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**Qno1. Explain law of Demand.why does a demand curve slope downward?how is ia market demand curve derived from individual demand curve?**

**Ans.Law of Demand :**

 The law of demand states that all other things being equal, the quantity bought of a good or service is a function of price.1﻿ As long as nothing else changes, people will buy less of something when its price rises. They'll buy more when its price falls.

**Demand curve slope downward:**

When the price of a commodity falls, the consumer can buy more quantity of the commodity with his given income. Or, if he chooses to buy the same amount of quantity as before, some money will be left with him because he has to spend less on the commodity due to its lower price.

In other words, as a result of the fall in the price of the commodity, consumer’s real income or purchasing power increases. This increase in real income induces the consumer to buy more of that commodity. This is called income effect of the change in price of the commodity. This is one reason why a consumer buys more of a commodity whose price falls.

The market demand curve is made up of all the individual demand curves for a good. In general, the higher the price of an item, the less an individual consumer will buy. Microeconomics is concerned with smaller-scale individual consumer behavior. But since each consumer is different, one individual's behavior does not explain the entire market. Macroeconomics attempts to understand the total market in a broader sense.

**Individual Demand Curve:**

The individual demand curve represents the quantity of a good that a consumer will buy at a given price, holding all else constant. For example, consumer A might buy zero oranges at $1 each, one orange at 75 cents each, and two at 50 cents each, while consumer B might buy one at $1, two at 75 cents, and three at 50 cents. When charted on a grid with price on the vertical axis and quantity purchased on the horizontal axis, these points form the individual demand curves for consumers A and B.

**Market Demand Curve:**

The market demand curve is the sum of all the individual demand curves in the market. If the entire market consisted of only the two consumers mentioned above, the total demand for oranges at a price of $1 would be one orange, because A would buy none and B would buy one. At a price 50 cents, the market demand would be five oranges, summing A's two oranges and B's three. For a single good, adding all the individual demand curves of the millions of consumers in the market makes the total market demand curve.

Part **(B):what are the determinants of demand? What happens to the demand curve when any of the these determinants changes? Distinguish between a change in demand and a change in quantity demanded , nothing the cause of each?**

**Ans. Determinants of Demand:**

When price changes, quantity demanded will change. That is a movement along the same demand curve. When factors other than price changes, demand curve will shift. These are the determinants of the demand curve**.**

**1.**income.

2.consumer preferences.

3.Numbers of buyers.

4.price of related goods.

5.expectation of future.

**Determinants of demand change:**

When any of the determinants of demand change a change in the demand of the item will change. An increase in demand can be shown as a shift of the demand curve to the right and a decrease in demand will be shown as a shift in the curve to the left. If there is increased demand from an increased market, increased desire for a good, higher competitor prices or the fear of a price increase the curve will shift to the right. If the reverse is true, the market is shrinking, the item is outdated, competitor prices are dropping or there is a predicted price reduction the demand will fall which will move the entire curve to the left.

1.**Change in demand:**means change in demand due to the factors of demand other than price whereas change in quantity demanded means change in the quantity purchased due to change in the price of product.

2.change in demand has no price effect whereas change in wuantity has price effect.

3.Change in demand emplies change in demand curve while change in quantity does not change the demand curve .

4.change in demand will result in the shift in the demand curve whereas change in quantity will result in movement of demand curve.

**QNO2.TOTAL AMOUNT SPENT ON GOOD AND SERVICES:** the people who have high income so they will buy more and even more quantity of goods and services doesn’t matter how much the price is because they can afford the price so they are going to buy the good and services on large scale which will increase demand for good and services and the amount which has spent on goods and services they will not recovered completely because as we discussed about law of demand if demand is increasing for goods and services it will cause to reduce the price so this is the reason if the demand is increasing for goods and services it will bring downward the prices.

**B.The quantity of goods and services if the prices are sticky:**

The goods which as purchased it will be some difficult situation here suppose the products which has been purchased on high price before giving money to people by government so the product would not be as the same price after giving money to people now it would be purchasing on very low prices compare to before.

**C.The prices of goods and services if prices can adjust:**

The same situation again here if the demand is increasing it would lead to reduce the prices so here businesses. Should bring innovations and competitive goods and services to sell out the products and they should add more quality to their products to attract the consumer and collect higher prices compare to the competitors and simply here business can find out the power if the demand is increasing for o e commotion so the power of supplier is increasing they would sell the products on the prices which they would want.

**QNO3. Explain any of the five principles of economics in your own words?**

**Ans. ECONOMICS:**

 **Definition:** “ The study of how people allocate scare resources for production , distribution and consumption both individually and collectively.”

There two major types of economics.

1.Microeconomics.

2.Macroeconomics.

**PRINCIPLES OF MICROECONOMICS:**

**1.people face tradeoffs:**in the first principle in which we study about “people face tradeoffs” mean we have to give up on one thing in order to attain the other thing we like.Basically if I have 3 subjects and I have to make full use of my time I can’t study all the 3 subjects at the same time so I need to utilize it and give each subject specific time to study meanwhile I can do many things in that suppose playing football or any online game or maybe napping in that hour’s but I choose to study to get good grades and this is what face tradeoffs means giving upon one thing for another.

**2.The cost of something is what you give up to get it :**because people make face tradeoffs making decisions require comparing the cost and benefits of alternative course of actions. In some cases the cost might be not that as it appears.

Consider whether you want to go to college or not. The benefit in it is that you would have good job opportunities at cost of spending hours in college attending lectures and the money given to the faculty for example spending money on books ,tution and other stuffs . All of this for good job opportunities. Id you didn’t go to college you would need a place to sleep and food to eat because you don’t have money and job for it.

**3.Rational people think at the margin:** Economics use the term marginal changes to describe small incremental adjustments to an existing plan of action. Suppose you are in a school and you think of whether studying in this school for another year would benefit you or not. In margin we don’t think about the price we think about the benefit we can get from that extra effort we do. If we are eating some food and we took that extra piece we think about it first whether to eat it or not same case in exams we either don’t study or sometime study 24 hours but the decision is to whether spend an extra hour reviewing your notes instead of watching tv. So by thinking about the margin we also watch its benefits whether its in profit or loss for myself.

**4.People respond to incentives:** People make decisions by comparing cost and benefit. Suppose a clothes shop has 50% sale and other shop don’t have any sale obviously people will go the shop with 50% sale because it cost less compare to the other shop which is costly and don’t have any sale. If the prices of a product rises people starts using other product which are less costly because they see the benefit of saving money. If the price of apple rises people incentives goes to other fruits and starts eating because they compare cost of apples with other fruits.

**5.Trade can make everyone better off:**You have probably heard on the news that the japanese are our competitors in the world economy. In some ways this is true for american and japanese to produce many of the same goods. Ford and toyota compete for the same customers in the market for automobiles. Yet it is easy to be misled when thinking about the competition among countries. Trade between the United states and Japan is not like a sports contest where one side wins and other loses in fact the opposite is true. Trade between two countries can make each country better off. To see why consider how trade effects your family. When a member of your family looks for a job he or she competes against other members of other families who are looking for jobs. Families also compete against one another when they go shopping, because each family wants to buy the best goods at the lowest prices so in a sense each family in the economy is competing with all other families.

  **…The End…**