

Instructions: -

- Use Microsoft/Word for your answers and upload on portal when done. (Do not use any pdf file this will result in mark deduction and no graded assignment).
- - Write your name and ID on top of the answer sheet.
- - Do your own work and explanation (your own words), similar answers will result in zero grade.
- - Do not copy/paste any of the questions to your answer sheet, this will increase similarity. Only write your own writing answers for each question.
- For graphing, you could develop your own graph in a piece of paper, take a photo and include it in your Word answers.

Answer the following questions: -

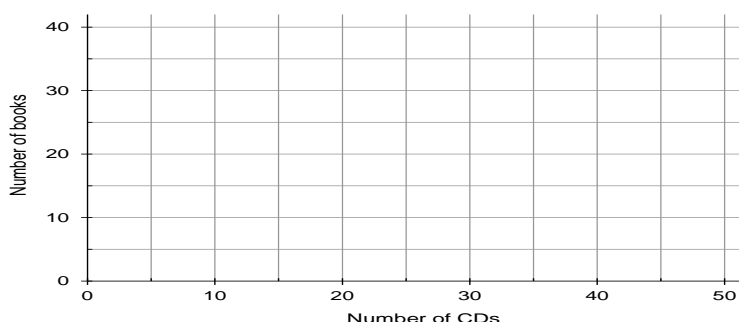
1. Which of the following are macroeconomic topics/issues and which are microeconomic ones? Explain why?

- (a) The price of music downloads.
- (b) The rate of unemployment.
- (c) The average wage rate paid to IT technicians.
- (d) The amount saved last year by Egypt households.

2. A country is capable of producing the following combinations of books and CDs per period of time, assuming that it makes full use of its resources of land, labour and capital.

Number of books	40	30	20	10	0
Number of CDs	0	20	35	40	45

- a) Draw the production possibility curve for this country in the graph below and explain in details what does it represent?



- b) Is it possible for this country to produce the following combinations of books and CDs? Why? Explain your answer for each.

- (i) 10 books and 15 CDs.
- (ii) 30 books and 40 CDs.

- c) What is the opportunity cost (in terms of CDs) of producing 20 extra units of books when this country is initially producing 10 books. Explain your answer.

3. Draw and explain a production possibilities frontier (curve) for an economy that produces

milk and bread. What happens to this frontier if diseases kills half of the economy's cows? Explain in details.

4. Make a list of two things you did yesterday. What was the opportunity cost of each? Explain in details.
5. Suppose your grandmother gave you \$300 for your birthday. You have a choice between spending the money now or putting it away for a year in a bank saving account that pays 4 percent interest (profit). What is the opportunity cost of spending the \$300 now? Explain.
6. Explain how do people make decisions rationally.
7. What might be an incentive for you to take a class in summer school? List some of the benefits and costs involved in your decision. Would your choice be rational?
8. With the understanding that people respond to incentives, outline the possible outcome for teachers if the K-12 school year is extended to 11 months per year instead of the existing 9 months per year. Explain
9. Suppose you are managing your company that has already invested \$5 thousands in developing a new product, but the development is not quite finished. The sales manager report to you that the introduction of competing products has reduced the expected sales of your new product to \$3 thousand. If it would cost \$1 thousand to finish development and make the product, should you go ahead and do so? Explain based on your understanding economics.
10. Explain what is meant by market failure? Explain two of the main causes of market failure and give an example of each? Remember to write your own answers.