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| **SESSION** | **FEBRUARY 2024** |
| **PROGRAM** | **BACHELOR of commerce (B.com.)** |
| **SEMESTER** | **I** |
| **course CODE & NAME** | **DCM 1102– Economic theory** |
| **CREDITS** | **4** |

**Assignment Set – 1st**

**Questions**

**1. What is demand? Discuss in detail elasticity of demand.**

**Ans:What is Demand?**

Demand refers to the quantity of a good or service that consumers are willing and able to purchase at various prices over a given period. It is a fundamental concept in economics that illustrates the relationship between the price of a good and the quantity demanded by consumers.

**Key aspects of demand include:**

**- Law of Demand:** This principle states that, all else being equal, as the price of good decreases, the quantity demanded increases, and vice versa.

**- Demand Curve:** A graphical representation of the relationship between price and quantity

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

**Ans:Factors Affecting Supply**

Supply refers to the quantity of a good or service that producers are willing and able to sell at various prices over a given period. Several factors influence supply, which can cause the supply curve to shift either to the right (an increase in supply) or to the left (a decrease in supply). Understanding these factors is crucial for businesses, policymakers, and economists.

**Here are the primary factors affecting supply along with examples:**

**1. Price of the Good or Service**

**3. Elucidate the concept of indifference curve. Also discuss its characteristics.**

**Ans:**The concept of the indifference curve was first introduced by British economist Francis Ysidro Edge worth and thereafter in the 20th century, it was used by Italian economist Wilfred Pareto. Economists like Hicks, Allen, Samuelsson, Edge worth and many others played an important role in popularizing the concept of indifference curves.

**Characteristics of Indifference Curves Downward Sloping:**

Indifference curves slope downwards from left to right. This is because, to maintain the same level of utility, an increase in the quantity of one good must be offset by a decrease in the

**Assignment Set – 2nd**

**Questions**

**4. Elucidate perfect competition. Explain the price determination under it.**

**Ans:** A perfect competition market is a market system that is characterised by several buyers and sellers. In this form of perfect competition, there are a large number of buyers and sellers. Since there are so many people and players in the market, no one of them can bring any change to the prevailing price in the market. There are many alternatives and choices

**5. 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 normal. Hence Keynes introduced the concept of paradox

**6. Analyze the Marginal productivity Theory of Wage Determination.**

**Ans:**

This theory was propounded by Phillips Henry Wick-steed (England) and John Bates Clark in 1890. As per this theory, wages are computed based on the demand of labour that determines its price. Hence according to the marginal productivity theory of wage, under perfect competition, a worker’s wage is equal to the marginal as well as the average revenue productivity. This logically implies that marginal revenue productivity and average revenue productivity (ARP) of a worker determines the wages payable to him/her.