Principles of Economics (HS-202_1)
Aug-Dec 2020
Assignment_3, Marks_ 35, Weightage - 40%

Instructions:

a) Assignment should be submitted in Times New Roman, font size 12 (with bold headings), and 1.5 spacing.
b) Plagiarism/copy will be checked properly. Copying from each other will lead to ZERO marks.
c) Give these details on the front page of your assignment: Title of the course with code and semester, assignment number, your name, and enrolment number.
d) Before submitting assignment, rename your file with your enrollment number only.
e) Last date of the submission of assignment_3: on or before 5:00 PM, 20th November 2020

Questions:

1. [1] Prove that Average Revenue always equal to price?
2. [4] Describe the factors that force long run earnings to 0 (zero) in perfectly competitive markets.
3. [1+4+1+4] Consider a perfectly competitive market in the short run. Assume that market demand is P=80-2Qd and market supply is P=2Qs. Denoting firm quantity level by q and let TC=40+20q+5q^2. (i) What is the market equilibrium price and quantity? (ii) In short run, how many firms are in the industry? (iii) Do firms make a profit or loss in the short run? (iv) Calculate profits/losses of firm in short run using two methods?
4. [5] Suppose a monopolistic rival experiences an increase in demand for its goods due to a successful marketing campaign. How will the amount it charges and the quantity it sells respond? Explain
5. [5] Differentiate between product differentiation and price discrimination.
6. [5] What is the relationship between inflation and unemployment in the long run? Explain with the help of diagram and use the concept of expectation.
7. [1+4] A perfect competitive firm produces toys with total cost (TC) is given as TC= 20-2Q+Q^2 and demand is given by P=10-2Q in short run. (i) Calculate his Marginal revenue curve equation. (ii) Calculate total profit/loss of firm.