardo in around 1172- 1823. As per Ricardo, “The labourers are paid to enable them to subsist and perpetuate the race without increase or diminution”. This payment is referred to as ‘subsistence wages’. According to this theory, the determination of wages is by the cost of production of labour or

**6. Examine the concept of ‘Paradox of thrift’.**

**Ans: The paradox of thrift** was a concept put forward by economist John Maynard Keynes and he believed that people normally try to save more during the period of economic recession. This results in the fall of aggregate demand and eventually leads to a decrease in the economic growth of the country.

These situations are not good for the economy since the investments give lower returns than