

Name : Muhammad Haider Khan.

Roll no: 13702

Subject: Fundamentals of Economics

Date : 19th August 2020

Media Studies and Mass
Communication.

(Summer Semester)

Q NO. 1

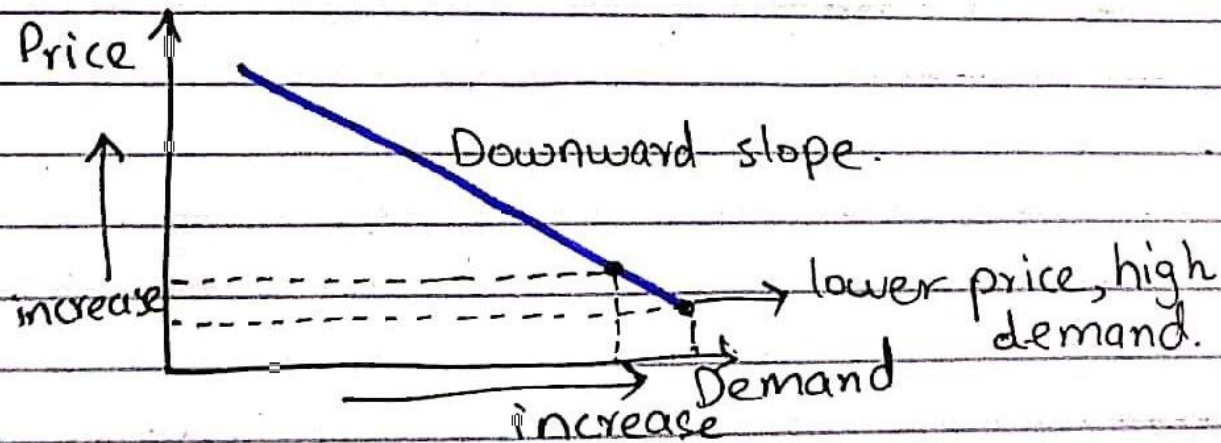
Part-A.

AGGREGATE DEMAND CURVE:

The aggregate demand curve represent the relationship between the goods demanded at a certain price level.

DOWNWARD CURVE:-

The downward slope of curve represents that price level falls and demand for certain goods increases because more people tends to buy it as price decrease provide them more purchasing power.



4- Expectations:-

Future expectations also effect the demands of products. If you expect a higher income in future and then to buy a good. This will effect the demand of good in present.

5- Number of Buyers:-

The number of buyers increases, demand increases and vice versa.

Part - B.

• FACTORS THAT CAUSES SHIFT IN AGGREGATE DEMAND :-

- 1- Income.
- 2- Prices of related goods.
- 3- Tastes.
- 4- Expectations
- 5.. Number of Buyers.

1- Income:-

A lower income means that you have less to spend in total thus the demand of product decreases and vice versa.

2- Prices of related goods:-

If the price of substitutes of a certain product falls, people will go for substitutes; so, the demand of that particular product will decrease and ^{opposite} ~~same~~ happens when price of substitute increases.

3- Tastes:-

When tastes of people changes the demands of product also changes.

Tastes refers to the likes and dislikes of the people.

Q NO. 2.

(a)
Features of Utility:-

Utility is the want satisfying power of commodity. Features of utility are;

1- Utility is psychological:-

It is subjective. Varies from person to person's mental satisfaction about a commodity.

2- Utility is individual and Relative.-

It varies from place to place, person to person etc.

3- Utility cannot be measured objectively:-

It refers to a feeling, a sense of mental assessment and cannot be measured in numbers.

(5)

4- Utility has no moral significance :-

It can be satisfaction of any want, that could be moral or in-moral

Part - B

Properties of Indifference curve:-

Following are the properties of indifference curve:-

- 1- Indifference curves slope downward to the right. showing that the amount of one commodity increases, so the amount of other commodity decreases.
- 2- Every indifference curve to the right represents a higher level of satisfaction
- 3- Indifference curve cannot intersect each other. because they always show different level of satisfaction.
- 4- Indifference curve will not touch the axis.
- 5- Indifference curves are convex to the origin. and they cannot be concave to the origin.

Q NO. 3

(a) Gross domestic product:-

The total amount of goods and services produced in a country during a fiscal year is called gross domestic product.

(b) Gross national product:-

Gross national product refers to the sum of total goods produced and services provided in a country and the net income from foreign investments.

$$GNP = GDP + NI$$

(c) Net National Product:-

Net national product refers to the total goods and services produced during one year after the depreciation of capital goods has been allowed for.

$$NNP = GNP - D.$$

(d) Inflation rate:-

It refers to the rise in price of goods resulting in a continuing decrease in purchasing power over a period of time.

(e) Exchange rate:-

It refers to the value of country's currency as compared to that of another country or economic zone.