**Micro Economics**

**April 2022 Examination**

**Q1. “The root of the economic problem is the scarcity of resources while our wants are infinite”. Elaborate the given statement explaining the three types of problems in achieving in production and distribution.** **(10 Marks)**

**Ans 1.**

**Introduction:**

An economy contains numerous stakeholders, the manufacturers, the customers, the distributors. The goods are in no way reached immediately to the client by using the producers. There may be a whole chain in between, central to the distribution of goods. It has to be noted that it isn't always continually viable on the part of the producer to meet all of the desires and requirements of the clients. Occasionally, it becomes difficult because of the shortage of resources. All of the assets cannot be allotted to meet the needs of all the folks in society. This shortage of sources Its Half solved only

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**Q2. Define the term “Elasticity of demand.” Discuss different types of elasticity of demand. Also, explain why this concept should be of interest to anyone including businessperson, policy maker etc.** (**10 Marks)**

**Ans 2.**

**Introduction:**

Demand is the desire to have something when accompanied by the capacity to afford it. It is established upon many elements, like the price of its commodity, price of other commodities, flavor and preferences of the consumer, authorities taxes, and diverse others. So, there always stays a fluctuation in demand within the market. The producer should be privy to this fluctuation to get an outstanding market share for promoting its product and producing the goods in the

**3.a. Complete the hypothetical table below and explain in brief, the law of variable proportions.** **(5 Marks)**

|  |  |  |  |
| --- | --- | --- | --- |
| Quantity | Total Product | Average Product | Marginal product |
| **1** | 10 |  |  |
| **2** | 30 |  |  |
| **3** | 48 |  |  |
| **4** | 56 |  |  |
| **5** | 56 |  |  |
| **6** | 52 |  |  |

**Ans 3a.**

**Introduction:**

The regulation of variable percentage works on the idea that if the wide variety of one product increases, maintaining the opposite elements consistent, it will decline the marginal made from that element. While the variable elements grow in number, it can lead to the poor value of the

**3b. Vishal Ltd market share was declining due to high competition in the market so it decided to enter a new segment. It wanted to determine the relationship between changes in the quantity demanded of the product due to change in the price of the product in the market. Assume that at the price of ₹100, the demand for the product is 400 units. If the price of the product increases to ₹120, the demand decreases to 250 units. Calculate the price elasticity by percentage method. (5 Marks)**

**Ans 3b.**

**Introduction:**

Price elasticity of demand is a crucial concept of the law of demand. Price elasticity of demand, as it's widely called, is a monetary measurement of how the quantity demanded is affected by changes in its price. It is an essential marketing practice for predicting how consumers reply to