**Micro Economics**

**December 2021 Examination**

**1. “Government plays a vital role and provides the legal and social framework within which the economy operates and maintains competition in the marketplace”. Describe the role of government in socialist and mixed economy. (10 Marks)**

**Answer:**

**Introduction:**

**Socialist economy:** Because of the flaws in the capitalist economy, some philosophers and economists believed that the classes ought to be divided. Socialists argued that the industrialists who produce privately suppress their worker's rights. Hence, the notion that if the resources were shared between the industrialists and critical planning, there could be a greater truthful and identical distribution of offerings and goods in the market Its Half solved only

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**2. Demand and supply are the important market forces in an economy .Describe the important determinants of demand. (10 Marks)**

**Answer:**

**Introduction:**

**Demand:** Demand is the number of products or offerings that purchasers are prepared to shop for and can afford at specific rate levels at some stage in a term. In other phrases, the demand for an awesome or provider is a customer's preference to consume that proper or provider and their willingness to pay for them. The rate of a service or product and its demand have an inverse relationship. When a commodity or service price falls, its demand rises as more excellent consumers can have enough money for the service or product, and vice versa.

**3.a. Calculate the price elasticity of demand from the given table: (5 Marks)**

|  |  |
| --- | --- |
| **Price of Notebook (Rs per notebook)** | **Quantity Demanded** |
| **40** | **100** |
| **30** | **100** |

**Answer:**

**Introduction:**

**Demand:** Demand for a service or commodity is the desire or ability to purchase them at a certain rate degree. Various factors or determinants affect the demand for a provider or entity. These are the price of related goods, the charge of the most incredible, customer profits, range of

**3.b. Calculate the price elasticity of demand from the given table: (5 Marks)**

|  |  |
| --- | --- |
| **Price of Pen (Rs per Pen)** | **Quantity Demanded** |
| **25** | **50** |
| **20** | **100** |

**Answer:**

**Introduction:**

**Demand:** The willingness and ability of a customer to purchase a commodity or service offer rise to its market. Subsequently, the need for a commodity or service is the client’s preference and affordability for that carrier or proper. The graphical illustration of a good’s demand is its