

# **MICROECONOMICS**



**Submitted By**

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**Assignment**  
**Mid Term**

**Submitted to**  
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**DEPARTMENT OF BUSINESS ADMINISTRATION**  
**IQRA NATIONAL UNIVERSITY**  
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**Assignment 1      (10 marks)**

**Q1.** Does a change in consumers' tastes lead to a movement along the demand curve or a shift in the demand curve? Does a change in price lead to a movement along the demand curve or a shift in the demand curve.

**Q2.** Does a change in producers' technology lead to a movement along the supply curve or a shift in the supply curve? Does a change in price lead to a movement along the supply curve or a shift in the supply curve.

**Q3.** Suppose that the price of concert tickets at the university is determined by market forces. Currently the demand and supply schedules are as follows:

Price	Quantity demanded	Quantity supplied
Dh 40	10,000	8,000
80	8,000	8,000
120	6,000	8,000
160	4,000	8,000
200	2,000	8,000

- a) Draw the demand and supply curves. What is unusual about this supply curve? Why might this be true?  
b) What are the equilibrium price and quantity of tickets?

**Q4.** Choose the best answer.

- 1. A downward-sloping demand curve reflects \_\_\_\_\_.**
  - a) The idea that the demand for the good in question is decreasing as time goes by.
  - b) The idea that there are fewer suppliers of the good as time goes by.
  - c) The idea that there exists a substitute for the good in question and the price of that substitute is decreasing.
  - d) The law of demand.
  
- 2. What will happen in the rice market if buyers are expecting higher rice prices in the near future? \_\_\_\_\_.**
  - a) The demand for rice will increase.
  - b) The demand for rice will decrease.
  - c) The demand for rice will be unaffected.
  - d) The supply of rice will increase.
  
- 3. Two goods are complements if a decrease in the price of one good \_\_\_\_\_.**
  - a) Decreases the quantity demanded of the other good.
  - b) Decreases the demand for the other good.
  - c) Increases the quantity demanded of the other good.
  - d) Increases the demand for the other good.

**4. A likely example of complementary goods for most people would be \_\_\_\_\_.**

- a) hamburgers and hot dogs
- b) Lawnmowers and automobiles.
- c) Hamburgers and French fries.
- d) Dr. Pepper and Pepsi.

**5. Economists in general \_\_\_\_\_.**

- a) Do not try to explain people's tastes, but they do try to explain what happens when tastes change.
- b) Believe that they must be able to explain people's tastes in order to explain what happens when tastes change.
- c) Do not believe that people's tastes determine demand and therefore they ignore the subject of tastes.
- d) Incorporate tastes into economic models only to the extent that tastes determine whether pairs of goods are substitutes or complements

### Question # 01

**Does a change in consumers' tastes lead to a movement along the demand curve or a shift in the demand curve? Does a change in price lead to a movement along the demand curve or a shift in the demand curve.**

#### Answer

Change in quantity demand refers to the change in demand due to change in its own price. It leads movement along the demand curve.

Whereas the shift in demand curve is happened due to change in demand. Change in demand refers to the change due to factors other than price like change in income of consumer, change in number of consumers, and change in taste and preference. There are other factors as well.

### Question # 02

**Does a change in producers' technology lead to a movement along the supply curve or a shift in the supply curve? Does a change in price lead to a movement along the supply curve or a shift in the supply curve.**

#### Answer

The supply curve is very similar to the demand curve in that anything not measured on the axis (technology, input prices, expectations, number of sellers) will result in a shift in the supply curve. At the same time a change in price (on the vertical axis) will results in movement along the supply curve.

### Question # 04

Choose the best answer.

6. **A downward-sloping demand curve reflects \_\_\_\_\_.**
  - a) **The idea that the demand for the good in question is decreasing as time goes by.**
  - b) The idea that there are fewer suppliers of the good as time goes by.
  - c) The idea that there exists a substitute for the good in question and the price of that substitute is decreasing.
  - d) The law of demand.
  
7. **What will happen in the rice market if buyers are expecting higher rice prices in the near future? \_\_\_\_\_.**
  - a) **The demand for rice will increase.**
  - b) The demand for rice will decrease.
  - c) The demand for rice will be unaffected.
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8. **Two goods are complements if a decrease in the price of one good \_\_\_\_\_.**
  - a) Decreases the quantity demanded of the other good.
  - b) Decreases the demand for the other good.

- c) Increases the quantity demanded of the other good.
- d) Increases the demand for the other good.

**9. A likely example of complementary goods for most people would be**

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**10. Economists in general \_\_\_\_\_.**

- a) Do not try to explain people's tastes, but they do try to explain what happens when tastes change.
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