Principles of Michoeconomics

ASSIGNMENT- I

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Que1:-

Solution: - The opportunity cost of accepting the position at the Bureau of Engineering Research is 12,00,000 - 10,50,000 = 1,50,000 1- Rs a year.

Que 2:-

Solution:

(a)

Chocolates consumed (No)	0	1	2	3	4	5	6	lokati 4
Total utility (RS)	O	25	45	60	70	75	75	70
Marginal utility (RS)	ļ	25	20	15	10	5	0	-5
Decisión Rue P=15	Ţ	MU>P	MU>P	MU=P	MUKP	MUKP	MUKP	MUXP
Decision Rure P=20	_	A STATE OF THE STA				MUKP	100	MUKP

- (b) If chocolates is one sold at Rs.15 per unit; Then I will consume 3 chocolates.
- (c) If chocolates are sold at Rs. 20 per unit, Then I will consume 2 chocolates.
- (d) If chocolates afte available for free, then I will consume till I get full satisfaction.

Que 3:-

Solution: The relevant Principle of economics applied here is "Principle 5" i.e. Trade can make everyone better off.

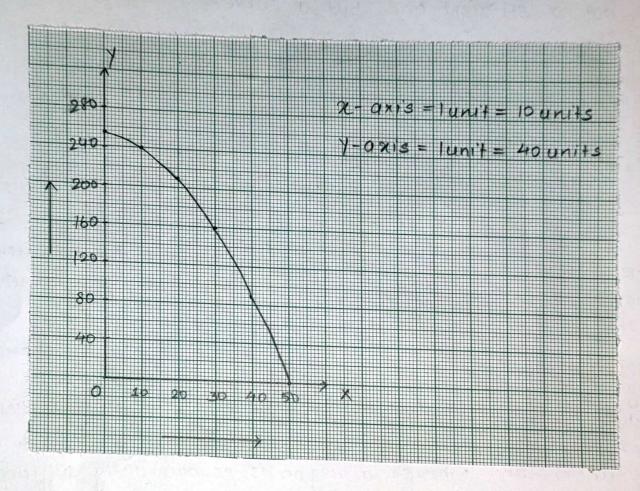
Since, Mrinal is efficient in producing Rie and Kunal is efficient in producing potato, thus trading mutually will be beneficial for both of them.

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9					PPC		atch only.	savated	ities in help icient		· •		
Opportunity cost per unit Production of watch	10/25 = 0.4	20/25 = 0.8	40/25 1.6		not constant thus the PPC curve.	Improvement in production	There is an improvement in technology for the production of watch only.  Thus the production of watches will increase while the production of shifts will remain same.	d) Frontier means the lines or bonder which divides or sepanated	region.  Production possibilities curve is termed as Production possibilities  Inorties because the PPC's curve sepanate the region which help  us to understand whether a region is economically sufficient  leasible or not.	In the given curve	region 'A' is economically inequirient will insufficient. B' is economically insufficient.		
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que 5:				
Solution : 60	0	¥ 250	[whene, y=	2500-x2
	10	240		
	20	210		
	30	160		
	40	90		
	50	0		

(b)



It takes the shape of convex outwards because the opportunity cost per unit of 4 is electreasing x is not constant.

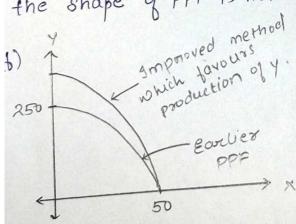
2	77/	opportunity cost of or	opportunity cost
0	250	10/10 = 1	10/10=1
10	240	30 110 = 3	10/30 = 03
20	210	540/10=45	10/50 = 0.2
340	160	790/10=97	10170 = 0.142
450	90	90/10=9	10/90 = 0.11
50	0	-2	-

Popontunity cost per unit of x is increasing while opportunity cost per. y is decreasing.

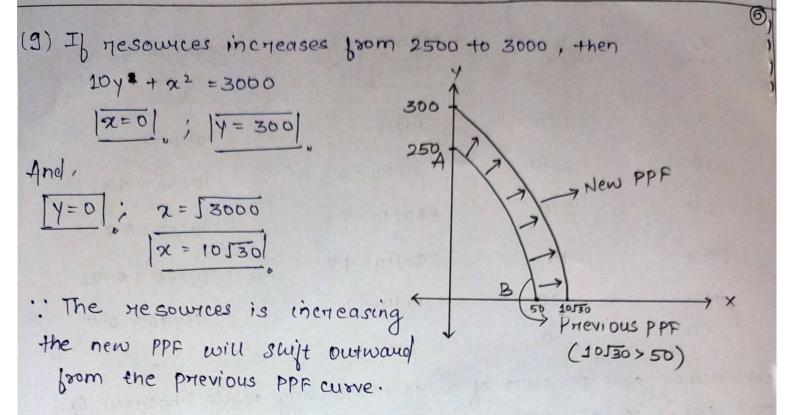
1) According to Principle 1 (People Jace trade off) re. to produce Something we have to give up something.

There fore, to produce more x we have to reduce y.

e) The opportunity cost per unit production is not constant hence the shape of PPF is not a straight line but a curve.



: The improved method of production is being developed which favours the production of y which will increase the maximum production of y keeping the maximum production of x as the Same.



the mermann production