**AGMPBL0720066\_Naga Dumpala**

1a. Shankar has absolute and comparative advantage in gathering nuts

1b. Akshita has absolute and comparative advantage in picking coffee.

1c.48Kg of either coffee or nuts.

2. The population increase will cause right shift in the demand for potatoes and the development of higher yielding variety cause right shift in the supply for potatoes. The equilibrium quantity of potatoes will be up but the equilibrium price may go up or down (we can’t really predict price as both demand and supply shifted right).

3. If fish oil prevents heart disease, the demand curve will shift to right and therefore both equilibrium quantity and equilibrium price will go up.

4a.If price has increased to Rs. 25 per unit of food, her consumption would decrease.

4b. If she gets rebate of 25,000 her food consumption would remain same as before.

4c.She is better off after the tax rebate is given.

5a.The rice will fall to 28 million kg per year.

5b.Surplus. Due to price floor, there is a surplus of 6 million kg(34-28).

5c.The producers will benefit from the price floor and there will be a gain in the producer surplus and loss in consumer surplus. The marginal benefit of the last kg of rice would be greater than marginal cost of producing it. Thus causing economic inefficiency.

6a. elasticity = 2p/q =2\*30/9000 = 0.00667

6b.IF price is increased from 30 to 40, the total revenue will decrease as the number of packs get reduced.

6c.Revenue will be maximum at Rs. 30 per pack.(270000)