Final Assessment

Fall Semester

BBA program

Course code : ECO213

Course title : Microeconomics

Student Name : MD TUSHAR AHAMED

Student ID : 1113300361

Answer to the question no: 1

Opportunity cost: Opportunity cost is money or benfits lost by not selecting a particular option during the decision-making process. Opportunity cost is composed of a business's explicit and implicit costs. Opportunity cost helps business understand how one decision over another may affect profitability.

Discuss about opportunity cost: Examples of opportunity cost:

Education: Choosing to study one subject means giving up the chance to study another subject.

Investing: Choosing one investment option means giving up the chance to earn return from other options.

Spending: Choosing to buy one thing means giving up the chance to buy something else.

Time: Choosing to spend time on one activity means giving up the chance to spend time on onther activities.

Types of opportunity cost

Explicit costs: Direct costs that can be quantified, such as the chance to study another subject.

Investing: Choosing one investment option

means giving up the chance to earn returns form other optins.

Spending: Choosing to buy one thing means giving up the chance buy something else.

Time: Choosing to spend time on one activity means giving up the chance to spend time on other activities.

Type of opportunity cost.

Explicit costs: Direct costs that can be quantifed, such as money or time.

Implicit costs: Lost opportunities that can't be easily identified, such as the value of time spent on one activity instead of another.

Calculating opportunity cost: Opportunity cost be calculated by subtracting the return on the chosen option from the return on the best option that was not chosen.

Using opportunity cost: Opportunity cost can help people and businesses make better decisions by considering the alternatives.

Answer to the question no: 2

Factors of production: Factors of producting in economies, are the resources used to produce goods and services, which are typically categorized as: land, labor, capital, and entrepreneurship, essentially, these are the building blocks of an economy.

Explanation:

Land: Represents all natural resources like land itself, minerals, water, and climate.

Labor: Refers to the human workforce involved in production, including skilled and unskilled labor.

Capital: Represents man-made resources used in production. like machinery, equipment and building.

Entrepreneurship: The initiative and skills of individuals who organize and manage the production process, taking risks to innovate and create new businesses.

Entrepreneurship: The initiative and skills of individuals who organize and manage the production process, taking risks to innovate and create new businesses.

Key points about factors of production:

a) Each factor plays a crucial role in the production process.

b) The combination of these factors determines the over all output of an economy.

c) Economists study how these factors interact and how their allocation can be optimized.

Answer to the question no: 03

The price of related goods and services is determined by their relationship to each other in terms of demand, where a change in the price of one good can directly impact the demand for another, a concept known as "cross elasticity of demand" in economics, essentially, if two goods are substitutes, increasing the price complementary goods see demand for both decline if the price of one increases.

Key points about related goods and prices:

Substitute goods: When two goods can be

used interchangeably, they are considered substitute (e.g., Coca-cola and pepsi). If the price of Coca-Cola rises, consumers might switch to pepsi, driving up its demand

Complementary goods: These goods are often used together (e.g., a printer and ink cartridges). If the price of printers, increas, the demand for ink cartridges will likely decrease as well.

How it works in practice:

Market dynamics: The interplay between supply and demand for both goods in a market determines their respective price.

Cross elasticity calculation: To measure the

relationship, economists calculate "Cross-price elasticity of demand," which is the percentage change in quantity demanded of one good divided by the percentage change in the price of another good.

Positive cross elasticity: A positive cross elasticity indicates substitute goods, meaning a price increase in one good leads to increased demand for the other.

Negative cross elasticity: A nagative cross elasticity indicates complementary goods, where a price increase in one good leads to decreased demand for the other.

Fast food and healthy food: If the price

of fast food increases, demand for health options might rise.

Airline tickets and hotel rooms: A cheaper flight price can lead to increased demand for hotel rooms at the destination.

Coffee and creamer: If the price of coffee beans goes up, the demand for coffee creamer might also fall.

Answer to the question no: 4

Classify Economic System: Economic systems can be classified by how resources are controlled, how much income a country has, or how much debt a country has.

Control of resources:

Command economy: The government controls resources, such as oil or gold.

Income:

Low income: Economies with a low gross national income (GNI) per capita.

~~Low~~ **Middle income:** Economies with a middle GNI per capita, which is further divided into lower middle and upper middle.

High income: Economies with a high GNI per capita.

Debt:

External debt: Economies can be classified by their levels of external debt.

Economic structure:

Market economy: Also known as a free market system, where individuals and companies pursue their own goals.

Developing economies: Low- income and middle - income economies are sometimes called devolping ecomies.

The World Bank uses GNI per capita to classify economies for analytical purposes. The World Bank also uses geographic regions to classify economies.