SEMESTER FALL 2020

PRINCIPLES OF MICROECONOMICS (ECO302)

ASSIGNMENT

DUE DATE: DECEMBER 04, 2020

MARKS: 10

ASSIGNMENT:

Case 01:

According to the current market situation and medium-term outlook, published by the Food and Agriculture (FAO) of the United Nations, Pakistan is among the seven countries where per capita consumption of tea has been increased. Currently, black tea consumption in Pakistan has been estimated at 1,72,911 tonnes which is expected to increase to 2,50,755 tonnes in 2027, the FAO report projects. This shows that in next 10 years, tea consumption will increase by 77,844 tonnes. Suppose demand of tea is represented by the following function:

$$q = 50 - 2p$$

Requirements:

Calculate the price elasticity of demand of tea if the price of tea is Rs. 20 per pack.

(Marks = 4)

Case 02:

The cross-price elasticity of demand is an economic concept that measures the responsiveness in the quantity demanded of one good when the price for another good changes. It shows that how two goods are related with each other. The table given below shows the changes in price of wheat and resulting changes in quantity demanded of rice.

Price of wheat (Rupees/mound)	Quantity Demanded of rice (mound)

600	1000
900	1200

Requirements:

A. Calculate the cross price elasticity of demand between rice and wheat by using the above values.
B. After calculation, interpret your result whether these two goods are substitutes or compliments of each other.

(Marks = 5+1)

IMPORTANT:

24 hours extra / grace period after the due date is usually available to overcome uploading difficulties. This extra time should only be used to meet the emergencies and above mentioned due dates should always be treated as final to avoid any inconvenience.

OTHER IMPORTANT INSTRUCTIONS:

DEADLINE:

- Make sure to upload the solution file before the due date on VULMS.
- Any submission made via email after the due date will not be accepted.

FORMATTING GUIDELINES:

- Use the font style "Times New Roman" or "Arial" and font size "12".
- It is advised to compose your document in MS-Word format.
- You may also compose your assignment in Open Office format.
- Use black and blue font colors only.

RULES FOR MARKING

Please note that your assignment will not be graded or graded as Zero (0), if:

- It is submitted after the due date.
- The file you uploaded does not open or is corrupt.
- It is in any format other than MS-Word or Open Office; e.g. Excel, PowerPoint, PDF etc.
- It is cheated or copied from other students, internet, books, journals etc.

Note related to load shedding: Please be proactive

Dear students!

As you know that semester activities have started and load shedding problem is also prevailing in our country. Keeping in view the fact, you all are advised to post your activities as early as possible without waiting for the due date. For your convenience; activity schedule has already been uploaded on VULMS for the current semester, therefore no excuse will be entertained after due date of assignments, quizzes or GDBs.