Assignment - 1

1. price ceiling :- Government set prices below the equilibrium ~~level~~ to create the shortage.

price floors :- Government set prices above the equilibrium to create the Surplus.

Impact on the market :-
1] It will protect the wages of labour ~~from falling~~ below certain level.
2] To protect producers income.
3] There will be ~~shortage & sur~~ equal amount of demand & supply which will create equilibrium in market.

2. 1] Land :- physical place where company can build factory.

2] labour :- Individuals those will work for company, ~~transpo~~ transform the Resource or Raw material into perfect good.

3] Capital :- It is use to buy the Resources, Raw materials, machinery.

Q3 Price :- 5 → 8
Quantity : 200 → 400

price elasticity supply = ~~Δchange~~ % chang in Quantity / % change in price

$$= \frac{\frac{8-5}{5}}{\frac{400-200}{200}} = 0.6$$

B) ~~B~~ Factor that will alter the elasticity of supply.

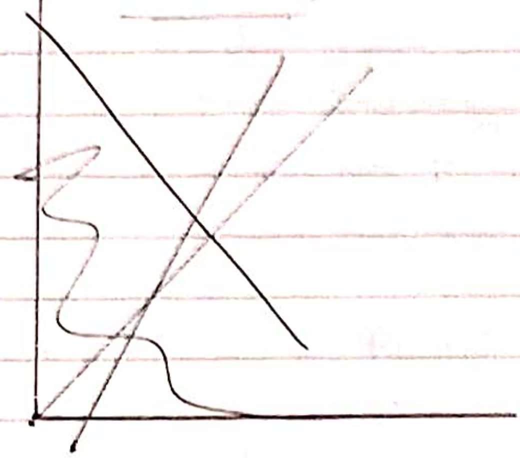
1) Increase in cost of production.
2) Aim of producer
3) Expectation of future price change.
4) No. of suppliers
5) unpredictable events (Tsunami,)

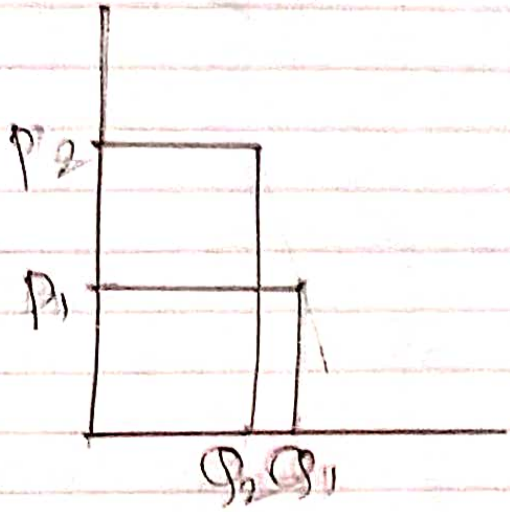
Q 4.) Normal goods :- Increase in consumer income will increase the demand for ~~this~~ these goods.
eg :- I phone, TV., Car.

Inferior goods :- Increase in consumer Income will decrease the demand

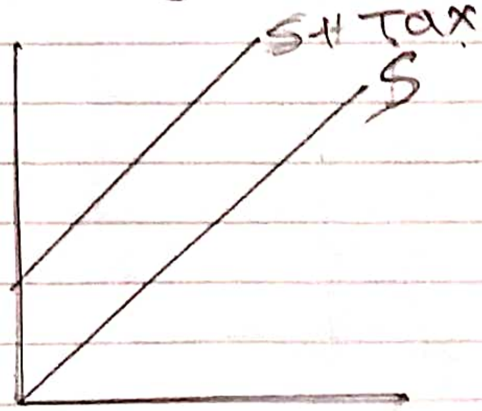
for these goods.
eg: Cycle, cheap goods

Q.5 1]. "price of complementory good decrease, the demand for Nomal good will increase. So, the price will also increase.

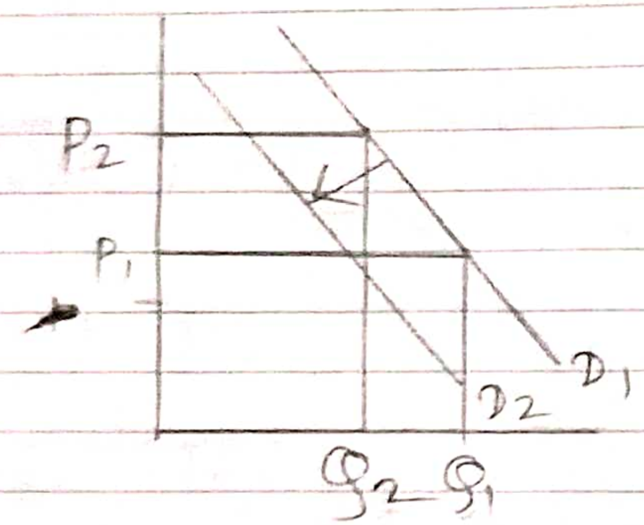




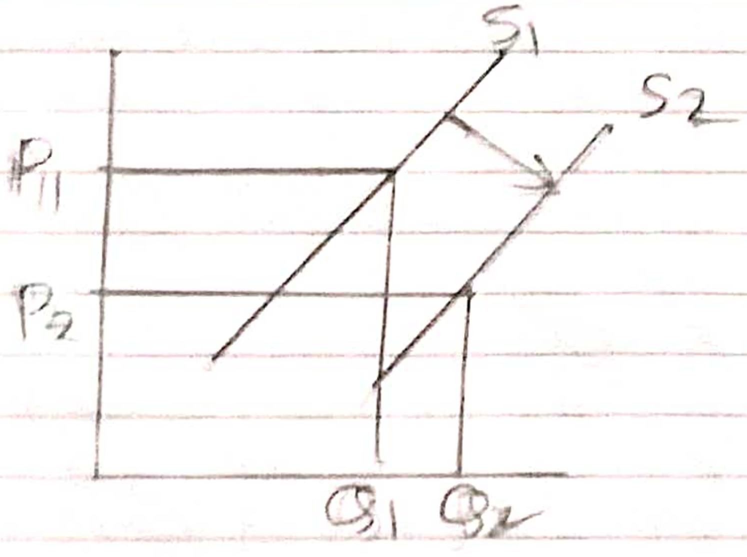
2) If Tax on good, will increase the price of good.



iii) a fall in consumer's in comes. It will shift the demand curve to the left.



iv) increase in ~~suppl~~ labour productivity in the industry will shift the supply curve to the right.



Assuming :- Increase in supply will decrease the price of the product and supply quantity.

Q6 i) price elasticity of demand

$$= \frac{\frac{\Delta q}{q_0 + q_1}}{\frac{\Delta p}{P_0 + P_1}} = \frac{\frac{50}{250+300}}{\frac{-5}{50+45}}$$

$$= \underline{-1.72}$$

ii) price elasticity of supply

$$= \frac{\frac{\Delta q}{q_0 + q_1}}{\frac{\Delta p}{P_0 + P_1}} = \frac{\frac{10}{100+110}}{\frac{5}{60+65}} = 1.190$$

iii) Income elasticity of demand:-

a)

$$= \frac{\text{\% change in Quantity demanded}}{\text{\% change in income}}$$

$$= \frac{\frac{30}{250+280}}{\frac{20}{50+70}} = 0.3396$$

b) Increased consumer ~~income~~ income has increased the demand for Good X which single that, Good X is Normal Good".

(i) Cross price ~~of~~ elasticity =

$$= \frac{\text{Change in quantity for Good } X}{\text{~~change in quantity~~ change in price of Good } Y}$$

$$= \frac{\frac{-30}{250+226}}{\frac{5}{60+65}} = -1.595$$

~~As~~ b) Good x & Good y are Complementary Goods

Q.7.

Reasons:-

1) Higher quantity of chips will reduce the marginal of the chips.
2) So, the people ~~will~~ are not willing to pay higher amount for this goods
3) ~~So that~~ Also

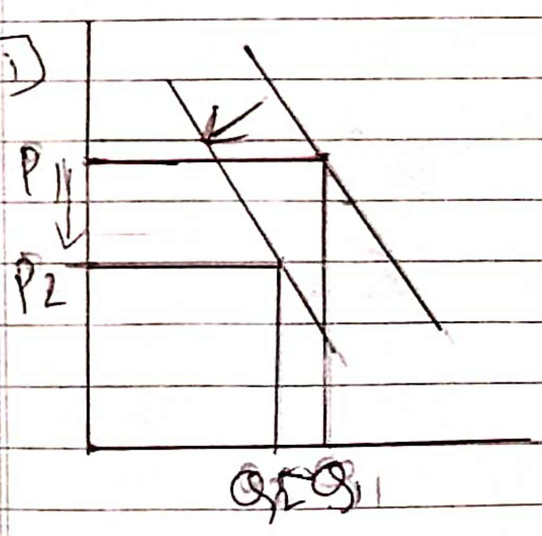
3) Also, decrease in price of chips will lead to increase the demand of the chips.
4) Hence, demand curve is downward sloping from left to Right.

8) i) microeconomics :- It ~~is~~ is concerned about individual parts of economy.

~~PAFF~~ macroeconomy :- It is concerned about overall economy ~~al~~, ~~ag~~ It will consider aggregate demand & aggregate supply.

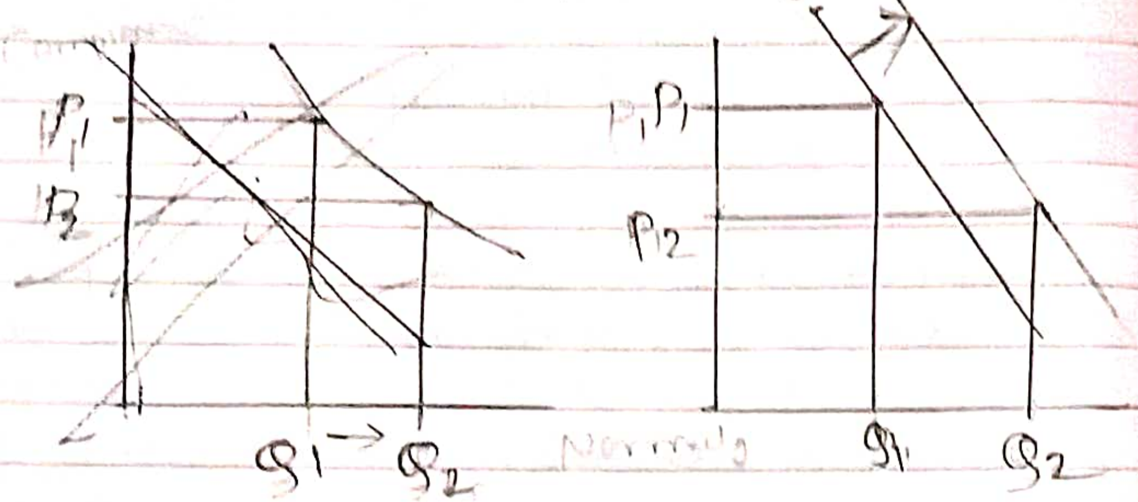
ii) Place where retail seller, distribut or sell their product & consumer buy the product.

Q.9 i)

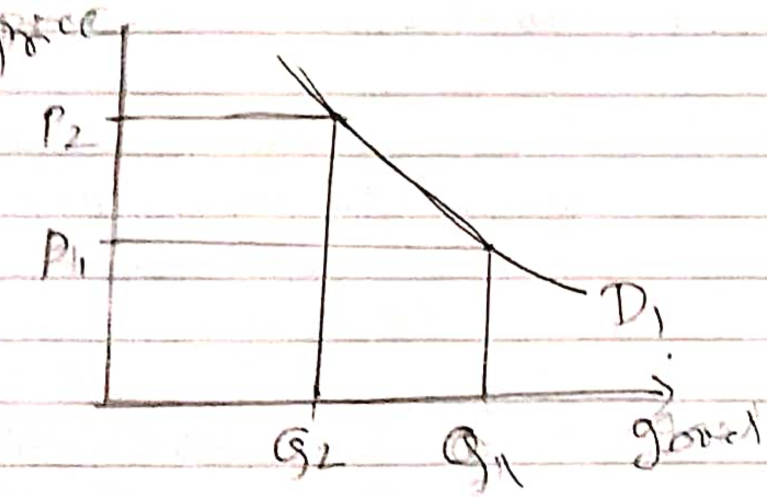


If the price of substitute falls, demand for Normal good will fall, which will shift the demand curve to the left.

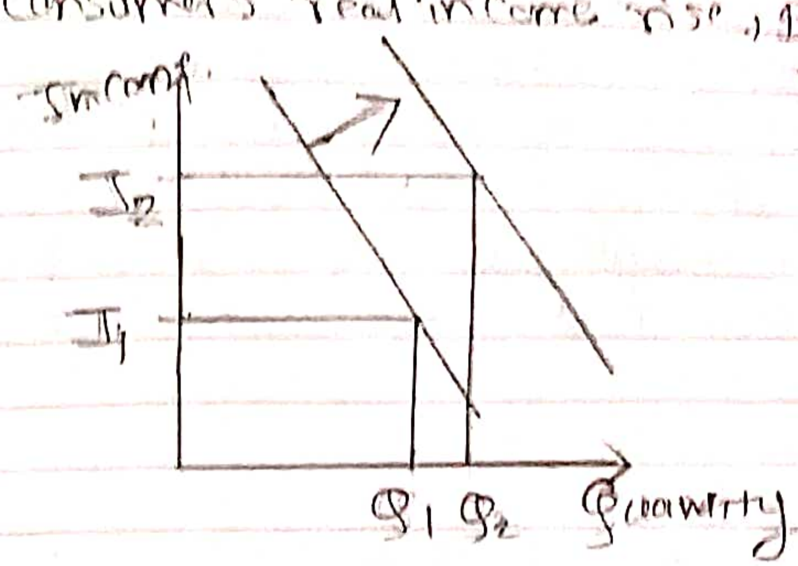
ii) Increase in demand for complementary good will increase the price of Normal good which will lead to fall in demand price of complementary good. As demand decreases the Price will also decrease It will shift to right



iii) As price of goods increases, demand will ~~also increase~~. decrease, No shift



iv] consumer's real income rise, shift to right



Q.10] i] Factor of production exist within economy are land, labour, Capital,

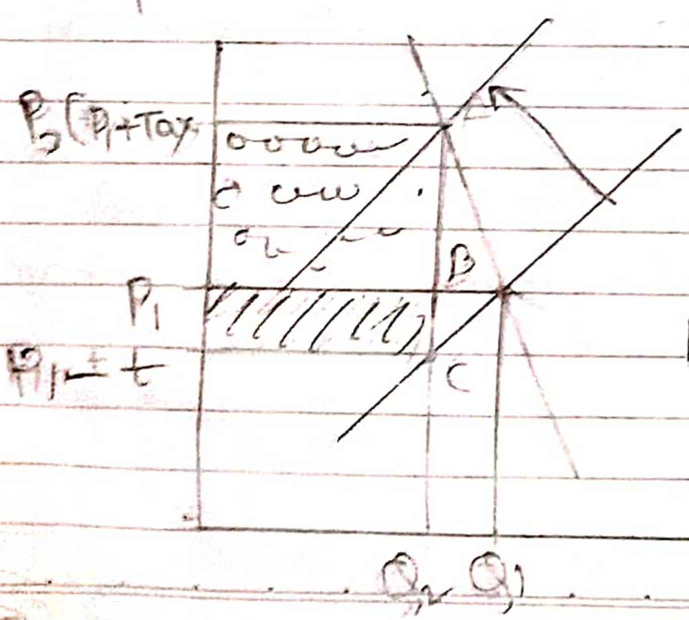
2) Scarcity = unlimited wants for some limited resources..

- land :- land can be use to build the factory or to grow the raw materials like any vegetable. low availability of fertile land can cause scarcity, where as high prices of land are ~~the~~ because of shortage.
- labour :- scarcity of labour can happens in terms of skill or function. shortage can occur based on geographical region.
- Capital :- scarcity of capital due to high interest charged by the banks.

ii) Factors influence the houses price
1) Geographical ~~house~~. Region.
2) Availability of essential ~~product~~ good
(mall, hospital, schoool)
3) ~~water supply~~ unemployement Rate
4) Interest Rate on housing loan.
5) offer
6) local market

Q. 2) i) Relatively price inelastic demand:-
→ percentage of change in price is higher than percentage of change in demand.
· In ~~et~~ inelastic demand, consumer shares of Tax is ~~higher~~ high, which will increase the Revenue for Government from indirect taxation.
· Taxation on goods will increase the price of product, which ~~will increase~~ maintain the demand & suppy.

ii) producer's & consumer's Tax burden



$P_1BC(P_1-t) \Rightarrow$ Producer burden

$P_1BA(P_2) \Rightarrow$ Consumer burden.

Q.13 1) Utility from the refrigerator must be high at the start.
2) But, ~~Bu~~ After some time, marginal utility from the refrigerator will decrease. This happen because of ~~substitute~~ diminishing marginal Return. Hence, ~~gai~~ Utility gain from a refrigerator is uncertain.

Q.14 i) If the maximum prices set below free market prices, there will be a shortage of the good supplied. high demand for this Good can lead to consumer biaseness.

ii) If a guaranteed minimum prices set above market price, there will be surplus ~~of the supplied~~ In the market quantity supplied will be higher than demand.

~~this~~ These will maintain the equilibrium in the market.

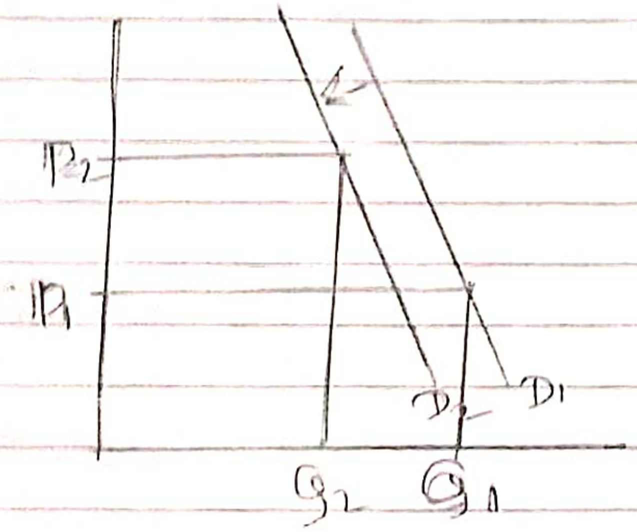
Q.15 1) Risk is the situation under which outcomes and probabilities of occurrence are known in advance.
In, uncertainity, this information is not available in advance.

Sundaram

ii) Firms can reduce the ~~Risk~~ uncertainty by-

1) establishment of worst case scenario
2) Being Transparent.
3) Firm should keep some reserves for such situation
4) Risk management plan.

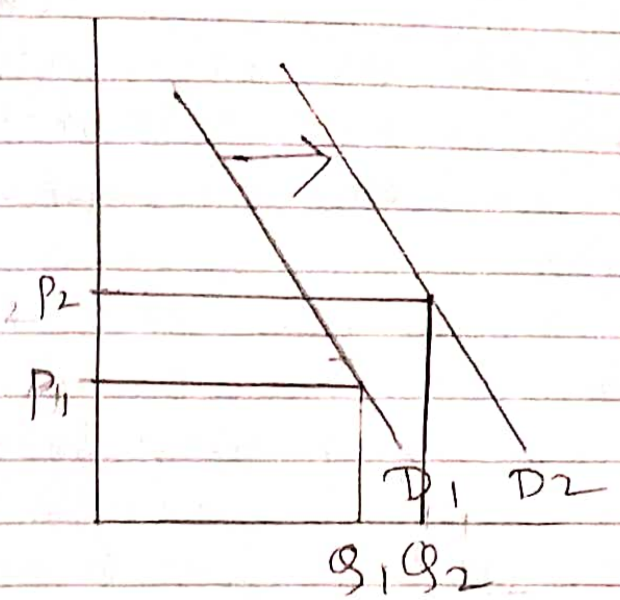
Q 1(c) i) An increase in interest rate will decrease the demand for house, bcz most of population buy the houses on the housing loan plan.



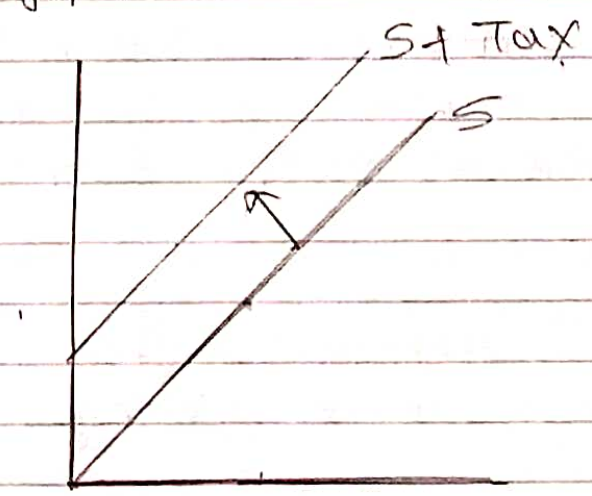
P1 = Interest

P2 = increase in Interest rate

ii) Expected rise in future house price will lead to increase the demand in ~~house~~ current house market, people ~~mi~~ might find it safe investment.



iii) Increase in rate of taxation for house builder will shift the supply to the left.



Q.7) 1) Company New
2) performance
3] economic factor.
4] Industry Trend
5] market sentiment
6) Natural ~~diast~~ disaster (pandemic)

Q.18) 1) Sports car are expensive good

- Increase in consumer income etc
- ~~Car Incr decrease in the price~~
- Increase in the price of substitute like EV vehicle (considering sports car based on diesel & petrol)
- Changes in consumer choises, economic growth. which will lead to increase in supply of money,

Q.19)

- No. of supplier in oil market.
- ~~Futu~~ Expected future price
- Any uncertain event
- cost of transportation & production.
- Aim of the supplier & producer.
- political event & crises.

Q.21 Inelastic demand :- change in prices @ greater than change in quantity.

Elastic demand :- Change in prices is less than change in quantity demand.

- According to the Taxation, In inelastic demand consumer Tax proportion is higher than the producer Tax proportion. So firm would prefer demand to be inelastic

- firms that produce inelastic good Can. transfer ~~co~~ extra cost of productio to their customer without affecting the demand adversely.

eg: ~~of prod.~~

- ~~prod~~ price inelasticity usually happen for the product that have close substitude.
  eg:- basic food, medicine, habitual good tobacco product, insulin.