HSS 201: Economics for Engineers

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Some Practice Questions

1. Suppose the demand curve for a product is given by

$$Q = 10 - 2P + P_s$$

where P is the price of the product and P_s is the price of a substitute good and it is equal to Rs. 2

   - Suppose, P = Rs. 1. What is the price elasticity of demand? What is the cross-price elasticity of demand?
   - Suppose the price of the good, P, goes to 2. Now what is the price elasticity of demand? What is the cross-price elasticity of demand?

2. Suppose the demand for natural gas is perfectly inelastic. What would be the effect, if any, of natural gas price controls?

Some Practice Questions

3. The market for pendrives has the following supply and demand curves given by $P = 2Q_S \& P = 42 - Q_D$, respectievly. What will be the equilibrium price and quanity? If price is 14, what would be the equilibrium quantity?

4. The demand function for a good X is $Q_d = 1800 - 20P + 0.06M - 50P_R$, where M is the consumer income and P_R is the price of related good Y. is good X is a normal or an inferior good? Good X and Y are substitutes or complements?

5. Lovers of classical music persuade government to impose a price ceiling of Rs. 400 per concert ticket. As a result of this policy, do more or fewer people attend classical music concerts?

Some Practice Questions

6. The market price for chewing gum is competitive with a price of Rs. 5 per pack and quantity of 100,000 packs. Which of the following events would lead to new equilibrium price of Rs. 4 and quantity of 80000 packs?
   - an increase in price of other kinds of candy
   - an increase in the price of ingredients used to make chewing gum
   - a decrease in the the number of young people in the population
   - an agreement by workers in the chewing gum industry to work for lower wages
   - an improvement in chewing gum production technology