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| **SESSION** | **FEB-MARCH 2025** |
| **PROGRAM** | **BACHELOR OF BUSINESS ADMINISTRATION (BBA)** |
| **SEMESTER** | **II** |
| **COURSE CODE & NAME** | **DBB1211 ECONOMIC THEORY** |
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**Assignment Set – 1**

**Q1. What is utility? Examine the importance of diminishing marginal utility in demand analysis. 3+7**

**Utility**

Utility refers to the satisfaction or benefit derived by a consumer from consuming a good or service. It is a subjective concept as the same product can offer different levels of satisfaction to different individuals. Economists use utility to explain how consumers make choices to maximize satisfaction within a given income. Utility is of two types—total utility and marginal utility. Total utility refers to the overall satisfaction from consumption, while marginal utility is the additional satisfaction gained from consuming one more unit of a good.

**Importance of Diminishing Marginal Utility**

The law of diminishing marginal utility is a fundamental principle in economics. It states that

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**Q2. Discuss the concept of supply. Also write a note on factors affecting supply along with suitable examples. 3+7**

**Concept of Supply**

Supply refers to the quantity of a product or service that producers are willing and able to offer for sale at different price levels over a specific period. Unlike demand, which reflects consumer behavior, supply reflects producer behavior. According to the law of supply, all other factors being equal, the quantity supplied increases with a rise in price and decreases when the price falls. This happens because higher prices offer better profit margins,

**Q3. Elucidate the concept of indifference curve. Also discuss its characteristics. 5+5**

**Indifference Curve**

An indifference curve represents a graphical view of various combinations of two goods that provide the same level of satisfaction to a consumer. The consumer is indifferent between these combinations, as each bundle yields equal utility. It is used in consumer theory to analyze choices between different bundles when prices and income are not fixed. Indifference curves are based on the ordinal approach to utility, meaning that satisfaction is ranked rather

**Assignment Set – 2**

**Q4. Elucidate perfect competition. Explain the price determination under it. 3+7**

**Ans 4.**

**Elucidate Perfect Competition. Explain the Price Determination Under It**

**Perfect Competition**

Perfect competition is a market structure characterized by a large number of buyers and sellers, where no individual firm has the power to influence the price of the product. In this market, the goods offered by different firms are identical, and all firms sell at a uniform price. It is considered the most ideal form of market due to its high efficiency and complete transparency. Consumers have perfect knowledge of prices and products, and there are no barriers to entry or exit in the market. Firms in perfect competition are price takers and not

**Q5. Examine the given concepts-**

**1. Paradox of thrift 2. Multiplier 5+5**

**Ans 5.**

**Paradox of Thrift**

The paradox of thrift is a concept in Keynesian economics which suggests that while saving is generally good for individuals, increased savings by the entire population can have adverse effects on the economy. According to this paradox, if people increase their savings during times of economic recession, it can lead to a decrease in aggregate demand, which results in

**Q6. Analyze the Marginal productivity Theory of Wage Determination and Ricardian theory of rent. 5+5**

**Ans 6.**

**Marginal Productivity Theory of Wage Determination**

The marginal productivity theory of wages states that in a competitive labor market, a worker is paid a wage equal to the value of their marginal product. This means the wage rate is determined by the additional contribution of one more unit of labor to total output. According to this theory, a rational employer will hire workers up to the point where the marginal