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Submitted To

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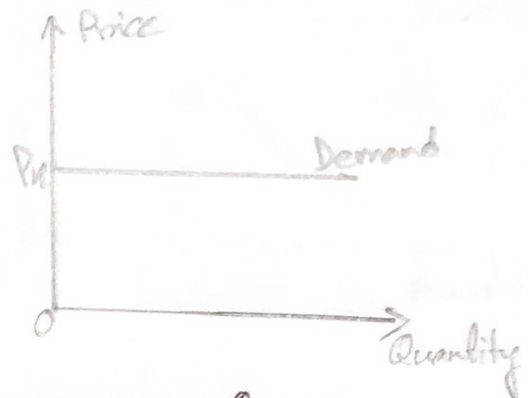United International University

Date of Submission: 28/12/2025

Ans no 1 (a)

$$E = \frac{\%\Delta Q}{\%\Delta P} = \frac{10\%}{0\%} = \infty$$

Perfectly Elastic

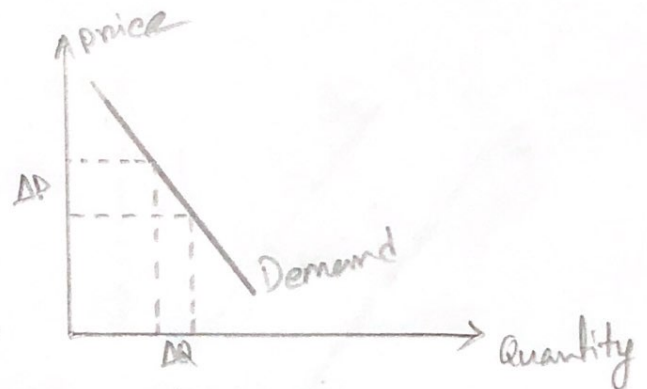Perfectly flat curve. Buys only at price P_n. If price increases $Q_d = 0$

Perfectly Elastic demand graph: horizontal demand line at price P_n, Price on vertical axis, Quantity on horizontal axis.

Ans no 1 (b)

$$E = \frac{10\%}{20\%} = 0.5$$

Inelastic.

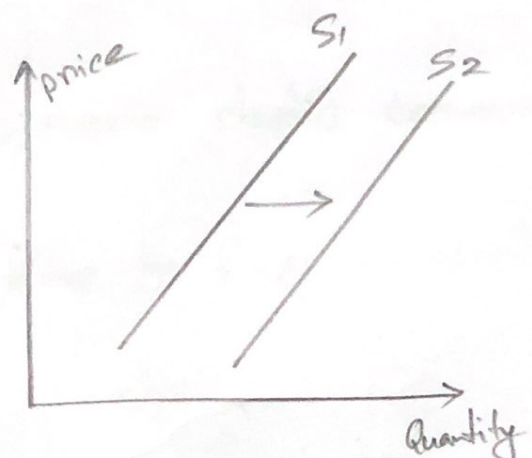Relatively steep downward.

Quantity changes less than price changes.

Inelastic demand graph: steep downward-sloping Demand curve, with ΔP and ΔQ marked, Price on vertical axis, Quantity on horizontal axis.

Ans no 2 (a)

Technology improved.

Supply increases.

Supply curve shift right.

Supply graph: two upward-sloping supply curves S_1 and S_2, with S_2 shifted right of S_1, arrow pointing right, Price on vertical axis, Quantity on horizontal axis.
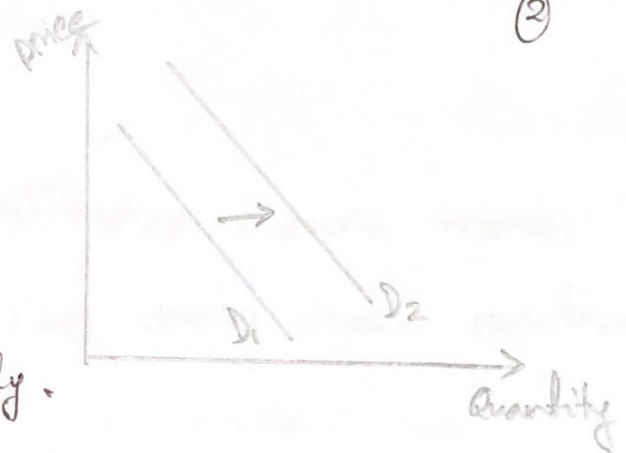
Ans no 2 (b)

Demand increases.

Demand Curve shift right.
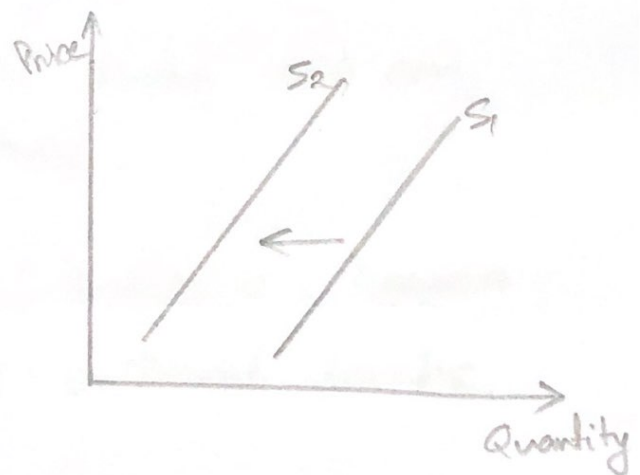
People need to buy immediately.

Ans no 2 (c)

Factory damages. Climate issue.

Fewer factories. Supply drops.

Supply Curve shift left.

Ans no 3 (a)

The longer the time period, more elastic demand becomes.
Because people gets enough time to find alternative.

Umbrella demand in winter is elastic. People don't need umbrella in winter so they will stop buying umbrella in winter if price increases.

Ans no 3(b)

Availibility of close substitudes means more
elastic demand. People can easily choose another
if one's price increases.

Simple example of brand of coffee and general
category -
Brand - Starbucks. It is elastic and can
. change to Brew or KBC.

General Category - Coffee. Inelastic. Fewer
substitude of caffaine contained drinks.

Ans no 3(c)

% change of in price $= \dfrac{3.75 - 3.00}{\dfrac{3.75 + 3}{2}} \times 100\%$

$= 22.22\%$

% change in demand $= \dfrac{8 - 10}{\dfrac{8 + 10}{2}} \times 100\%$

$= 22.22\%$

$$\therefore \text{Elasticity } E = \frac{\% \Delta D}{\% \Delta P} = \frac{22.22\%}{22.22\%} = 1$$

∴ Unit Elastic

Her total spending remains the same.

Ans no 3 (d)

$$\% \text{ change in } \frac{\text{price}}{\text{demand}} = \frac{900-1000}{\frac{900+1000}{2}} \times 100\%.$$

$$= -10.5\%.$$

$$\% \text{ change in } \frac{\text{demand}}{\text{price}} = \frac{650-500}{\frac{650+500}{2}} \times 100\%.$$
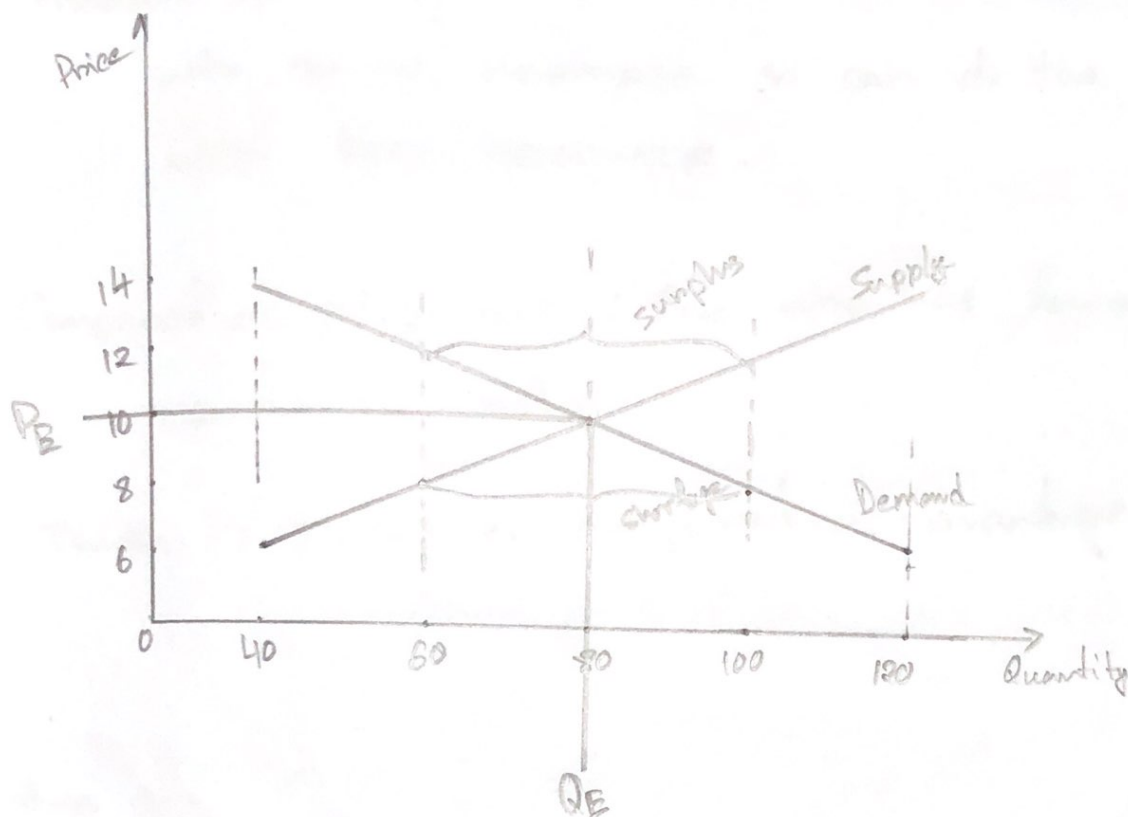
$$= 26.08\%.$$

$$\text{Cross } \frac{\text{price}}{\text{product}} \text{ elasticity} = \frac{26.08\%}{-10.5\%} = -2.483$$

Sign is negative. Products are complement of each other and strongly related.

Ans no 4 (a)

Price

14
12
P_E — 10
8
6
0 | 40 | 60 | 80 | 100 | 120 | Quantity

surplus   Supply

Shortage   Demand

Q_E

Equilibrium price $10
Equilibrium Quantity. 80

Ans no 4 (b)

Price at $12 → Surplus of $(Q_s - Q_d) = (100 - 60) = 40$ burgers

Price at $8 → Shortage of $(Q_s - Q_d) = (60 - 100) = 40$ burgers

Ans no 5 (a)

Absolute advantage: One who can produce more
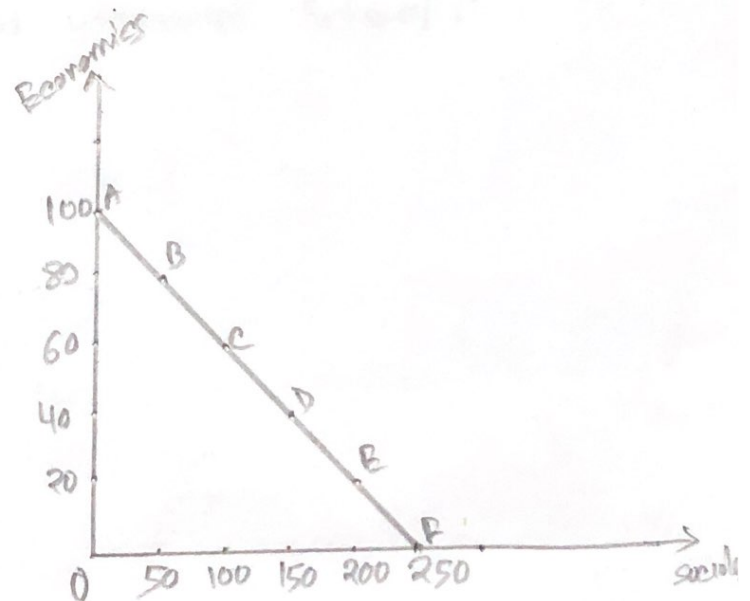with same resource or can do the same
with less resource.

Comparative advantage : One who has lower
opportunity cost.

Trade is based on comparative advantage.

Ans no 5 (b)

i)

Economics	Sociology
100	0
80	50
60	100
40	150
20	200
0	250

A

ii)   50 page sociology = 20 page economics

       100 page sociology = 40 page economics.

Ans no 5 (e)
_____

Positive : Raw observed data / statement.

       - "Unemployment is 5% in Bangladesh"

Normative : Opinion based, gives/suggest a solution.

       "Government should increase School."