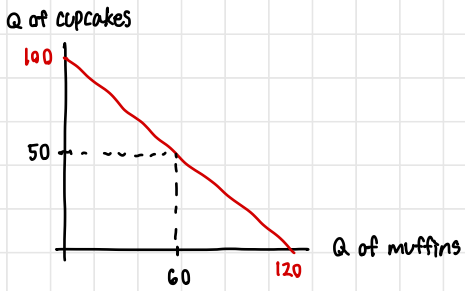
Tien 6304641654

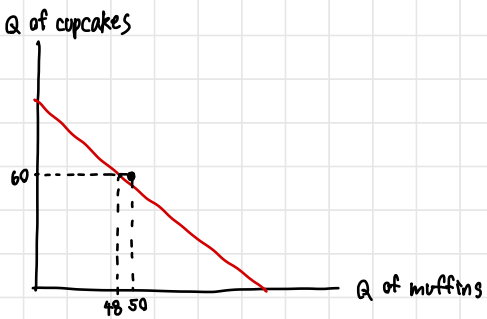
① a.



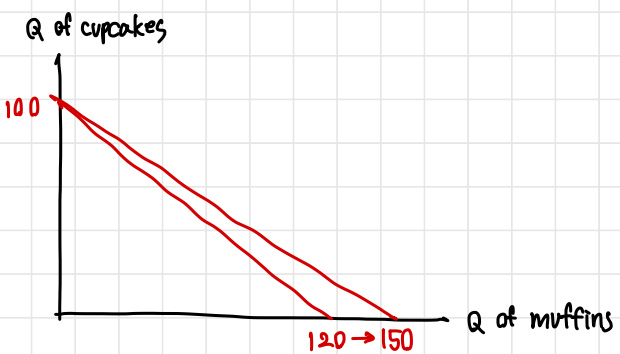
Making 50 cupcakes is loss of making 60 muffins

∴ Opportunity cost of making each cupcake = 1.2 muffins

b. It is impossible to make 60 cupcakes and 50 muffins because opportunity cost of making a cupcake is 1.2 muffins. If she wants to make 60 cupcakes, she can make only 48 muffins.



(X).



The opportunity cost of making cupcakes will increase from 1.2 to 1.5 muffins.

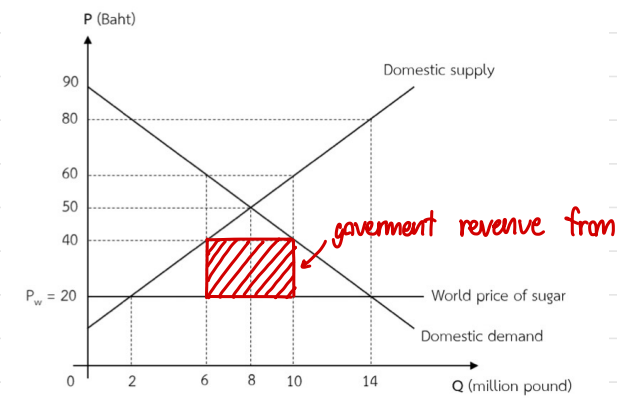
② a. At the world price level, supplier in Thailand will be willing to supply 2 million pounds of sugar. while consumers demand 14 million pounds of sugar. So sugar need to be import 2 million pounds more.

b. -

c. Afthe The policy is implemented, price of sugar is 40 Baht per pound. This price will encourage domestic supplier to supply more. So supply will increase from 2 million to 6 million pounds of sugar.

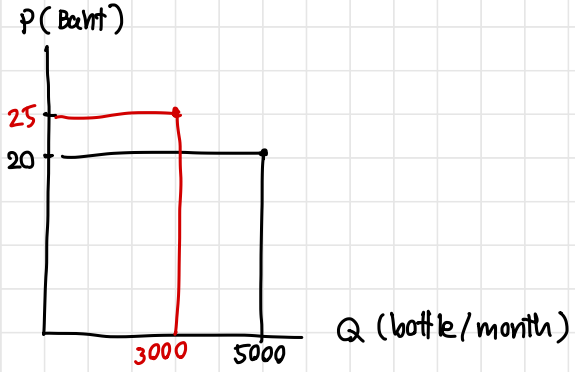
d. Domestic consumers are worse off as they're forced to pay higher price of imported sugar.

e.



At price of 40 Baht per pounds, domestic demand is 10 million pounds. While domestic supply is 6 million pounds. To meet the demand, sugar need to be import 4 million more pounds. Govt. collect 20 Baht of tax per pounds means that The Govt. will gain 80 million Baht from tax (4 million x 20)

③ a.



Elasticity of demand = $\frac{\%\text{ change in Q demanded}}{\%\text{ change in P}}$

$= \frac{5000 - 3000}{20 - 25} \times \frac{25}{3000}$

$= -\frac{10}{3} = -3.33$ //

b. The total sale revenue decrease. As the percentage of decreased demand is greater than the percentage of price increased.

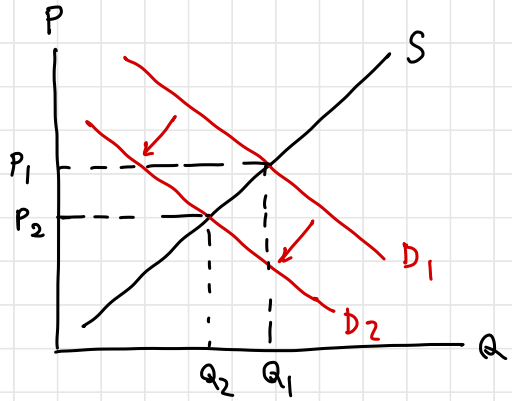
c. cross-price elasticity of demand = $\frac{\%\text{ change in Q demand}}{\%\text{ change in another commodity P}}$

$= \frac{3000 - 2500}{25 - 20} \times \frac{20}{2500}$

$= 0.8$ //

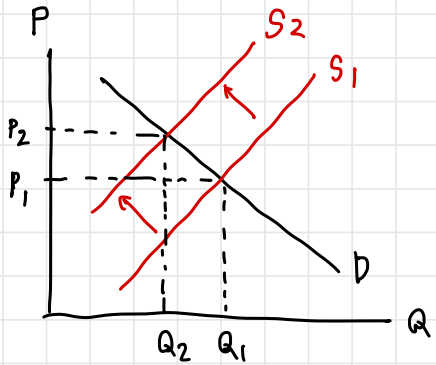
d. From (c.) sweetened green tea and Super Drink are substitutes. When the price of green tea increase, consumers substitutes to Super Drink, made quntity demanded of Super Drink increased.

④ a.



Some people will awware of bad effect of alcohol. Those people might drink less or stop drinking.
Less demand of alcohol shift demand curve down and create new equilibrium (e_2). At the new equilibrium, price decrease from P_1 to P_2 and quantity demanded decrease from Q_1 to Q_2.

b.



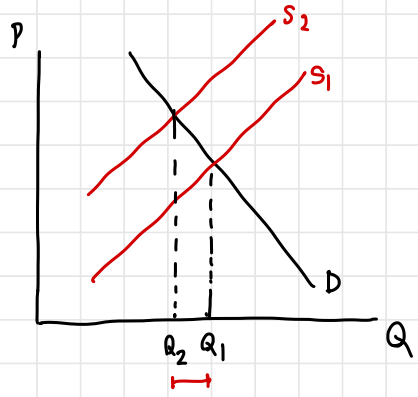
The cost of production will increase, which will discourages supplier. This will shift supply curve up. With less supply and same amount of demand, the price will increases from P_1 to P_2. And with higher price will decrese quantity demanded from Q_1 to Q_2 and the curve meet new equilibrium at e_2.

C. The tax will affect differently between the alcoholic and the occasional drinkers.

For the alcoholic, they addicted to alcahol, so whether the price is higher, most of them will have to consume it anyway When the price goes up, the quantity demand will slightly decreases

For the occasional drinker, they don't really need to consume the alcohol. So when the tax was implemented, the price is higher. This will discouraye them to consume, which make a larger decrese to the quantity demanded.

Inelastic demand (alcoholic)



elastic demand(occasional drinker)