**Assignment 2**

**Managerial Economics**

**Submission: [Due in class next week]**

1. Suppose you are the manager of Guiness Ghana Breweries PLC. How would you expect the following events to affect the demand or supply of Malta Guiness? Illustrate each case on a diagram.
   1. The price of comparable malt products decreases.
   2. Ten new malt producing companies open in Ghana.
   3. The unemployment rate in the Ghana decreases.
2. Tilapia is one of the delicacies of several households in Ghana. A study by an economist showed that Tilapia is a normal good to households. Due to the general economic downturn, consumers’ incomes have decreased marginally, whilst the cost of inputs to produce Tilapia has doubled.
   1. There are two events in this case. Identify these two events.
   2. For each event identified, indicate whether it will affect demand or supply.
   3. For each event, explain how it will affect demand or supply.
   4. Demonstrate the resulting change in demand or supply for each event on separate diagrams.
3. Rising jet fuel prices recently led most major airlines to raise fares by approximately 15 percent. Explain how this substantial increase in airfares would affect the following:
   1. The demand for air travel.
   2. The demand for hotels.
   3. The demand for rental cars.
4. Suppose that a government-sponsored research project finds that using soursop helps reduce the risk of cancer.
   1. Will the research finding affect demand or supply of soursop?
   2. Use a diagram to explain how this will affect the demand or supply curve as identified earlier.
5. Suppose that the government initially gave farmers free fertilizers which were to help increase maize yield. However, after planting, during the raining season, fall army worms destroyed several maize plantations. Will these events affect demand or supply for maize? Explain how these events will affect demand or supply using appropriate diagram(s).