**Micro Economics**

**December 2022 Examination**

# **1. Neha has just completed her MBA and joined a startup company. The company was planning to launch a new product in the market so the management wanted to understand the different factors that can impact the demand and supply of their products in the market. Help Neha to prepare a report on the factors impacting demand and supply of products in the market. (Mention any four factors each for demand and supply Demand) (10 Marks)**

# **Ans 1.**

# **Introduction**

To introduce a new product on the market, businesses must think about demand and supply factors. Companies need to evaluate customer wants and needs on the demand side, while firms require considering manufacturing costs and ability on the supply side. Companies can develop a successful launch technique for their new product by considering demand and supply.

Organizations need to evaluate consumer needs and want to establish what kind of product to launch. "They need to ensure they can create the product at a competitive price." Nonetheless, they also must guarantee that they can have enough of the product to fulfill consumer demand.

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# **2. Enumerate the term price elasticity of supply? Explain any two types of elasticity of supply. Lokhand Co. 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 change 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 of demand. (10 Marks)**

# **Ans 2.**

# **Introduction**

Price elasticity is "just how much demand for an excellent or service change. Simply put, it determines how sensitive consumers are to value modifications". As an example, if the order is price flexible, "a mild price adjustment will lead to a substantial change in demand." Conversely, if demand is price inelastic, "a minor price change will result in small change in direction." Numerous variables can affect price elasticity, consisting of the "schedule of substitutes, the necessity of the good or service," and the time structure in which the acquisition

# **3a. It is observed that rich affluent people purchase high end goods at a higher price which contradicts law of demand. Explain the given scenario and cite examples. (5 Marks)**

# **Ans 3a.**

# **Introduction**

Upscale and wealthy people often acquire high-end goods at a higher cost than the public. This contradicts the "legislation of demand, which specifies that the higher the cost of a great, the reduced the demand for it will be." However, there are several reasons wealthy individuals want

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# **3b. Enumerate the movement along demand curve? Differentiate between expansion and contraction in movement along the demand curve? (5 Marks)**

# **Ans 3b.**

# **Introduction**

Expansion and contraction are two kinds of movement along the demand curve. Expansion happens when the demand for a great or service boosts, while contraction occurs when the need for a good or service decreases. Both expansion and contraction can be brought on by numerous elements, such as changes in income, costs of alternatives and enhancements, and adjustments in