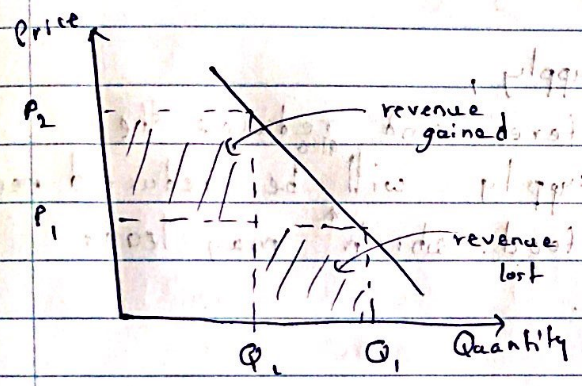
Index no : 190253K
CSE department

case study 1

a) Starbucks coffee has inelastic demand. The increase in the price of inelastic products has only slight reduction on quantity desired. The price effect is greater for inelastic products than the quantity effect.

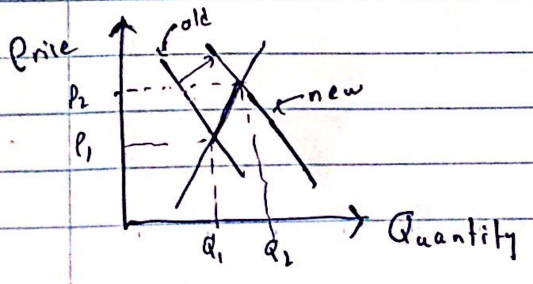


The demand for coffe only drops from Q_1 to Q_2 when price goes from P_1 to P_2.

area revenue lost < area revenue gained

⇒ there's a net revenue gain.

When tax incidence goes high, the costume burden also goes high. According to Demand Theory, as prices have increased, costomer demand for smaller-sized coffee has reduced, resulting customers to buy coffee in larger size. Also, there will be higher demand for larger-sited coffee and demand curve will move to the right.



from curves, it is obvious that new market equilibrium has been established at a higher equilibrium price for this large-sited coffee, increasing Starbuck's revenue.

Date: ..../.........../

Case Study 2

a) Inelastic

b) It is difficult to find an alternative for rice since it is a primary need. Therefore, even if the price increase is high, the reduction of demand is low
∴ The demand for rice is inelastic.

c) No.
According to law of supply,
if the gvt. interferes and reduces the price of rice, supply will also be reduced resulting a shortage of food. which may leads to many problems.

Case study 3

(a) Increase in the real income
Rapid economic growth

(b) negative

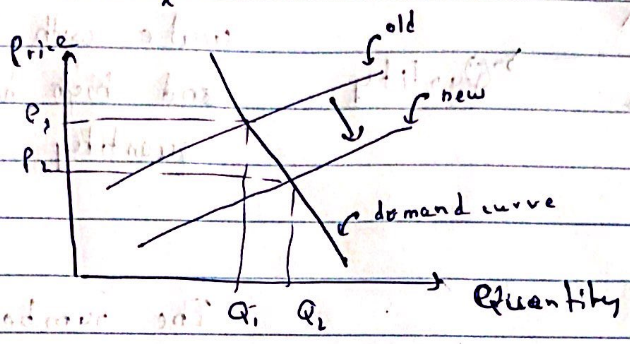
(c) positive and greater than 1

Date: ..../........../..........

Case Study 4

a) elastic.

b) price would be decreased.

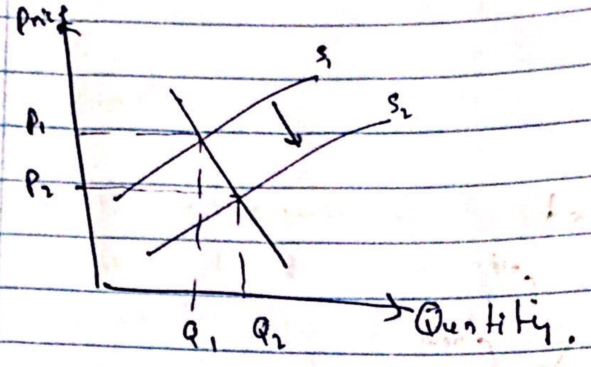


The demand curve will be decendands since there will be an excess of fish on the market due to delivery fish more than needed. Since fishermen have to sell their catch the same day, price will be low to make the stock empty sooner. The demanded amount will go high with a drop of price ~~with~~ and low deman and a surplus can be eliminated to create a new equilbrium in the market.

c) No effect
Due to the inability of storing fish, the following days won't be affected by the supply of today.

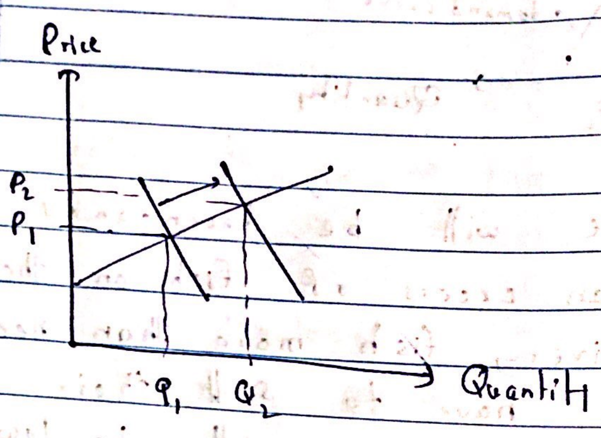
Date: ..../......./.......

d) Increase in supply



with new style, catching fish is going to be easier. and the new equilibrium will create with lower price and ~~high~~ higher quantity.

e)



The number of consumers will be increased and the market will expand resulting higher demand A new equillibrium will create with a higher. price and quantity

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