Economics assignment

[Name of the Writer]

[Name of the Institution]

**Answer 1**

The person has two options. Either to take $50000 now or to take $20000 for each of next 3 years.

Year 1: Future value: $20000

Interest rate: 10%

Interest rate is important as increasing or decreasing it will have an impact on the results obtained for the present value.

For year 1, Present value is $ 18181. For year 2, Present value is $ 16528 and for year 3 the present value is $ 15026. Adding all of these gives us $ 49735 which is less than $ 50000. We will advise the friend to accept $ 50000 today.

**Answer 2**

The company that I have chosen is Bank of America.

Today’s price: $ 28.84

Yesterday price: $ 29.08

Percent change: (28.84 – 29.08)/28.84\*100 = (0.83%)

Dow Jones Industry average:

Today: $ 26.35

Yesterday: 26.17

Percentage change: (26.35-26.17)/26.35\*100 = 0.69%

**Answer 3**

1. The author concludes that the kidneys should not be allowed to be sold because in that case the poor will start trying to sell their body parts to the rich people.

2. The alternate method prescribed is that the government provides the finances for the patients of kidney diseases.

3. The alternate method is better a this would also allow the poor people to have their kidney problems solved as well.

**Answer 4**

**Price**

S D

Quantity

In the above diagram the curve named d shows the demand curve and the curve named S shows the supply curve. The price is shown on Y axis and quantity is shown on the x axis. Equilibrium price is 300.

**Price**

S D

Quantity

In the above diagram, the red line shows the price suggested by the person also known as ceiling price. Implementation of this price will create a shortage in the economy as the suppliers will not be willing to provide sufficient amount of the product or service at this price.

**Answer 5**

Although before the class I believed that the prices are set by the shopkeepers themselves. I believed that it is the discretion of the sellers to fix the price of a product. After I have studied this course, I have come to know that the sellers have least impact on the price of a product. It is the availability of substitutes and other similar factors that affect the price of a product.

We should know the idea correctly because if the price of a product is higher, we can look for some of its substitutes and buy them.

The wrong concept would lead us to the conclusion that the shopkeeper is selling the product at a higher price at his own discretion. This will stop us going to certain shops for buying. However if we have corrected our concept, we will go to any shopkeeper to buy certain products, in this case our decisions will be well informed.

# References

*http://www.moneychimp.com/calculator/present\_value\_calculator.htm*. (n.d.). Retrieved from www.moneychimp.com: http://www.moneychimp.com/calculator/present\_value\_calculator.htm