

3

Example of Cost Efficiency Problem

Choice A

$$.9 \text{ oz} < \$2.50$$

Choice B

$$2.4 \text{ oz} < \$3.99$$

$$0.9 / 2.50 = 0.36$$

$$2.4 / 3.99 = 0.60$$

Interpretation

This choice gives .36 oz of nutmeg for every \$ spent

This choice gives .60 oz of nutmeg for every \$ spent.

Choice B is the most efficient choice because you get more nutmeg for every dollar that is spent on the nutmeg.

5
3) Briefly explain the economic connections between Price, Quantity and market demand

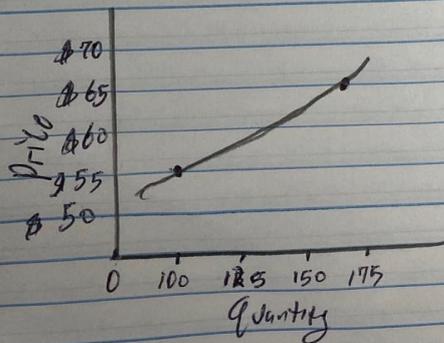
- The connection between price, quantity and market demand is that when price goes higher, it affects the quantity being demanded by the market.

4. Briefly explain the economic connections between Price, Quantity and market supply.

- The connection between price, quantity and market supply is that when price goes higher, it leads to a higher quantity supplied to the market.

6. illustrate a supply graph where quantity went from 100 to 175 because market price went from \$55 to \$65

Price	Quantity
\$55	100
\$65	175

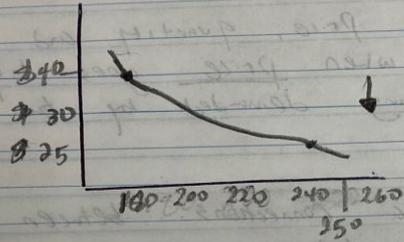


• higher price leads to higher quantity supplied.

B }
a)
b)

Quantity	Price
250	\$ 25
160	\$ 40

• Higher the price leads to lower quantity



6

7. You need some garbage bags for the house and decide to shop by one of that Dollar General (DG). You are faced with two alternatives that make sense to you. The first option is a box of 36 bags at a price of \$7.00. The second is a box of 17 bags at a cost of \$5.00. Which is a better choice?

Break down 1st choice

36 bags \$7.00

$$36 \div 7 = 5.14$$

2nd choice

17 bags for \$5.00

$$17 \div 5 = 3.4$$

Interpretation

1st choice

This choice give 5.14 bags for every \$ spent

2nd choice

This choice give 3.4 for every \$ spent

Choice evaluation

1st choice is the most cost efficient choice because you get more bags for every dollar spent in buying bags.