**Business Economics**

**NMIMS Solved Assignments for December 2024**

**Q1. Imagine you are a market analyst for a popular snack company, MunchTime Snacks. The company produces a range of snacks, including chips, cookies, and nuts. Recently, MunchTime Snacks conducted a survey to understand consumer behavior regarding their most popular product, the MunchTime Potato Chips.**

**The survey revealed the following data on consumer satisfaction and consumption of MunchTime Potato Chips:**

**Consumer A: Initially buys 1 bag of chips and rates their satisfaction level at 8 out of 10. Consumer A: After buying a second bag, the satisfaction level drops to 5 out of 10. Consumer A: After buying a third bag, the satisfaction level further drops to 3 out of 10. Identify the given law /theory which is stated is the given statement. Enumerate the given statement and explain various assumptions related to this theory.**

**Answer:**

**Introduction:**

The scenario presented by MunchTime Snacks, where Consumer A’s satisfaction level decreases with each additional bag of MunchTime Potato Chips, aligns with a fundamental concept in economics known as the Law of Diminishing Marginal Utility. This law explains that as a person consumes more units of a particular good or service, the additional satisfaction (or utility) derived from each subsequent unit tends to decline. Initially, Consumer A finds the first bag highly satisfying, but as they continue to consume more, their level of satisfaction drops with each additional purchase. This diminishing satisfaction reflects how the utility of a product can decrease as consumption increases, impacting consumer behavior and purchasing decisions. Understanding this concept helps MunchTime Snacks and other companies predict demand, price products, and develop effective marketing strategies to maintain consumer interest over time.

**This is partially solved sample answer**

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**Q2. “Price elasticity of demand measures how the quantity demanded of a good or service responds to changes in its price. It indicates the sensitivity of consumers to price fluctuations.” Keeping the above statement in mind, Enumerate the various significance of Price elasticity of demand.**

**Answer:**

**Introduction:**

Price elasticity of demand (PED) is a crucial concept in economics that gauges how responsive the quantity demanded of a product or service is to changes in its price. By measuring this sensitivity, businesses, policymakers, and economists can better understand consumer behavior and make informed decisions. For instance, if a product is highly elastic, a slight price increase might lead to a significant drop in demand, impacting revenue. On the other hand, for inelastic products, consumers tend to maintain their purchasing levels even if prices rise, often because the product is essential or has fewer substitutes. Understanding PED helps companies set strategic pricing, enables governments to estimate tax impacts on goods, and aids economists in analyzing market dynamics. Therefore, the study of PED holds substantial significance across various sectors, highlighting the intricate relationship between price changes and consumer demand.

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**Q3 A. From the given hypothetical table, Calculate Marginal Utility from the given information.**

|  |  |  |
| --- | --- | --- |
| **Unit Consumed** | **Total Utility (TU)** | **Marginal Utility (MU)** |
| **0** | **0** |  |
| **1** | **10** |  |
| **2** | **18** |  |
| **3** | **24** |  |
| **4** | **28** |  |

**Answer:**

**Introduction:**

In this question, we are asked to calculate the Marginal Utility (MU) based on given data for Total Utility (TU) as units of a good are consumed. Marginal Utility is the additional satisfaction or benefit gained from consuming one more unit of a good. Understanding MU helps analyze consumer choices and the law of diminishing marginal utility.

Now, let’s calculate the Marginal Utility for each unit consumed:

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