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| **SESSION** | **JANYARY – FEBRUARY 2025** |
| **PROGRAM** | **BACHELOR OF BUSINESS ADMINISTRATION (BBA)** |
| **SEMESTER** | **01** |
| **COURSE CODE & NAME** | **DBB1114 MICROECONOMICS** |
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**Assignment Set – 1**

**1. Define the concept of elasticity of demand. What are the different degrees of price elasticity of demand? 2+8**

**Ans 1.**

**Elasticity of Demand and Degrees of Price Elasticity**

Elasticity of demand measures the responsiveness of quantity demanded of a good to changes in its price, income, or price of related goods. It shows how sensitive consumers are to changes in market conditions. When the price of a commodity changes, the extent to which demand for that commodity changes is referred to as price elasticity of demand. This concept helps businesses and policymakers understand consumer behavior and make pricing decisions

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**2. Explain the Law of Variable Proportion. 10**

**Ans 2.**

**Law of Variable Proportion**

Law of Variable Proportion is a fundamental concept in microeconomics which explains the relationship between input and output when the quantity of one input is varied while keeping other inputs constant. It is particularly applicable in the short-run production function where some factors are fixed. This law helps firms understand how to efficiently allocate resources to maximize output and minimize costs.

**Meaning and Definition**

Law of Variable Proportion states that as the quantity of one input increases while other inputs

**3. What is an indifference curve? Discuss the key properties of an indifference curve. 2+8**

**Ans 3.**

**Indifference Curve and its Properties**

An indifference curve is a graphical representation that shows different combinations of two goods between which a consumer is indifferent. In other words, every point on the curve represents combinations of two goods that give the consumer equal satisfaction and utility. The consumer does not prefer one combination over another since both provide the same level of happiness. Indifference curves are a key part of consumer choice theory and help economists

**Assignment Set – 2**

**4. Describe the kinked demand curve model in an oligopolistic market. 10**

**Ans 4.**

**Kinked Demand Curve in Oligopoly**

Kinked demand curve is an economic model developed to explain price rigidity often observed in oligopolistic markets. In an oligopoly, a few firms dominate the industry, and each firm’s pricing decisions affect the actions of other firms. The kinked demand curve model suggests that prices remain stable in oligopoly markets even when costs fluctuate, because firms are

**5. In which type of market is price discrimination practiced? Explain the various degrees of price discrimination. 2+8**

**Ans 5.**

**Market and Degrees of Price Discrimination**

Price discrimination is a pricing strategy where a seller charges different prices for the same product or service from different customers. It occurs when the seller is able to segment the market and prevent resale between consumers. Price discrimination is commonly practiced in an imperfect market, especially under monopoly and monopolistic competition, where the seller has some degree of control over price. The seller exploits differences in consumers'

**6. Illustrate and explain the cost-output relationship between short-run total cost curves with the help of a diagram. 10**

**Ans 6.**

**Cost-Output Relationship in Short Run**

Short-run cost-output relationship examines how total costs vary with changes in output when at least one factor of production is fixed. In the short run, firms can change only variable factors like labor and raw materials, while fixed factors like machinery and buildings remain constant. The behavior of short-run cost curves is essential for understanding production decisions and pricing strategies.

**Fixed Cost Curve**

Fixed costs are those costs that remain constant irrespective of the level of output produced.