# Douglas College
ECON1150-005 Principles of Microeconomics
Winter 2020

**Assignment #2**
Due: Monday, Feb. 10 in class

1. Suppose your weekly demand equation for Tim Hortons coffee is $Q = 30 - 5P$, and the price is \$2/cup. Draw a demand curve and answer the following questions:
   (a) How many cups of coffee will you buy per week?
   (b) What is the marginal value for the last cup of coffee that you consume? What is the total value for all coffee that you consume in a week?
   (c) What is your total expenditure on coffee per week? What is your consumer's surplus? Specify the corresponding areas in your graph and calculate their size.

2. Consider each of the following markets.  Determine which "other things equal" conditions have changed, and in which direction the demand curve would shift. Is it an increase or decrease in demand?
   a) Haircuts: Long hair becomes trendy.
   b) Movies in the theatre: The price of video rentals decreases.
   c) Snowboards: The price of season passes at Whistler increases.
   d) Bus tickets: Consumer income has increased.
   e) Vancouver houses: People believe the house price will continue decreasing.

3. Chapter 5, Problem #2. (Note: Her demand for diet coke is inelastic, not perfectly inelastic.)

4. Chapter 5, Problem #6.

5. Chapter 5, Problem #8.

6. Chapter 5, Problem #14.

7. Chapter 5, Problem #16.

8. Chapter 5, Problem #18.

9. Chapter 5, Problem #20.

10. (Bonus question) Figure 5-5 illustrates the so-called "eyeball calculation" of elasticity: The point elasticity at $C = A/B$. Prove why it is always correct for a linear demand curve.