AMERICAN INTERNATIONAL UNIVERSITY-BANGLADESH

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Assignment Cover Sheet

Assignment Title:	Assignment on Topic 1 & 2		
Assignment No:	1	Date of Submission:	25 June 2023
Course Title:	Principles of Economics		
Course Code:	ECO3150	Section:	C
Semester:	Summer 2022-23	Course Teacher:	**Istihak Rayhan**

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Name: MD Nahid Hasan
Section: C

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Topic - 1

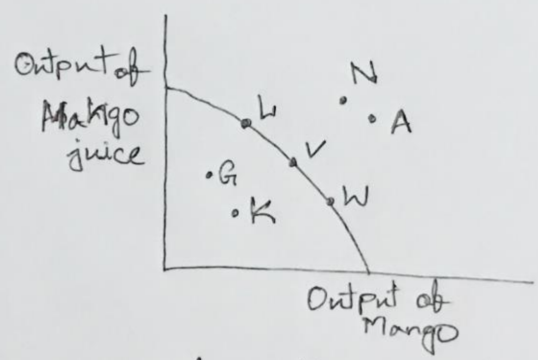
Answer to the question no. 1

1(a)

The production possibilities Frontier:

A graph which represents various alternative combination between two commodities, a country can produce by utilizing fully its factor production and technology available in there is called production possibilities Frontier (PPF)

To draw a society's PPF we need use two goods as one would be in x axis and another one should be in y axis, so it will be a two dimensional graph.



Using this graph information, 1(b,c,d) questions would be answered

Inefficient Points:

Point G,K represent the inefficient points which represent that the ~~maxi~~ potential production is not maximizing. It means that resources are not utilized perfectly or corrupted so the both goods under maximum potential production

Efficient Points (on the line):

Points L, V, W represent the efficient points in the graph as they indicate that maximum mango juice can be produced by given quantity mangoes and the alternates. The society is utilizing the available resources and technologies perfectly.

Unattainable points (Outside the PPF):

Points N, A represents the ~~unta~~ unattainable points in the graph as it lies outside the curve. This representation indicate that the society does not have enough resources or technoly to achieve such levels of production so, it require advancements in resources or technologies to reach this points.

Topic 2

Answer to the question no. 1

Demand means Consumers are willing to buy a quantity of goods at a given price within a specific period which they are able to purchase. It is a representation of the relationship between the price of a product and the consumers willed quantity.

Law of demand:

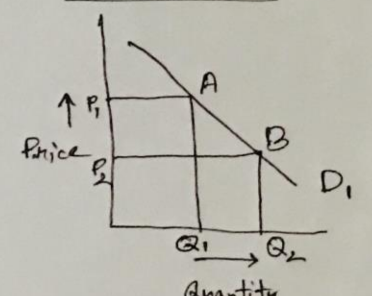
All else being equal, as the price of a product increases the quantity demanded by consumers decreases and vice versa which represents a inverse relationship between price and quantity demanded.

Law of Supply:

All else being equal, as the price of a product increases the quantity supplied by producers also increases and vice versa which represents positive relationship between price and quantity supplied.

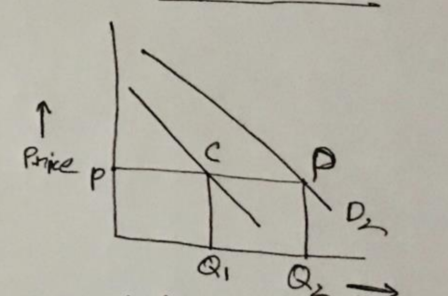
Answer to the question no. 2

Graph-1



Movement along demand curve

Graph-2



shifts along demand curve

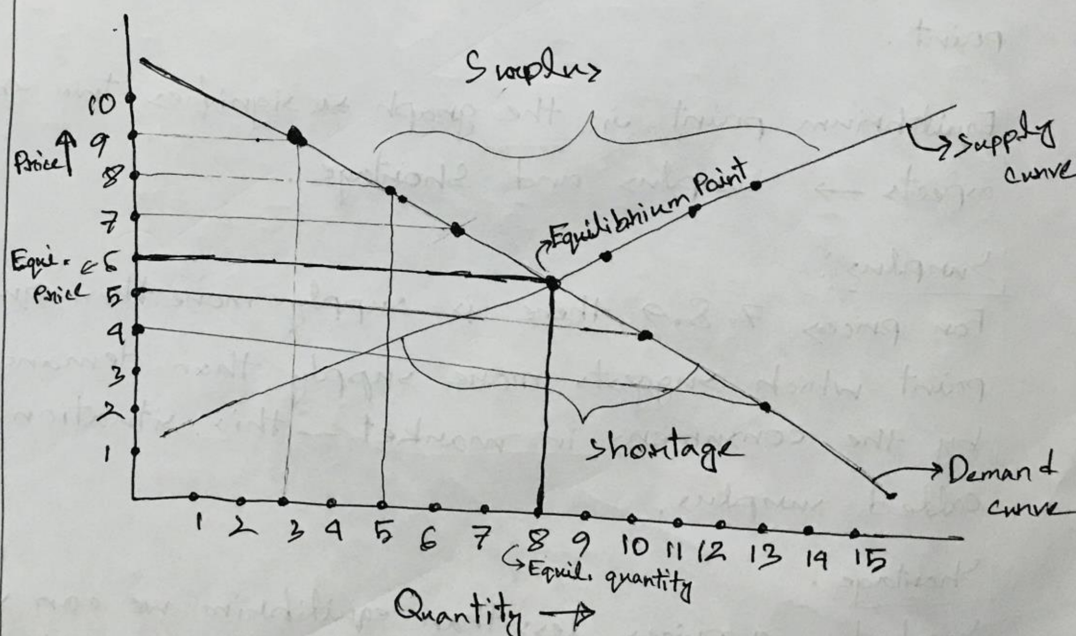
When only the price of commodity changes and other determinants remain same, the change in quantity demand is indicated as movement along demand curve as shown in graph-1.

in graph 1,

P_1 price has Q_1 quantity whereas P_2 has Q_2 and changes remain on the curve only due to price.

when anyother determinants changes and price rem ain fixed, then the demand curve shifts to give us another demand curve. This shift is called "shift in demand curve". Example:
graph 2; due to higher prices of related goods, at same price quantity gets higher and creates a new demand curve.

Answer to the question no. 3 (a,b,c)



Here is the graph represention of supply and demand curve with equilibrium point. Downward curve is the Demand curve and upward curve is supply curve. Demand Curve is downward as it is inversely related between price and quantity where supply curve is positively curved.

Equilibrium Point:

It refers to a situation in which the price has reached the level where quantity supplied equals to quantity demanded.

From the graph it shows that at price ~~₵~~ 6 the quantity for demand and supply equals so it can be said that price = 6 and quantity = 8 is the equilibrium point.

Equilibrium point in the graph ~~se~~ signifies two important aspects → surplus and shortage.

Surplus:

For prices 7, 8, 9, there is supply more than equilibrium point which suggests more supply than demanded by the consumers in market — this situation is called surplus.

Shortage:

Similarly, ~~at~~ prices less than equilibrium we can see th ~~at~~ that the supply is less but demand is greater which signifies only thing that there is shortage in supply or demand is greater than equilibrium point — this situation is called shortage.