



SVKM's NMIMS

NMIMS Global Access

School for Continuing Education (NGA-SCE)

Course: Business Economics

Internal Assignment Applicable for December, 2015 Examination

Assignment Marks : 30

Instructions:

- *All Questions carry equal marks.*
 - *All Questions are compulsory*
 - *Answers to each assignment question to be explained in approximately 1500 words. Use relevant examples, illustrations as far as possible.*
 - *All answers to be written individually. Discussion and group work is not permissible.*
 - *Students are free to refer to any books/reference material/website/internet for attempting their assignments, but are not allowed to copy the matter as it is from the source of reference.*
 - *Students should write the assignment in their own words. Copying of assignments from other students is not allowed.*
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1. There is a fruitseller who has 30 kgs of apples to be sold and he wants to fix a price so that all the apples are sold. There are three customers in the market and their individual demand functions are given below:

$$D_1 = 25 - .05P$$

$$D_2 = 20 - .025P$$

$$D_3 = 15 - .075P$$

Where D is the demand and P is the price

Determine :

- Market demand equation for the fruit seller (2.5 marks)
- Price at which he can sell all the apples (2.5 marks)
- Individual demands of each of the three customers (5 marks)

2. a) Determine the market equilibrium price if the demand and supply function is given as:

$$D = 12p + 8$$

$$S = 14p - 4$$

(5 marks)

Where D= demand

S=supply

p= price

b) Determine the equilibrium quantity if price is the same as above

$$D = 4p - 4q$$

$$S = 8q - 4p$$

(5 marks)

Where D= demand

S=supply

p= price

q= quantity

3. a) Suppose the monthly income of an individual increases from Rs 20,000 to Rs 25,000 which increases his demand for clothes from 40 units to 60 units. Calculate the income elasticity of demand. (5 marks)

b) Quantity demanded for tea has increased from 300 to 400 units with an increase in the price of the coffee powder from Rs 25 to Rs 35. Calculate the cross elasticity of demand between tea and coffee. (5 marks)
