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| **Kingdom of Saudi Arabia**  **Ministry of Education**  **Saudi Electronic University** | A picture containing text, outdoor, sign  Description automatically generated | **المملكة العربية السعودية**  **وزارة التعليم**  **الجامعة السعودية الإلكترونية** |

**College of Administrative and Financial Sciences**

**Assignment -2**

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| Course Name: **Microeconomics** | Student’s Name: |
| Course Code: **ECON490** | Student’s ID Number: |
| Semester: **Summer Term- 2021-2022** | CRN: |
| Academic Year: **1442/1443 H, Summer Term** | |

**For Instructor’s Use only**

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| Instructors Name:  SEU Instructor’s Name: | |
| Students’ Grade: Marks obtained/out of **30** | Level of Marks: High/Middle/Low |

**Regulations:**

* This assignment is an individual assignment. Students are encouraged to use their own words.
* Students must follow Saudi Electronic University academic writing standards and **APA style guidelines**.
* Support your submission with course material concepts, principles, and theories from the textbook, along with **at least two scholarly, peer-reviewed journal articles.**
* A mark of **zero** is awarded for any submission that includes copying from other resources without proper referencing it.
* Write at least **4-5 pages** in length, **excluding** **the title page, abstract and required reference page,** which is never a part of the minimum content requirements.
* It is strongly encouraged that the student submits his/her assignment into the Safe Assignment Originality Check before sending it to your instructor for grading.
* Read the assignment guidelines earlier sent at your email IDs.
* , **excluding** **the title page, abstract and required reference page,**

**An Overview** ofAssignment submission time & grades:

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| **Type of Assignment** | **Posting date** | **Due date** | **Marks** |  |
| **MCQs and Short Critical thinking Questions** | **3/08/2022** | **13/08/2022** | **30** |  |

**@ Attempt the MCQs ( 10 x 1= 10 Marks )**

**1) Suppose that the percentage change in demand is 10%, the price elasticity of supply is 2, and the percentage change in the equilibrium price is 3.33%. What is the price elasticity of demand?**

**A) 0**

**B) 1**

**C) 2**

**D) 3**

**2) The quantity supplied of hot dogs is 200 at the unit price of $3.50. Suppose the price elasticity of supply by the initial value method is 2, and you would like to induce sellers to increase the quantity of hot dogs supplied to 220. Then new price must be :**

**A) $1.5.**

**B) $2.**

**C) $2.5.**

**D) $3.**

**3) The price elasticity of supply is calculated by :**

**A) dividing the percentage change in quantity supplied by the price.**

**B) dividing the percentage change in income by the percentage quantity supplied.**

**C) dividing the percentage change in price by the percentage quantity supplied.**

**D) dividing the percentage change in quantity supplied by the percentage change in price**

**4) The cross-price elasticity of demand measures:**

**A) the relationship between the demand for one good and the supply of another.**

**B) the relationship between the demand for one good and the price of another.**

**C) the relationship between the demand and supply of one good at the intersection of the curves.**

**D) the elasticity of demand at the intersection of the supply and demand curves.**

**5) If quantity demanded of a good falls by 2% when income falls by 10%, the good's demand is :**

**A) price sensitive.**

**B) income-inelastic.**

**C) income-elastic.**

**D) price insensitive.**

**6) Jane is a student at a university. She pays $10,000 per year in tuition, $4,000 per year in living expenses, and $800 per year for books. Were she not in school, she could earn $20,000 per year working as a bookkeeper and she would not live with her parents. What is her economic cost of a year in college?**

**A) $10,000**

**B) $13,000**

**C) $30,800**

**D) $34,800**

**7) In the short run, the marginal cost of the first unit of output is $20, the marginal cost of producing the second unit of output is $16, and the marginal cost of producing the third unit of output is $12. The firm's total variable cost of producing three units of output is :-**

**A) $12.**

**B) $16.**

**C) $20.**

**D) $48.**

**8) Marginal cost is defined as :-**

**A) total variable cost resulting from a one-unit increase in quantity.**

**B) quantity resulting from a one-unit increase in total variable cost.**

**C) the change in total variable cost resulting from a one-unit increase in the change in quantity.**

**D) the change in quantity resulting from a one-unit increase in the change in total variable cost.**

**9) A market in which firms sell a homogeneous product and cannot influence market price is most likely :-**

**A) a perfectly competitive market.**

**B) an oligopoly.**

**C) a monopolistically competitive market.**

**D) a monopoly market.**

**10) Kevin's Golf sells golf balls in a perfectly competitive market. At its current level of golf ball production, Kevin has marginal costs equal to $2. If the market price of golf balls is $1, Kevin should :-**

**A) decrease the level of golf ball production.**

**B) continue producing the current level of production.**

**C) increase the production of golf balls.**

**D) raise the price of its golf balls.**

**@ Short Answer Questions (10 x 2 = 20 Marks)**

**(Answers should be based on your content knowledge, views, experience and research based materials)**

**Q-1- Why do barriers to entry create market power? 2 Marks**

**Answer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**Q-2- What are the characteristics of monopolistic competition? 2 Marks**

**Answer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**Q-3-Explain the relationship between average fixed cost and marginal cost.**

**( 2 Marks)**

**Answer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**Q-4-Can you think of an example of a good whose demand could be perfectly inelastic?**

**( 2 Marks )**

**Answer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**Q-5-Your boss, the mayor of a city, thought that she'd come up with a great way to raise city revenue: increase the tax on gasoline in the city! However, she discovered that the city was actually receiving less tax revenue after the gas tax increase than before. Incensed, she declared that the economic policy prescription of taxing goods with inelastic demand must be flawed. Comment. ( 2 Marks )**

**Answer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**Q-6-Draw the demand curve for a good whose price elasticity of demand is equal to zero. Be sure to label both axes. Explain what the graph represents. ( 2 Marks )**

**Answer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**Q-7-Gloria works for a museum in a large city with many other museums. Her boss proposes that the museum should raise the price of admission to increase revenues. Gloria was a good student in her economics principles course. How should she advise her boss?**

**( 2 Marks )**

**Answer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**Q-8-Can a firm's accounting profit be smaller than the economic profit? Assume that all costs are positive. ( 2 Marks )**

**Answer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**9) What are the characteristics of oligopoly? List some disadvantages. ( 2 Marks )**

**Answer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**10) How does a monopolist's marginal revenue change as output increases? Why?**

**( 2 Marks )**

**Answer:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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