

**ASSIGNMENT- ECON-490**

**Micro Economics**

**Semester –II [2018-2019]**

***Assignment Regulation:***

* All students are encouraged to use their own word.
* Student must apply “Times New Roman Style” with 1.5 space within their reports.
* A mark of zero will be given for any submission that includes copying from other resource without referencing it.
* If the assignment shows more than 25% plagiarism, the students would be graded zero.

**ASSIGNMENT 1**

A. Pick a consumer good or service that you normally buy and make a table of the quantity you would buy over a range of prices that includes the actual price today and hypothetical prices both lower and higher. Express in your own words what information this table contains. Now add another column of quantities that estimate your purchases if your income increased by 50%. **(2 Maks)**

B. Now estimate the number of consumers in the KSA for the good you choose and make a table of your estimates of the total quantities demanded over the same range of prices. Graph the result. Add to your table and graph the demand schedule under the assumption that all consumers enjoy a 50% increase in income. **(1 Mark)**

C. What would be a substitute for the good you chose? What will happen to the demand schedule if the price of that substitute were to fall by 50%? **(1 Mark)**

D. Use your imagination to draw a short run supply curve for your good and a long run supply curve. Why do they differ in shape? Draw again your short run supply curve under the assumption that the largest factory in the industry was destroyed by fire last night. What effect will that event have on the price, and how is this reflected in your graph of supply and demand? **(2 Marks)**

E. Suppose that the supply of this good were permanently restricted for some reason. Compare the short run response in the price to the response over, say two years. What aspect of consumer behavior accounts for the difference? **(1 Mark)**