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**MICROECNOMICS**

**MAM WAJEEHA AMIN**

**QUESTION#1**

**SELECT THE BEST ANSWER**

1. **E**
2. **C**
3. **E**
4. **D**
5. **D**
6. **B**
7. **C**
8. **B**
9. **A**
10. **C**

**INDICATE WHEATHER THE STATEMENT IS TRUE OR FALSE**

1. **TRUE**
2. **TRUE**

**QUESTION#2(A)**

**Explain the ‘law of supply’ through an example.**

**ANSWER**

**SUPPLY**

Selling how much the company intends to sell for each given price, ceteris pair u Therefore, if everything else remains the same the price of good goes up, don't say What do you expect the company's response to be? More productivity, as prices rise, as well as profit

**LAW OF SUPPLY**

supply law is a microeconomic law that says, all other things are equal, as the price of good goods or services increases, the value of goods or services provided by suppliers will increase, and vice versa. Supply law states that as the price of an item increases, suppliers will try to increase their profits by increasing the sale price

**EXAMPLE OF LAW OF SUPPLY**

Provision rule is based on the moving number of available items to meet a specific need. Marketing is a source of economic activity. The offer, or the absence of it, also costs. Rare procurement costs increase in deficit. The feed can be used to measure demand. Consequences of over-supply of customer shortages. Excessive purchases are often lost, for this reason. Under supply it generates demand in the form of orders, or second sales at higher prices.

The law of supply summarizes the effect price changes have on producer behavior.

**For example,** a business will make more video game systems if the price of those systems increases. The opposite is true if the price of video game systems decreases. The company might supply 1 million systems if the price is $200 each, but if the price increases to $300, they might supply 1.5 million systems

When college students learn that computer engineering jobs pay more than English professor jobs, the provision of students with senior positions in computer engineering will increase.

As consumers begin to pay more for cakes than donuts, bakeries will increase their cake production and reduce their donation of donkeys to increase their profits.

When your employer pays you over half an hour, the number of hours you are willing to work is increased

**PART#B**

**GIVE FEW EXCEPTIONS TO THE LAW OF SUPPLY**?

**LAW OF SUPPLY**

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**EXCEPTIONS OF LAW OF SUPPLY**

When the price of a product is high, many manufacturers are eager to make a product. Conversely, if the price of a product is low, the manufacturers have little interest in producing the product and therefore the sales are low. However, there are exceptions to the provision and demand law.

The general rule of supply applies more to a larger number of Products. There are exceptions to supply law, such as a change in the price of a good item does not lead to a change in its value given in good direction.

Dedication law is not a universal principle that applies to all situations. There are, in fact, important variations in the supply chain. Other exceptions to the provision are provided below:

Switch to business

The monarchy

Competition

Finishing Goods

The Law Limits Quantity

Agricultural Products

Art & Auction Goods

1. **Switch to a business**

It is possible for a retailer to arrange for a completely new business venture out of the current one. So when the current business is in danger of closing then the seller can sell his goods at a lower price to remove them. So again the supply law is not followed.

Browse through many topics under Basic Elements Of Demand And Supply

Demand Decisions

The Law of Demand

Schedule Requirement

Individual and Market Demand

Switch to Require

The exception to the Requirement Act

The concept and cut of the feed

Dedication Act

Delivery System

Individual and Market Supply Curve

Switch to Supply

Equal price

The price of the resilience of demand

Strength of the Price of the Cross

Reinforcement Income

Price Supply Supply

2. **Royalty**

Where a small number of producers control market supply then supply law may not apply. For example, in the case of a sole proprietorship (single retailer) it may not offer the maximum value offered even though the price of the goods is high. Independent market regulation allows it to set the market price according to market demand.

3**. Competition**

Other market structures such as oligopoly and individual competition may face a lot of competition, so offering to sell more at lower prices is against the supply chain.

4. **Finishing Goods**

In the case of perishable goods, the supplier may offer to sell more at a lower price to avoid losses due to product damage.

5. **The Law Limits Quantity**

Suppliers are not able to offer wholesale prices at higher prices where the government has set specific rules on the amount of good that will be produced or the price of the roof on which the good will be sold in the market.

**QUESTION#3**

**DIFFERENTIATE BETWEEN**

**PRICE CEILING AND PRICE FLOOR**

**FIXED COST AND VARIABLE COST**

**PERFECT COMPETITION AND MONOPOLASTIC COMPETITION**

**PRICE CEILING AND PRICE FLOOR**

When the economy is in a state of flux, the government may set minimums and maximums on the price of some goods and services. These price floors and price ceilings are used to help manage scarce resources and protect buyers and sellers. However, a price ceiling and price floor can also result in some inefficiencies in the marketplace

**WHAT IS PRICE FLOOR**

The price tag is intended to protect the overall value of the industry provided by its manufacturers by setting a minimum limit. Lower prices prevent companies from lowering normal market prices. Examples of pricing include:

Low salary

Subsidies for agriculture

Although low-cost providers exist in many industries, the government is very concerned about putting down industries where illegal workers or black market providers can steal business illegally.

**WHAT IS PRICE CEILING**

The price tag is intended to protect the consumer market by limiting the number of suppliers to higher prices. Prices are often set in times of crisis such as natural disasters, war times or failure to harvest and therefore significant inflation is rarely prevented.

This price control is common when major entry barriers prevent competition or when the government believes it is better for the public to reduce suppliers. Examples of pricing include:

Hire control

Food price control

Oil industry

Local services often have a price tag because they are largely controlled by local government.

**DIFFERENCE**

Lower prices and price frames are the same because both methods of government price controls These price controls are the legal limits on how high or low the market price can be.

The definition of a price level in an economy is the lower price allowed for a particular good or service. Price range is the maximum price allowed for a good product or service. In general, inflation contradicts free trade, the economic capital of the United States

**FIXED COST AND VARIABLE COST**

Depending on the variety, the costs are divided into three categories, adjusted, varied and average. Fixed costs, as their name suggests, are fully adjusted eg regardless of the amount of output produced. Flexible costs vary with the amount of output produced. A semi-variable is a cost type, consisting of both fixed and variable costs

**DIFFERENCE**

**MEANING**

Fixed costs, regardless of volume produced, are known as fixed costs.

Variable costs and changes in output are considered variable costs.

**Nature**

FIXED COST = Related Time

*VARIABLE COST= Related Volume*

**When discovered**

The planned costs are clear, available whether the units are manufactured or not.

Flexible costs are incurred only when units are produced.

**Unit costs**

Fixed cost changes in unit, e.g. As the units produced an increase, the fixed cost per unit decreases and vice versa, so the planned costs per unit are equal to the value of the product produced.

Flexible costs are always the same, per unit.

**Behavior**

FIXED COST= It remains unchanged for some time.

VARIABLE COST= It changes with the change in the output level.

**Combination of**

Top Fixed Production, Fixed Overhead Management and Fixed Selling and Distribution Overhead.

Specific Items, Direct Work, Direct Cost, Flexible Production, Flexible Sales and Divine Distribution.

**PERFECT COMPETITION AND MONOPOLISTIC COMPTITION**

**MEANING**

Market structure, where there are many retailers selling the same goods to consumers, is a complete competition.

Commitment Competitiveness is a market structure, where there are many retailers, who sell to buyers nearby goods.

**Product**

PERFECT COMPETITION= Default

MONOPOLISTIC = It's different

**Price**

PERFECT COMPETITION= Determination of demand and supply capacity, across the sector.

MONOPOLISTIC= All products are strictly supplied to customers at its own price.

**In and out**

PERFECT COMPETITION= There is no obstacle

MONOPOLISTIC= Few obstacles

**Look for a slope curve**

Horizontal, perfectly stretch.

The lower the slope, the more flexible it is.

**Relationship between AR and MN**

AR = MR

AR> MR

**QUESTION#4**

**WHAT IS MONOPOLY. Give its characteristics?**

**ANSWER
Monopoly**

Monopoly is a market structure in which there is a single seller, there are no close substitutes for the commodity it produces and there are barriers to entry

**CHARACTERISTICS**

1. **One Seller**:

Only one vendor; he can control either the price or delivery of his product. But he can't control the demand for the product, because there are so many buyers.

1. **No proximity sensors**

 No proxy products. Consumers have no alternative or choice. Either they have to buy the product or go without it.

1. **Price:**

The person in charge alone has the power to manage to increase the price. Sometimes he may accept price discrimination. It can adjust different values ​​for different sets of clients. The monopolist can adjust the value or value of the output; but he cannot do both, at the same time.

1. **No Entry**

 There is no freedom for other producers to enter the market as one person enjoys the power of domination. There are strong restrictions for new firms to enter. There are legal, technical, economic and environmental barriers, which can prevent the entry of new manufacturers.

1. **Strong and Industrial** Under the monarchy, there is no distinction between company and industry. Since there is only one company, that one factory forms the whole industry. .

**PART#B**

**BREIFLY EXPLAIN THE “LAW OF VARIABLE PROPORTIONS”**

**ANSWER**

**LAW OF VARIABLE PROPORTION**

Flexibility equity law states that as the value of a single item increases, keeping other items fixed, the side product of that item will eventually decrease. This means that up to the use of a certain number of variables, the by-product of a factor can increase and after a certain phase begin to decrease.

**EXPLANTION**

This rule indicates temporary production operations where one item varies while the other is fixed.

Also, when you get more out of using an additional input unit, this output may be equal to or less than the output you received in the previous unit.

The Flexibility Act is concerned with the way you output a product when increasing the number of units of a variable. Therefore, it refers to the effect of a change in the output factor

In other words, the law indicates the relationship between the units of a variable object and the amount of output in the short term. This assumes that all other factors remain constant. This relationship is also called coming back from something that changes.

The law states that to keep certain things stable, when you grow a flexible object, then the full product initially rises at the rate of increase, then increases at a slower rate, and finally begins to decrease

**WHY IS IT CALLED LAW OF VARIABLE PROPORTION**

As one input varies and all others remain constant, the factor ratio or the factor proportion varies. Let’s look at an example to understand this better:

Let’s say that you have 10 acres of land and 1 unit of labour for production. Therefore, the land-labour ratio is 10:1. Now, if you keep the land constant but increase the units of labour to 2, the land-labour ratio becomes 5:1.

Therefore, as you can see, the law analyses the effects of a change in the factor ratio on the amount of out and hence called the Law of Variable Proportions.

**QUESTION#5**

**What are the various stages of production in short run? In which stages the firm will produce.**

**ANSWER**

**STAGES OF PRODUCTION**

Economists recognize three distinct phases of production, defined by the concept known as the rule of thumb to reduce refunds. The law states that as you add more employees to the production process, the effect will increase, but the magnitude of that increase will be smaller with each employee you add. Sometimes, if you continue to add employees, your output may also begin to decrease. The concept of three-stage production helps companies set production schedules and make employee decisions

**Product Curves**

There are three major product curves in economic production: a complete product curve, a standard product curve and a separate product curve. The complete product curve reflects the company's overall production and is the basis for the other two curves. A typical product curve is the total amount of product produced per unit of "flexible input," such as working hours. The marginal product limit is slightly different: Measuring the output output per unit of variable input. For example, if a standard curve indicates the number of units produced in terms of the total number of workers, a separate curve may indicate the number of additional units produced if another function is added.

**The first stage**

The first phase is a period of significant growth in corporate production. During this time, each different input will produce more products. This means excessive regression; investment in flexible inputs exceeds the cost of producing additional product at a growing cost. For example, if one worker produces five cans alone, two workers can produce 15 cans between the two of them. All four curves increase and decrease in this phase

**The second stage**

The second stage is the time when the return of limits begins to decline. Each of the different inputs will still produce additional units but at a reduced rate. This is due to the rule of reduction in return: Output decreases slightly in each additional variable input unit, holding all other inputs adjusted. For example, if a previous job added another nine tins to production, the next job could only add eight tins to production. The full product curve is still rising at this stage, and the normal and downward curves begin to decline.

**Phase Three**

In the third stage, the return of the limits begins to turn into non-existent. Adding multiple dynamic inputs is contradictory; an additional source of labor will reduce total productivity. For example, hiring an additional worker to produce cans will actually result in fewer cans being produced entirely. This may be due to factors such as job capacity and performance constraints. At this stage, the full product curve begins to decline, the normal product curve continues to decline and the side curve becomes worse.

**PART#B**

**BREIFLY DISCUSS ANY TOPIC OF YOUR CHOICE IN MICROECCNOMICS?**

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 **THE END**