St. Mary's University
College of Open and Distance Learning
Micro Economics I (Degree)
Tutorial Questions

(2012-I)

Name:

ID. No:

Department: marketing management

Center:

Term: 1

Program: Degr ✓

Instructions:

- **This is the only tutorial question of this course.**
- **This tutorial question is to be completed and submitted to the office of your center. Do not attempt the tutorial questions until you are certain that you have understood the units it covers and have revised your self-test exercises and learning activities, and other necessary references.**
- **If you have any question about the units and activities, state the item/s clearly on a separate sheet of paper and attach to your tutorial questions answer papers.**
- **Due Date: This tutorial question has to be submitted to the office of your center after the TUTORIAL PROGRAM within a week time. Please strictly follow the deadline indicated.**

Part I Short Answer

Give short and precise answer to the following questions on the space provided (1pt. each)

1. What are the two fundamental facts that led to the foundation of the field of economics?
   - ❖ The two_fundamental facts that led to the foundation of the field of economics are:

- ✓ Human wants or needs are unlimited
- ✓ Economic resources(goods and service) are limited

2. Define 'economic model.'
   - ✓ Economic model is a formal framework for representing the basic feature of a complex system by a few central relationships**.**
   - ✓ It is a simplified representation of a real situation that is achieved by a set of meaningful and consistent assumption
   - ✓ It can be expressed in the form of graph, mathematical equation, or computer system.
3. Mention some of the benefits of studying economics.
   - ❖ The benefit of studding economics include:
     1. it is important to study the behavior of human being in production, distribution, and consumption of goods and service which helps to allocate the scarce resource
     2. it also important for the society to allocate the scarce resource wisely and then to satisfy the unlimited human want
     3. to influence or control the problems like inflation, unemployment by designing better economic polices based on what we have learnt
     4. it also important to run our own business in a proper and effective way etc
4. List down at least four basic determinants of market demand
   - ❖ The basic determinants of marketing demand are
     - Test or preference of consumer
     - The number of consumer in the market
     - The money income of the consumer(superior and inferior goods)
     - Price of related good(compliment and substituent)
     - Consumer expectation about future price and income(future rise or future fall)
5. Define 'marginal utility'.
   - ★ Marginal utility is the extra satisfaction a consumer realizes from an additional unit of the product
   - ★ It tells that how much total utility is added compare with the previous total utility or

- ★ It is the change in total utility resulting from the consumption of one more unit of a product
- ★ It decline from the starting point total utility to the maximum point and became zero at the maximum total utility and became negative when the total utility is decline

6. List down the characteristics of indifference curves.

The characteristics of indifference curve include

- ★ Negatively sloped(due to non-satiation)
- ★ Convex to the origin(due to marginal rate substitution diminish)
- ★ More utility the further from the origin(due to non-satiation)
- ★ Cannot intersect (due to axiom transitivity)

7. Define 'budget line'.

- ★ Budget line is representation of various combination of two product which can be purchased with a given money income and the price of the two commodities or
- ★ It shows the effect of one good prices on the other goods prices within the given income
- ★ The equation of budget line is:

$$Px*X+Py*Y=I$$

Where

- Px=price of a single good x
- X=number of good x bought;
- Py=price of a single good y
- Y=number of good y bought
- I =is the given income of the consumer

8. Define 'micro economics.

Microeconomics is a branch of economics analysis of the economic behavior of individual decision making such as consumer, resource owners, and business firms.

It mainly concentrate on out put or price of specific (not general) product expenditure of a given firms.

It mainly concern with the tree (individuals) not the forest (general).

9. Define ‘production’.
   - Production is the act of transforming the factor of production in to goods and services that are desired for consumption and investment.
   - It includes manufacturing, storing, shipping, and packaging.

10. What is long-run?
    - ✓ Long run is the sellers adjustment to invest and expand productive capacity in response to high price, or to reduce the productive capacity by under replacing worn out equipment in the case of low price if there is plenty of time for the seller to adjust to the change in price
    - ✓ In Long run adjustment seller can change the productive capacity in response to the price