(1)

(a)

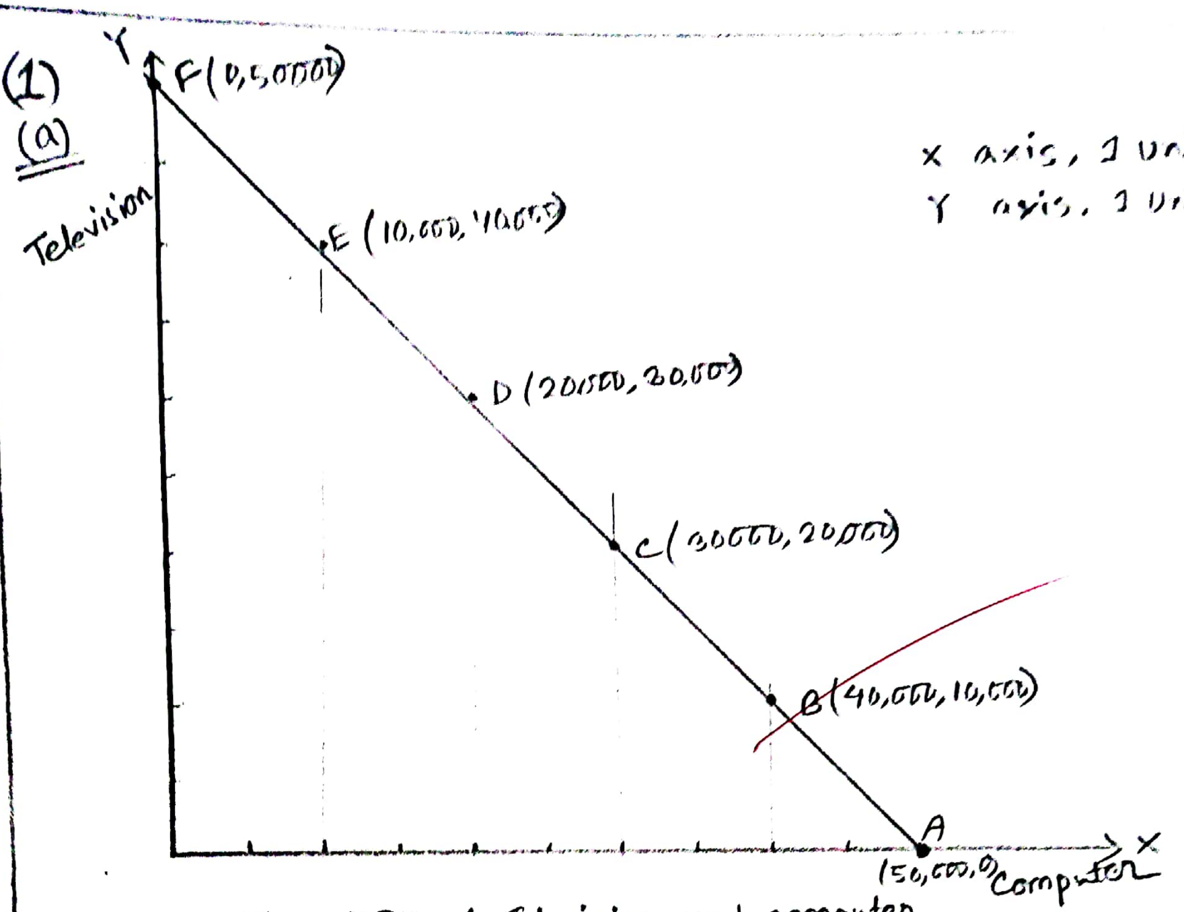


Fig: PPF of Television and computer

(b) The Opportunity cost of producing a good is the amount of another good that must be given up in Order to produce it.

The opportunity cost of producing 1 television is 1 computer

(c) All combinations of given table are effective. Because all combinations are on the PPF. There are no ineffective and unattainable combinations.

2

(a)

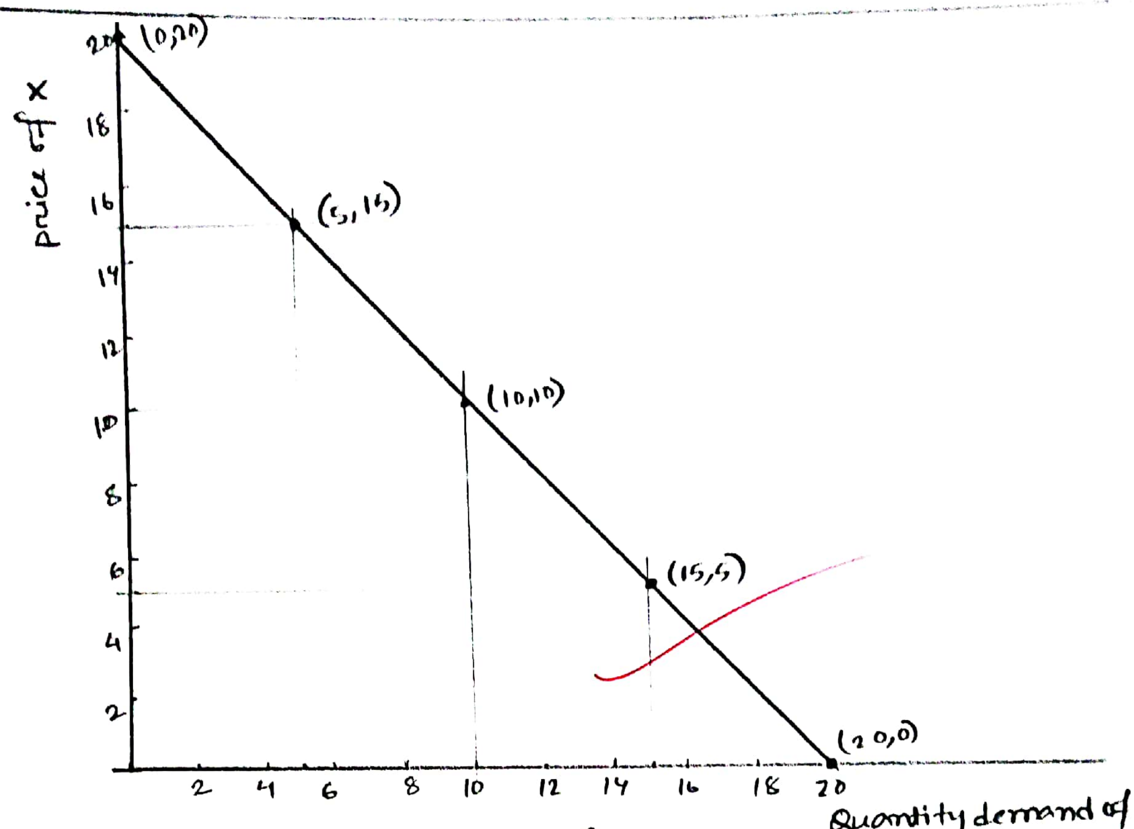


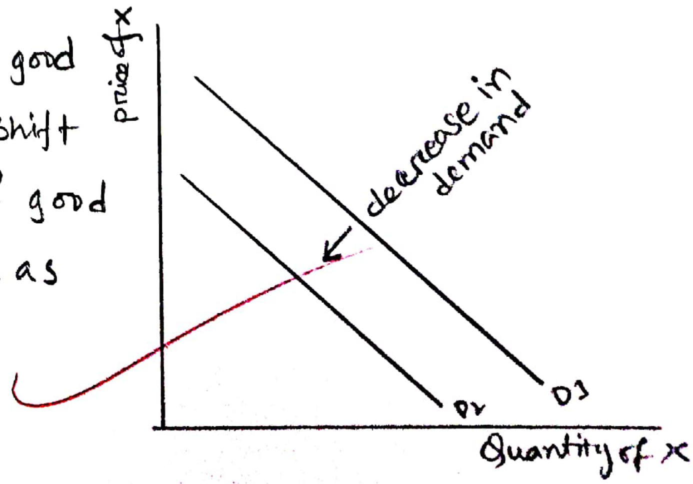
Fig: Demand curve of good x

(b) **Substitute good :**

When a Fall in the price of one good reduces the demand for another good, the two goods are called substitutes.

ex: coke and pepsi.

if good Y is a substitute of good x, then the demand curve shift left. Because, the price of good Y decreases the demand x, as they are substitute.



3

(a)

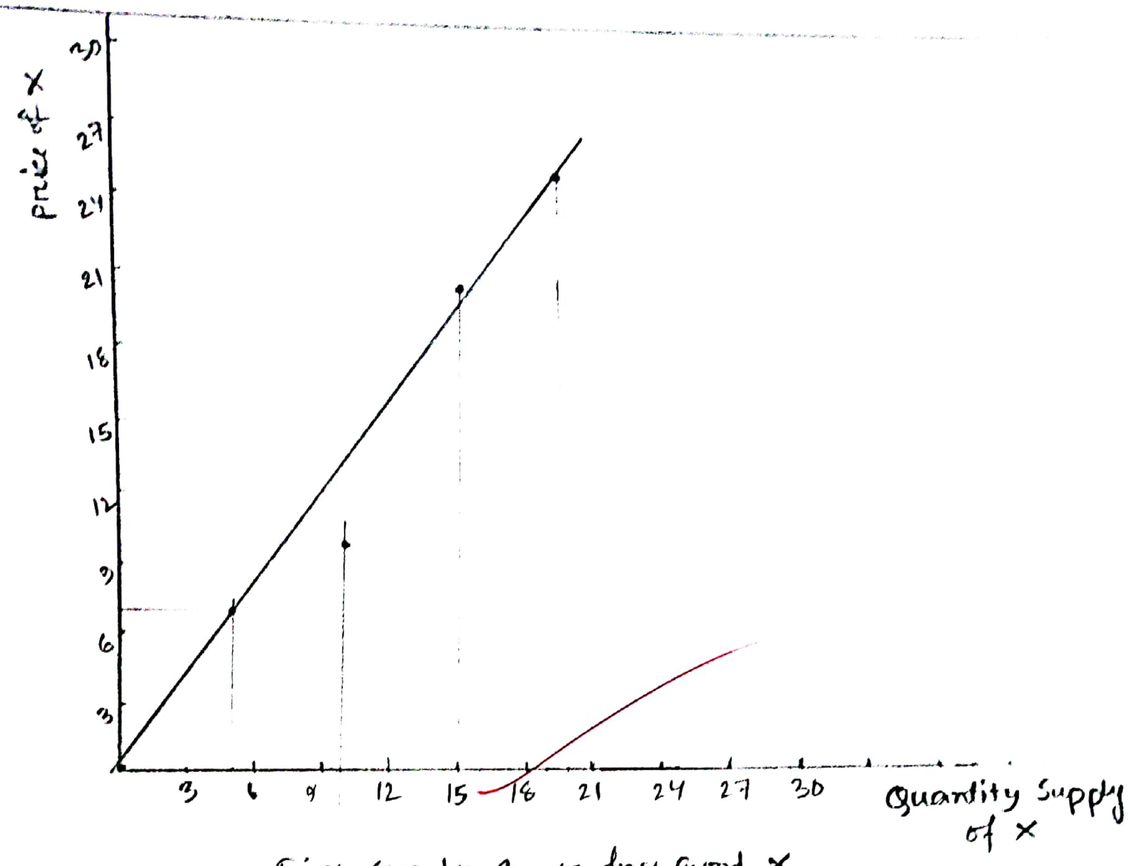
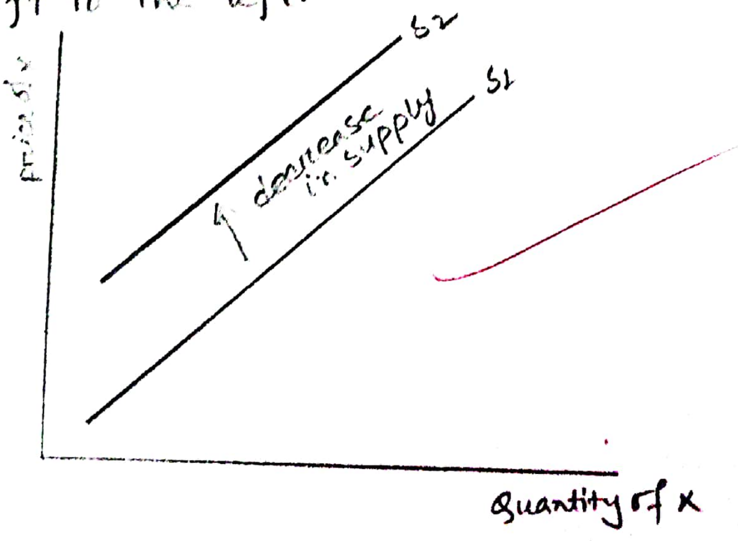
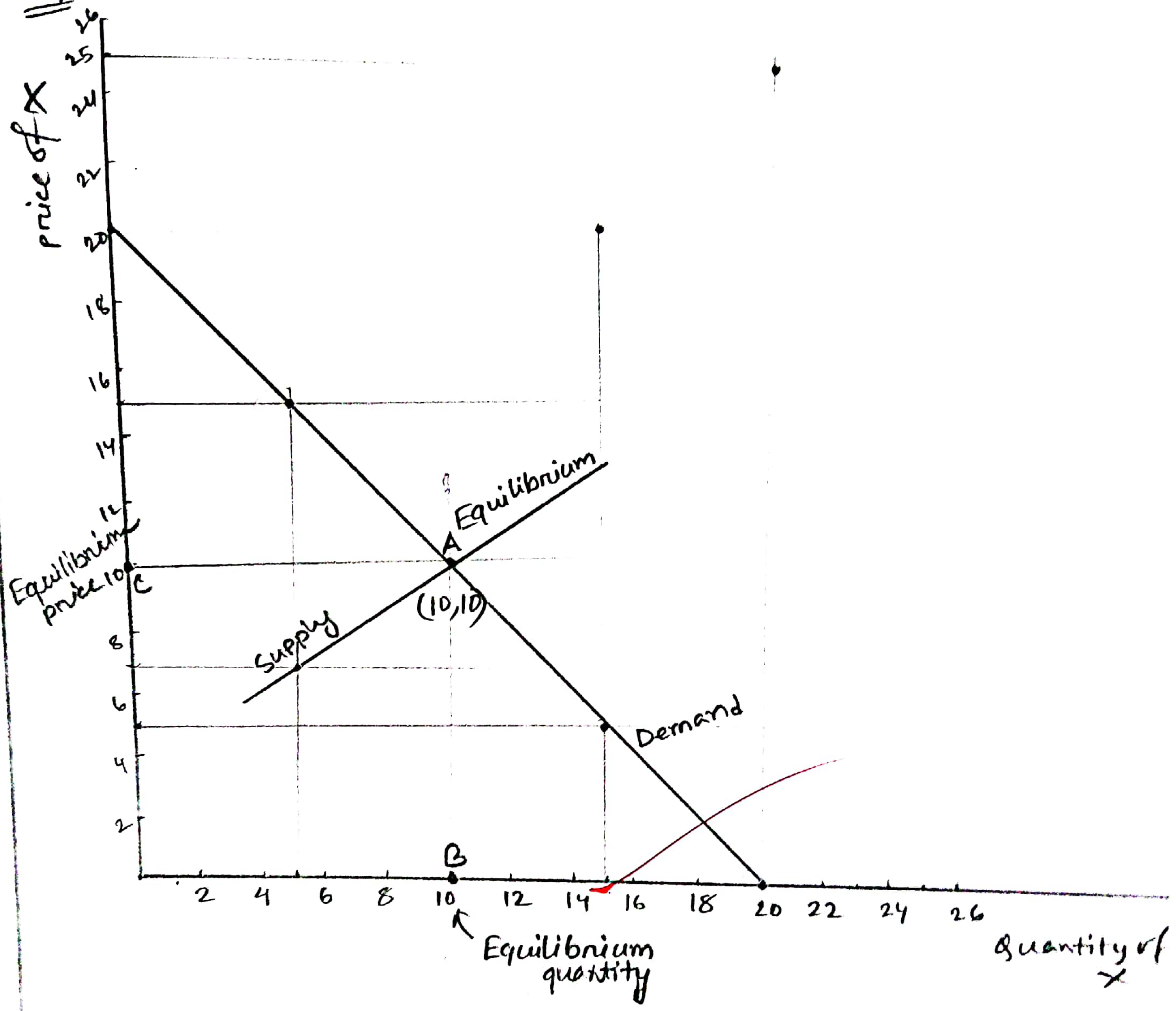


Fig: supply curve for Good x

(b) Supply has some determinants, and Number of sellers is one of them. If the number of sellers of good x in the market decreases, the supply curve for good x will shift to the left.



4

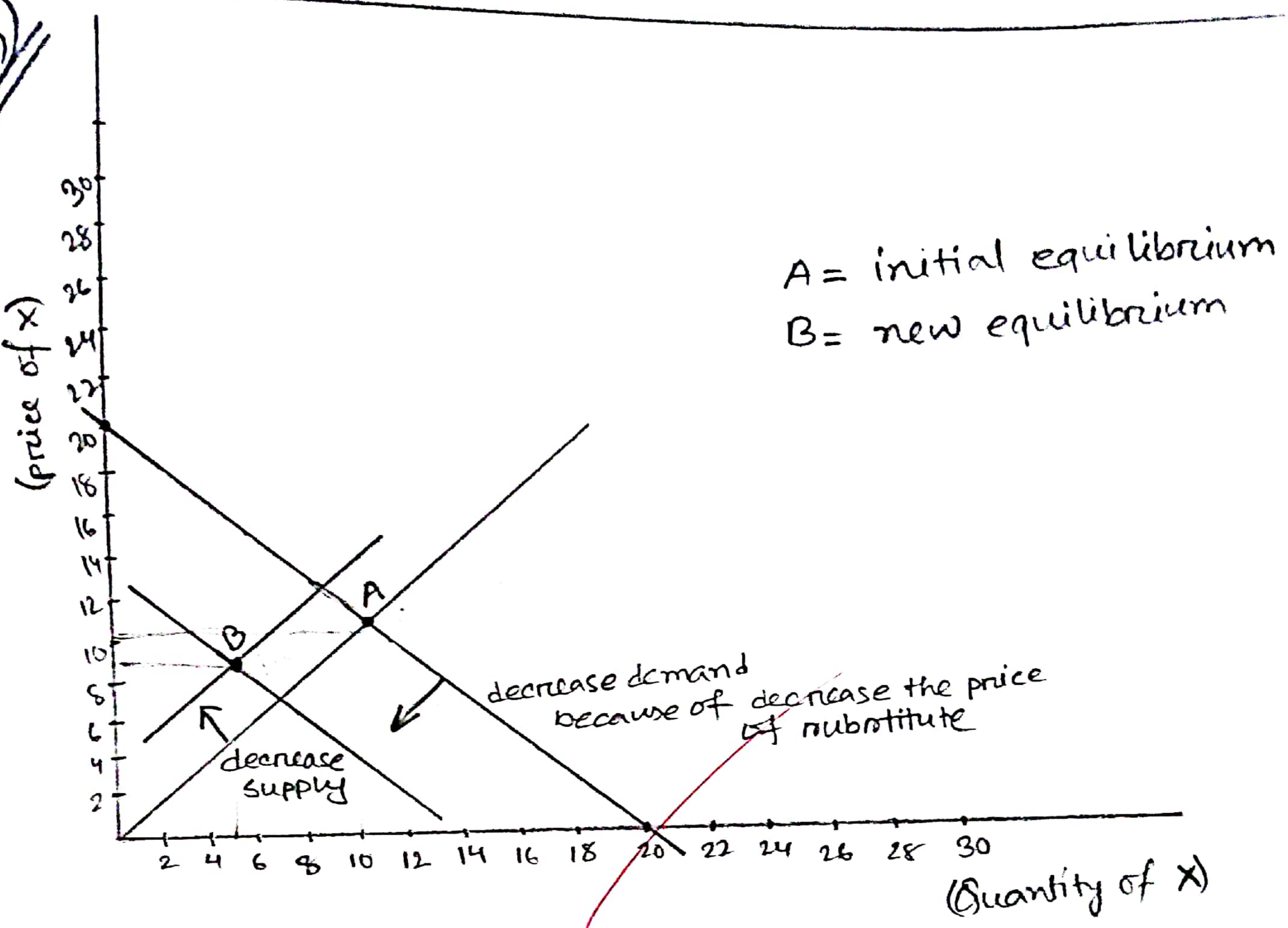


point A → Equilibrium point

point B → Equilibrium Quantity (10)

point C → Equilibrium price (10)

5



- in the graph, we see that the supply line shift left because seller decreases in the market.

- On the Otherhand, the demand line shift left because the price of the substitute decreases.

As the the supply and demand line both are shifted, the initial equilibrium point will be change.