Answer All Questions

1.a. Country 1 and Country 2 are going to do a production competition on two goods: t-shirts and trousers. They have one hour to prepare for the competition. *

T-shirt production: Country 1 can make t-shirts 3 t-shirts per 15 minutes. Country 2 makes at 4 t-shirts per 15 minutes.

Trouser production: Country 1 can make 5 trousers per 20 minutes, while Country 2 makes 8 trousers per 20 minutes.*(Hint: Show this information in a table for total production in 1 hr in your rough work before you calculate opportunity costs)*

What is the opportunity cost of three t-shirts for Country 1?

- ○ 1.25 trousers
- ○ 2.25 trousers
- ◉ 3.75 trousers
- ○ 0.75 trousers

1.b. On the basis of the comparative advantage theory, which country has the absolute advantage in the production of both trousers and t-shirts, as per the *

1.b. On the basis of the comparative advantage theory, which country has the absolute advantage in the production of both trousers and t-shirts, as per the information in part 1.a? *

- ○ Country A
- ○ Both Country A and Country B
- ◉ Country B
- ○ No country has a comparative advantage

1.c. (This part is unrelated to the above parts) *

During the COVID-19 pandemic, Bangladesh experienced shortages of rice in government storage because of a tendency of storing more by different quarters and creating an artificial crisis. According to the food ministry, the government's rice stock had fallen to a 13-year low of 300,000 tons . Some studies also suggest that households suffering from income losses due to the pandemic may have reduced rice consumption as much as 15%. Assuming the reduction in consumption was less substantial than the impact of the artificial crisis.

Hint: Draw an appropriate diagram for your own reference.

Choose the most appropriate option from the following-

1.c. (This part is unrelated to the above parts) *

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Hint: Draw an appropriate diagram for your own reference.

Choose the most appropriate option from the following-

- ○ Both demand and supply decrease, but the fall in supply is greater than the fall in demand, resulting in an increase in output and a decrease in price
- ○ Only supply decreases, resulting in an increase in equilibrium price and a decrease in output
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- ○ Only demand decreases, resulting in a decrease in equilibrium price and output.

2.a. In Country Z, the demand and supply functions for toast biscuits are given as: *

$P = 250 - 2Qd$; where Qd is quantity demanded and

$P = 90 + 3Qs$; where Qs is quantity supplied

Using the above information, answer the following questions:

What would be the consumer surplus?

- ○ 2040
- ◉ 1024
- ○ 1735
- ○ 1520

2.b. Now suppose an income increment affects the demand by 10 per cent. * Assuming a parallel effect, the new demand function is $P = 275 - 2Q$ Which of the following/s is most likely to happen after the income change?

- ○ Consumer Surplus decreases by TK 320
- ◉ New Consumer Surplus is TK 1369

1520

2.b. Now suppose an income increment affects the demand by 10 per cent. Assuming a parallel effect, the new demand function is $P = 275 - 2Q$ Which of the following/s is most likely to happen after the income change? *

- Consumer Surplus decreases by TK 320
- New Consumer Surplus is TK 1369
- Producer surplus increases by TK 950
- Producer surplus increases by TK 650

2.c. Percentage change in consumer surplus between part a and b is **approximately** 34 percent *

- True
- False
- Not enough information given

3.a. Given the market conditions of Product X such as: *

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Demand: $Px = 210 - 2Qx - Qy$;

Supply: $Px = 45 + Qx$

Additional Information: The market is at equilibrium and Quantity demanded for Product Y (Qy) is 30 units.
If the increase in the market price (equilibrium) by 10TK decreases demand for Product Y (Qy) by 15 per cent, compute the cross-price elasticity of demand with respect to Product X?

- ○ -2.12
- ○ 3.14
- ◉ -1.425

3.b. What is the relationship between Good X and Good Y? *

- ◉ Complements
- ○ Substitutes
- ○ Inferior

Substitutes

Inferior

3.c. Suppose income across the population decreases by 15%, causing a resulting change in the demand function for Product X. The new demand function of Product X in part a changes to: Px = 180 – 2Qx - Qy *

Assuming there are no changes in supply, calculate the income elasticity of demand for Product X.

- 0.95
- 1.67
- -1.88

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