**DCM 1102 – ECONOMIC THEORY**

**Set- 1st**

**1. Enumerate in detail any two cases of exception to the law of demand.**

**Ans: Introduction:** The law of demand is used to explain the relationship between the price of a product and the demand for its quantity over a certain time. According to this law, other things remaining the constant, there is an inverse relationship between the price of a commodity and its quantity demandedIts Half solved only

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**2. Explain the relationship between different short run cost curves. Support your answer with an imaginary schedule and graph.**

**Ans: Introduction:** The costs in the long run is the time period for a business entity where all the different factors of production can be changed. There are no fixed inputs in the long run and it consists of only variable inputs.

**Content**: The long-run total

**3. Explain Ricardian theory of rent.**

**Ans: Introduction:** David Ricardo was an English classical economist. David propounded the theory in order to explain the important concept and nature of economic rent. He explained rent as **“that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil”.** As per Ricardo**,** rent is the producer’s surplus or differential gain. Rent is found in the factor of land only because the land was mainly used for agriculture

**Set – 2**

**4. Differentiate between micro and macroeconomics along with some suitable examples.**

**Ans: Introduction:** Economics is divided into two branches of microeconomics and macroeconomics that help to study the economy from different perspectives.

**Content:**

|  |  |
| --- | --- |
| **Micro Economics** | **Macro Economics** |

**5. Critically examine the Neo-classical or the loanable fund theory of interest.**

**Ans: Introduction:** The Neo-classical or the Loan-able Fund Theory was first propagated by the famous Swedish economist Knot Wick-sell. This theory was further popularised and contributed by Ohlin, Roberson, Pigou and other neo-classical economists. The theory explains that the rate of interest is the price of

**6. Elaborate different phases of law of return to scale with the help of a table and graph.**

**Ans: Introduction:** The law of return to scale refers to the change in output due to the change in the scale of factors in form of inputs in the same proportion. The output can increment by a great proportion, sometimes in the same proportion and at times in a smaller proportion to the change in inputs. This form of an increase is called returns to sc