HAWASSA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

ECONOMICS ASSIGNMENT

- **Your answer should be clear, neat and to the point**
- **Do it in group**
- **The teacher is not responsible for any failure to respect the submission date and dishonesty**
- **Show all the necessary steps clearly**
- **Support your answer with graphs and interpretation.**
- **Working together is encourageable but copying from each other is strictly forbidden.**
- **Submission date Deadline: April 7 /2022G.C.**

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1. Define economics , the rationale of studying economics and the major branch of economics briefly
2. Discuss the following terms
    a. Scarcity
    b. Opportunity cost
    c. Production possibility
    d. Efficiency
3. Discuss economic resources and their rewards
4. What is the difference between change in demand and change in Quantity Demanded illustrate using graph
5. Suppose a consumer consuming two commodities X and Y has the following utility function $U = X^{0.4} Y^{0.6}$, If price of good X and Y are 2 and 4 respectively and income constraint is Birr 50.

    a. Find the quantities of X and Y which maximize utility.

b. Show how a rise in income to Birr 100 will affect the quantity of X and Y

6. Given market demand: Qd= 200-5P, and market supply: = Qs = 4P-40
    a. Calculate the market equilibrium price and quantity
    b. Determine, whether there is surplus or shortage at P= 30 and P= 40.
7. Suppose price of good X rises from birr 4 to birr 6 and its quantity demand falls from 120 units to 80 units. Calculate the arc price elasticity of demand
8. Suppose a consumer has income of birr 20 which is to be spent on good A and B .Good a cost birr 2 and good b cost birr 4
    a. determine equation of the budget line
    b. draw budget line
    c. calculate the slope of budget line and interpret
    d. Can consumer be on budget line buying 5 unit of good a and 2 unit of good b? Why?.
9. Define utility, major approaches of measuring utility , show the relation between marginal utility (MU) and marginal rate of substitution (MRSxy)