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SUBJ; MICROECNOMICS

Q.1;

(a) Define law of supply and discuss the factors which shift the supply curve?

<u>law of supply;</u>

The law of supply is the microeconomic law that states that, all other factors being equal, as the price of a good or service increases, the quantity of goods or services that suppliers offer will increase, and vice versa.

- The law of supply says that a higher price will induce producers to supply a higher quantity to the market.
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- Supply in a market can be showed as an rising sloping supply curve that shows how the quantity supplied will reply to many prices over a period of time.
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- Because businesses pursue to increase revenue, when they expect to receive a higher price, they will produce more.

  Factors that can shift the supply curve for goods and services, causing a different quantity to be supplied at any given price, include input prices, natural conditions, changes in technology, and government taxes, strategies, or subsidies.

b. Law of Demand;

The law of demand is one of the most important concepts in economics. It works with the law of supply to explain how market economies assign resources and control the prices of goods and services that we perceive in everyday transactions. The law of demand states that quantity purchased differs inversely with price. In other words, the higher the price, the lower the quantity demanded. This happens because of diminishing marginal utility.

- Why does a demand curve slope downward?

When price fall the quantity demanded of a product rises and vice versa, other things remaining the same. It **is** due to this law of demand that demand curve slopes downward to the right.

- How a market demand curve is derived from individual demand curves?

A market demand curve is the horizontal outline of all individual demand curves. Ä Any factor that can shift an individual demand curve can shift a market demand curve.

Q2: Discuss all the principles of economics in your own words?

Principles of economics;

- People face trade-offs
- The cost of something is what you give up to get it
- Rational people think at the margin
- People respond to reasons
- Trade can make everyone better off
- Markets are usually a good way to organize economic activity
- Governments can sometimes improve market outcomes
- A country's standard of living depends on its ability to produce goods and services
- Prices rise when the government prints too much money
- Society faces a short-run tradeoff between Inflation and joblessness.

Q3: Explain the following concepts;

- <u>Microeconomics vs. macroeconomics;</u>

Economics is divided into two different groups: Microeconomics and Macroeconomics. Microeconomics is the study of individuals and business decisions, while Macroeconomics looks at the decisions of countries and governments.

While these two branches of economics appear to be different, they are actually dependent and balance on one another. Many corresponding issues exist between the two fields.

- <u>Induction and deduction;</u>

Inductive ″Induction is usually described as moving from the specific to the general, while deduction begins with the general and ends with the specific.

- <u>Positive vs normative economics;</u>

Economists normally differentiate between 'positive' and 'normative' economics. Positive economics is concerned with the development and testing of positive statements about the world that are objective and verifiable. Normative statements derive from an opinion or a point of view.

➢ Scope of economics;

The scope of economics' is a general subject and includes not only its subject matter but also various other things, such as its scientific nature, its ability to pass value judgments, and to suggest solutions to practical problems.

➢ Nature of economics;

Economics is the scientific study of the ownership, use, and exchange of scarce resources – often reduced to the science of scarcity.

Economics efforts to explain economic behaviour, which arises when scarce resources are exchanged.

THANK YOU