**Assignment 1 ECON101 (2nd Term 2021-2022)**

**Deadline: 28/02/2022 @ 23:59**

**(To be posted/released to students on BB 14/02/2022)**

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| --- | --- |
| Course Name: **Microeconomics** | Student’s Name: |
| Course Code: **ECON101** | Student’s ID Number: |
| Semester: 2nd | CRN: |
| Academic Year: 1442/1443 H, 2nd Term | |

**For Instructor’s Use only**

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| --- | --- |
| Instructor’s Name: | |
| Students’ Grade: /10 | Level of Marks: High/Middle/Low |

**Instructions – PLEASE READ THEM CAREFULLY**

* This assignment is an individual assignment.
* **Due date for Assignment 1 is 28/02/2022**
* The Assignment must be submitted only in **WORD format** via allocated folder.
* Assignments submitted through email will not be accepted.
* Students are advised to make their work clear and well presented, marks may be reduced for poor presentation. This includes filling your information on the cover page.
* Students must mention question number clearly in their answer.
* Late submission will NOT be accepted.
* Avoid plagiarism, the work should be in your own words, copying from students or other resources without proper referencing will result in ZERO marks. No exceptions.
* All answered must be typed using **Times New Roman (size 12, double-spaced)** font. No pictures containing text will be accepted and will be considered plagiarism).

**Submissions without this cover page will NOT be accepted**.

**Question-1**

Bill can produce either tables or chairs. Bill can work up to 10 hours a day. His production possibilities are given in the table below:  **(3 Marks)**

|  |  |
| --- | --- |
| Tables | Chairs |
| 0 | 200 |
| 50 | 180 |
| 60 | 160 |
| 70 | 140 |
| 80 | 120 |
| 90 | 0 |

1. Explain production possibilities frontier (PPF) by putting tables on the Horizontal axis and chairs on the vertical axis. What is Bill’s opportunity cost of producing one additional table?
2. Currently Bill is producing 70 tables and 140 chairs. Is this allocation of resources efficient? Why?
3. Show this allocation on the graph and advise Bill how he can be more efficient.

**Question-2**

Explain by applying these concepts with examples. **(2 Marks)**

1. Rational people respond to incentives
2. Role of prices in allocating resources

**Question-3**

The table below shows the marginal benefit that Khaled earns from keeping his store open one more hour. Khaled has a marginal cost of $40 per hour. Khaled stays open 20 hours. **(3 Marks)**

|  |  |
| --- | --- |
| **Hours** | **Marginal Benefit Per Hour** |
| 20 | 200 |
| 21 | 140 |
| 22 | 110 |
| 23 | 70 |
| 24 | 40 |
| 25 | 10 |
| 26 | 0 |

1. Do you think Khaled’s decision to stay open 20 hours is optimal? Why?
2. How many hours do you advise Khaled to stay open? Why?

**Question-4**

Suppose the market for Computer is given by the following equations for supply and demand:

**(2 Marks)**

Qd= 3300−2P  
 Qs= 500+8P

1. Calculate the equilibrium price and quantity.
2. Sketch the supply and demand curves on a graph indicating the equilibrium quantity and price.