**Micro Economics**

**NMIMS Solved Assignments for December 2024**

**1. As the marketing manager for a well-known brand of headphones, your company has recently decided to raise the price of these headphones due to increasing production costs. How do you anticipate this price increase will affect the demand for the headphones? Discuss the role of price as a critical factor influencing demand. Additionally, analyse the given scenario and present your observation:**

**i) If the demand for your headphones is elastic.**

**ii) If the demand for your headphones is inelastic.**

**Answer:**

**Introduction:**

As the marketing manager for a leading headphone brand, understanding the implications of a price increase is crucial for maintaining market share and profitability. Recent trends indicate rising production costs, compelling our company to adjust prices. This price hike will likely impact consumer behavior, making it essential to assess demand elasticity—how sensitive consumer demand is to price changes. Price is a vital determinant of demand; as it rises, consumers may react differently based on the product's perceived value, available substitutes, and brand loyalty. Analyzing whether demand is elastic or inelastic will help us predict how the market will respond to the price increase, guiding our marketing strategies and communication efforts to mitigate potential negative impacts on sales and brand reputation. Understanding these dynamics will allow us to navigate the changing market landscape effectively.

**This is partially solved sample answer**

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**2. Sachin, a college student, has been studying all day and feels very hungry. He decides to have a snack and starts eating apples. After consuming the first apple, Sachin feels a great sense of satisfaction and his hunger is somewhat alleviated. As he eats the second apple, he still enjoys it, but not as much as the first. By the time he reaches the fourth apple, his hunger is significantly reduced, and the satisfaction he derives from each additional apple is noticeably lower. Eventually, Sachin reaches a point were eating a fifth apple provides him with no additional satisfaction, and any further consumption of apples starts to make him feel uncomfortable. Based on the above scenario highlight which law is stated and how does this law manifest in Sachin's consumption pattern.**

**Answer:**

**Introduction:**

In the scenario involving Sachin, a college student consuming apples to alleviate his hunger, the concept illustrated is the Law of Diminishing Marginal Utility. This economic principle states that as a person consumes more units of a good, the additional satisfaction or utility gained from each successive unit tends to decrease. Initially, Sachin experiences a high level of satisfaction from his first apple, as it effectively curbs his hunger. However, with each subsequent apple, his satisfaction diminishes; by the fourth apple, he finds less enjoyment, and by the fifth, he receives no additional satisfaction. Eventually, further consumption leads to discomfort. This scenario exemplifies how diminishing marginal utility affects consumption behavior, influencing decisions on how much of a good to consume based on the satisfaction derived from each additional unit.

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**3a. Production manager for a new manufacturing company that is setting up a factory to produce high-end electronics. Your company is currently in the planning phase and needs to make critical decisions about the resources required for production. You have identified several key inputs for the production process. Identify and explain the fixed and variable factors of production in the scenario provided. How do each of these factors impact the production process and decision-making for the company?**

**Answer:**

**Introduction:**

In establishing a factory for high-end electronics, the production manager must identify essential resources to optimize operations. Understanding the distinction between fixed and variable factors of production is crucial for effective planning. Fixed factors, such as machinery and factory space, remain constant regardless of output levels, while variable factors, like raw materials and labor, fluctuate with production volume. Analyzing these factors aids in resource allocation, cost management, and strategic decision-making, ultimately impacting the company’s efficiency and profitability.

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**3b. From the given table, enumerate the term “marginal utility” and calculate marginal utility from the given table.**

|  |  |  |
| --- | --- | --- |
| **Unit Consumed** | **Total Utility** | **Marginal Utility** |
| **0** | **0** |  |
| **1** | **10** |  |
| **2** | **18** |  |
| **3** | **24** |  |
| **4** | **28** |  |
| **5** | **30** |  |

**Answer:**

**Introduction:**

The concept of "marginal utility" refers to the additional satisfaction or benefit derived from consuming one more unit of a good or service. Understanding marginal utility is crucial in economics as it helps consumers make informed decisions about their consumption levels. By analyzing the relationship between total utility and marginal utility, we can assess how each additional unit consumed impacts overall satisfaction. This analysis is particularly relevant for determining optimal consumption patterns and maximizing utility.

Now, let's calculate the marginal utility from the given table.

Calculation of Marginal Utility

The formula for calculating marginal utility (MU) is:

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