**Business Economics**

**1. Given below are the details about production in two countries – France and Indonesia. These countries trade regularly with each other in two commodities Automobile and Textile. Output per worker per day for Automobiles and Textile are given below.**

|  |  |  |
| --- | --- | --- |
|  | **Automobile** | **Textile(yards)** |
| **France** | **10** | **20** |
| **Indonesia** | **5** | **40** |

**Based only on the information given here, answer the following:**

**(a) Which country has an absolute advantage in the production of:**

**i. Automobile**

**ii. Textile**

**(b)Which country has a comparative advantage in the production of:**

**i. Automobile**

**ii. Textile**

**(c) Illustrate the gains for each country from trading based on comparative advantage. (10 Marks)**

# Introduction

Comparative advantage is a situation in which one country can produce one commodity at a reduced opportunity price compared to one more country. The absolute advantage is a situation where an organization can generate a product at a more affordable rate than one more country. This suggests that the country requires fewer sources and fewer amounts to produce the very same product that will be produced by a different firm in a much more costly way.

When determining what product to export, the countries must deal with outright advantage

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**2. A representative economy is described by the following equations:**

**Consumption function: C = 40 + 0.8 (Yd); Yd = disposable income**

**Tax function: T = 0.2 Y**

**Investment function: I = 180 – 10r**

**Government spending function: G = 200**

**Net exports function: X = 40 – 0.1Y**

**a. Find the equation for goods market equilibrium for the economy described above.**

**b. Given that the real interest rate in the economy is 5%, calculate the equilibrium output in the goods market.**

**c. How would the goods market equilibrium in the economy change if the income tax rate is increased to 0.3 and the marginal propensity to import decreases to 0.024? (10 Marks)**

# Introduction

In economics, the market equilibrium occurs when the aggregate demand in the economy amounts to the accumulated supply of the goods and services in the economy. The accumulated supply of the goods and services in the economy is figured out with help of the communication of the product feature with the labor market. That function is called AS = Y, and Y is thought to be the point at which complete work takes place. It can be said that in the items market, the excellent market equilibrium can be thought about with the aid of the list

**3. Case Analysis:**

**a. UEx is a banking institution working in the area of microfinance in the Middle Eastern region. They are planning to start operations in India. Before entering Indian market, they would like to study the market structure of the microfinance industry in India to make an assessment about their scope in the Indian microfinance space. If you were to advise them on understanding the market structure, how would you go about with the analysis? Give rationale for the choice of your technique. (5 Marks)**

# Introduction

If a company is going into a market, market structure is crucial. Getting into a market requires the participant to conduct an in-depth analysis of the functions of the market in which the company wishes to operate. These features can easily be analyzed if the organization finds out about the market structure of the potential market. Speaking the term

**b. Assuming Indian microfinance institution is an oligopoly market with a few dominant players, how would you advise UEx in terms of their product placement and pricing strategy? Give a brief summary of your advice to UEx. (5 Marks)**

# Introduction

Oligopolistic market conditions are market conditions of such a market structure in which two or more big companies take on each other over the no-price competition. They are using comparable items in the market and are huge companies creating new participants to deal