**Micro Economics**

**September 2024 Examination**

**1. Concept on Elasticity is applicable in all walks of life including Business, policy making process and many more. Elaborate the given statement highlighting the application of elasticity of demand. (10 Marks)**

**Ans 1.**

**Introduction**

Elasticity of demand is a fundamental concept in microeconomics that measures the responsiveness of the quantity demanded of a good or service to changes in its price or other factors such as income and prices of related goods. Understanding elasticity is crucial for businesses, policymakers, and economists as it helps in making informed decisions regarding pricing strategies, tax policies, and resource allocation. Elasticity can be applied in various aspects of life, including business, policy-making processes, and even in understanding consumer behavior. This essay elaborates on

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**2. “Zen Corporation, a prominent household appliance manufacturer, has been contemplating increasing its production capacity in response to escalating consumer demand. Following a thorough feasibility assessment, the company opts to invest in a larger manufacturing facility and upgrade its production machinery. Consequently, this expansion yields substantial economies of scale for Zen Corporation “. With regard to the given scenario explain the term “Economies of scale “and discuss the various factors contributing to Economies of scale. (10 Marks)**

**Ans 2.**

**Introduction**

Economies of scale refer to the cost advantages that companies experience when production becomes efficient, as the cost per unit of output decreases with the increase in the scale of production. For a company like Zen Corporation, which is expanding its manufacturing capacity due to rising consumer demand, achieving economies of scale is crucial for maintaining competitiveness and maximizing profitability. This concept is vital for businesses, as it allows them to lower production costs, enhance efficiency, and ultimately offer products at more competitive prices. In this context,

**3a. “Demand schedule plays a significant role as it depicts the relationship between the price of goods and quantity of goods demanded” With regard to the given statement, explain some of the important factors (any 5) that determines demand of a good with an example. (5 Marks)**

**Ans 3a.**

**Introduction**

The demand schedule is a fundamental concept in microeconomics that illustrates the relationship between the price of a good and the quantity demanded by consumers at various price levels. It serves as a tool for businesses and policymakers to understand consumer behavior and market dynamics. The demand for a good is influenced by several factors, which determine how much of the good consumers are willing and able to purchase at different prices. Understanding these factors is crucial for making

**3b. Elaborate the various exceptions to Law of demand. Illustrate the exceptions with examples. (5 Marks)**

**Ans 3b.**

**Introduction**

The Law of Demand states that, all else being equal, as the price of a good increases, the quantity demanded decreases, and as the price decreases, the quantity demanded increases. This inverse relationship between price and demand is a fundamental principle in economics. However, there are certain exceptions to this law where the demand for a good does not follow the typical downward-sloping demand curve. Understanding these exceptions is crucial as they provide insights into unique market