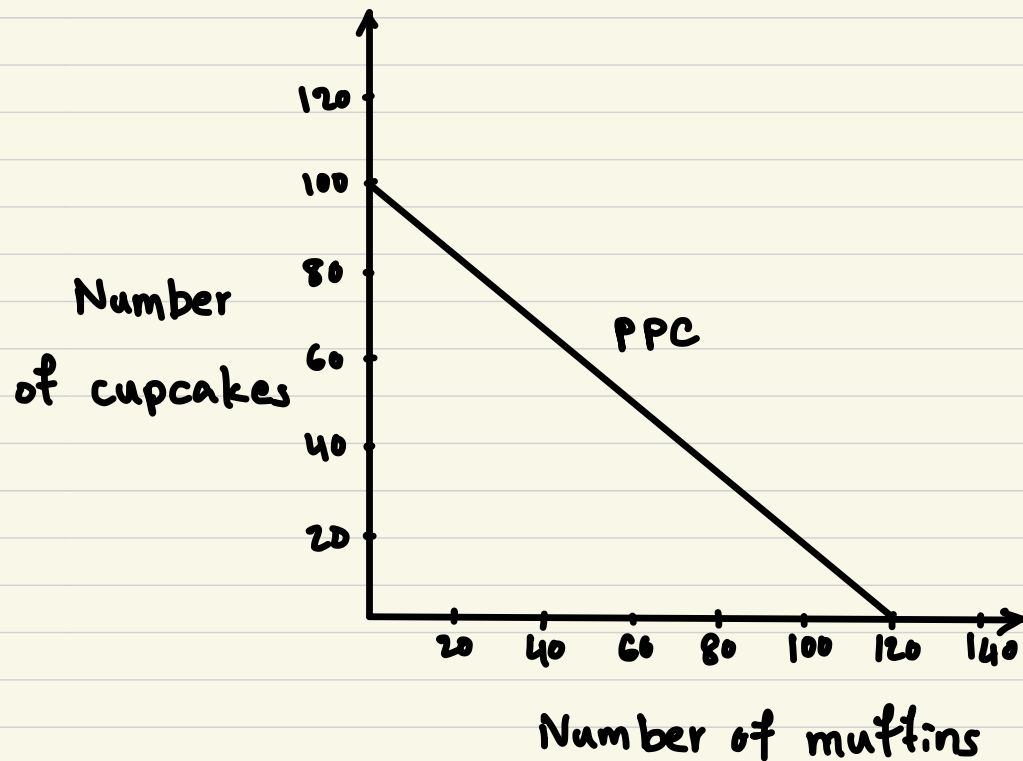


Bady 6304850032

1. a. + PPC:



+ Opportunity cost of baking a cupcake:

$$OC^c = 100 / 120 = 1.2 \text{ muffins}$$

b. Producing 60 cupcakes means she still has enough resources for 40 more cupcakes.

but 40 cupcakes = $1.2 \times 40 = 48$ muffins

Thus, she doesn't have enough resources to bake 60 cupcakes and 50 muffins.

b.c. Price ceiling after tax : 40 baht / pound

Domestic supply line and price ceiling intersects at

$$(P = 40, Q = 6)$$

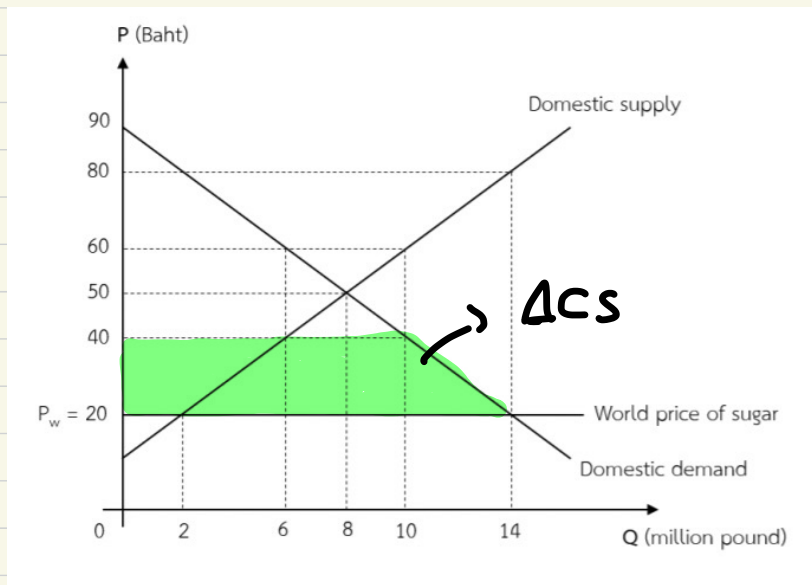
$$\Rightarrow Q_s = 6 \text{ million pound}$$

d.

$$CS_1 (\text{before tax}) = \frac{(90 - 20) \times 14}{2} = 490 \text{ million baht}$$

$$CS_2 (\text{after tax}) = \frac{(90 - 40) \times 10}{2} = 250 \text{ million baht}$$

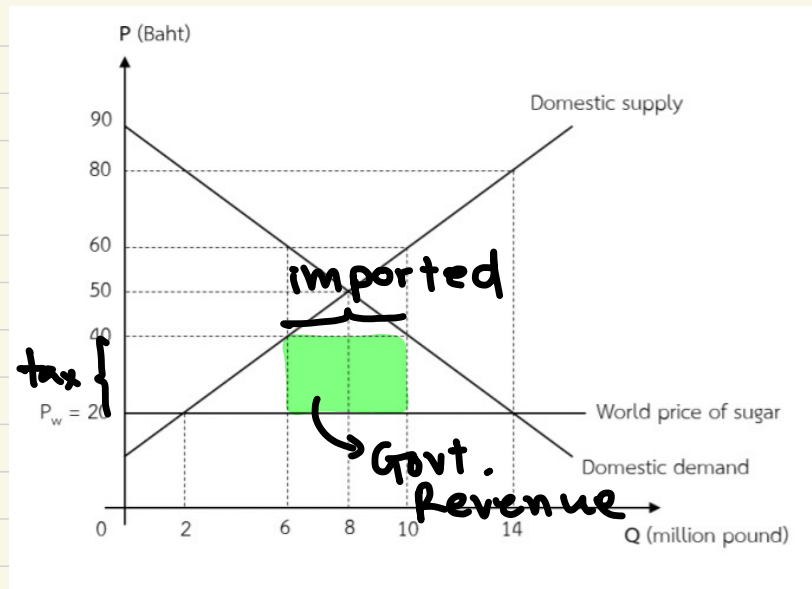
$$\Delta CS = 250 - 490 = -240 \text{ million baht}$$



+ Domestic consumers are worse off because their surplus will have decreased after the import tax.

e. $Q_i = 10 - 6 = 4$ million pound

Government import tax revenue = $4 \times 20 = 80$ million baht



+ After the tax, 20 baht per pound is imposed, the sugar price will jump from 20 baht per pound to 40 baht per pound as illustrated. 4 million pound of sugar will be imported at this price as illustrated.

And Tax Revenue = Tax unit \times Amount imported

\rightarrow Reflects what is shown on graph.

3. a.

$$E_d = \frac{P_1}{Q_1} \times \frac{\Delta Q}{\Delta P}$$

$$\Delta Q = Q_2 - Q_1 = 3000 - 5000 = -2000 \text{ bottles}$$

$$\Delta P = P_2 - P_1 = 25 - 20 = 5 \text{ THB / bottle}$$

$$E_d = \frac{20}{5000} \times \frac{-2000}{5} = -1.6$$

b. Since $|E_d| = |-1.6| = 1.6 > 1$

→ Green tea demand is elastic.

Price elasticity concept: $P \uparrow \rightarrow TR \downarrow$

And thus, TR from selling green tea decreases.

$$c. E_c = \frac{\% \Delta Q (\text{Super Drink})}{\% \Delta P (\text{Green Tea})}$$

$$\% \Delta Q = \frac{3000 - 2500}{2500} = 20\%$$

$$\% \Delta P = \frac{5}{20} = 25\%$$

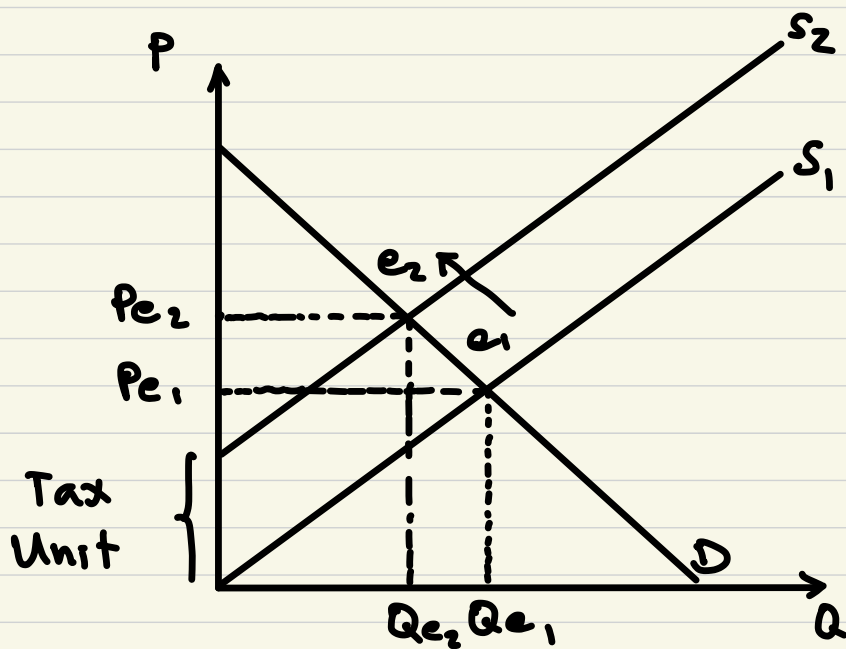
$$\Rightarrow E_c = \frac{20}{25} = 0.8$$

d. Green tea and Super Drink are substitutes

because there is a 0.8% increase in quantity demanded of Super Drink when there is a 1% increase in Green tea price. "its substitute's demand increases upon an object's price increase".

4. a. Upon seeing the bad effects of alcohol, demand will shift to the left \rightarrow market equilibrium at lower quantity and lower price.

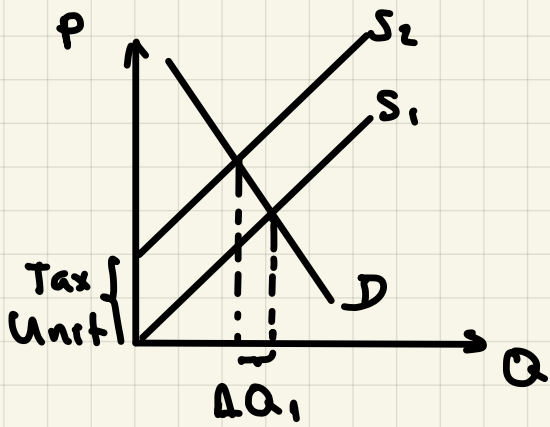
b. Government tax \rightarrow market equilibrium at a higher price and lower quantity.



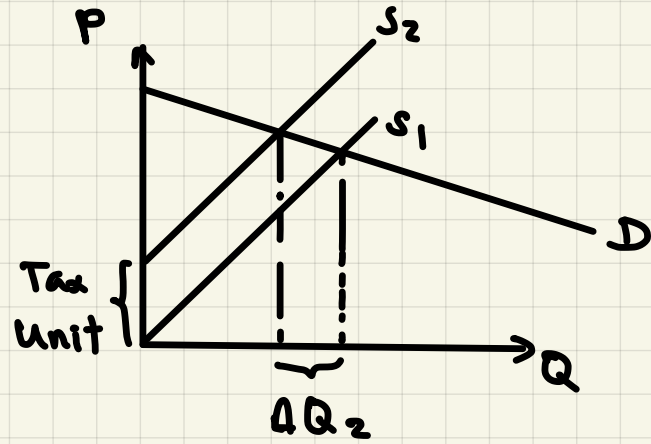
c. No. For alcoholics, the decrease in liquor quantity demanded would be less than that of the occasional drinker's even with the same increase in price because alcoholics deem liquor necessary \rightarrow demand inelastic, while occasional drinkers deem it unnecessary \rightarrow demand elastic.

Diagrams : (next page)

Alcoholics :



Occasional drinkers :



$$\Delta Q_2 > \Delta Q_1$$