ECO 104 Fundamentals of Economics

Fall 2018

Homework Assignment #1

**Problem #1 (25 points)**

Suppose you can solve the math problems faster than anyone else in your class. Now you are writing an economic paper that includes several math problems. When will you pay your classmate to solve the math problems for your paper? Explain.

**Problem #2 (25 points)**

Suppose your price elasticity of demand for hamburgers is constant and is 1.5. When the price is $1.10 per hamburger, you buy 17 hamburgers per month. How many hamburgers per week will you buy if the price decreases to $0.9 per hamburger? Use the midpoint method of calculating elasticity. Show your calculations.

**Problem #3 (50 points)**

Assume that the ice-cream market can be described by the following supply and demand curves:

Qs = 10000 + 2000P

Qd = 15000 – 3000P

1. What are the equilibrium price and quantity in the ice-cream market?
2. Suppose that government imposes a price floor of $1.5 per ice-cream cone. How many ice-cream cones now sold in the market? Calculate the price elasticity of demand for this situation using the midpoint method.
3. What do you think will happen in the frozen yogurt market? Explain your answer.