Microeconomics course work

Economics, Microeconomics

Microeconomics is a branch of economics that helps an individual to understand how free markets work . This is by making economic decisions that will help to maximize profit by using the limited recourses appropriately. Microeconomic evaluates the decisions that will help to determine the price of the product. Through the prices, an individual firm and household will be able to know the quantity of goods and services which are demanded and supplied. Microeconomics also helps the government in the imposition of the tax that is used in development of the country. Microeconomics examines the market failure and look for suitable solution to solve the problem.

In determining the price of a cup of coffee in a competitive market Tim Horton will have to consider the following; cost of production, demand and supply, market price and quality of coffee. Mr. Tim should consider the resource that he is going to use that is the cost of production. When the resource used in making a cup of coffee is costly the price of a cup of tea is likely to be high. In any market situation the main goal of any business is to make profit, when the cost of production is high the price of the goods and services has to be high. These resources include the capital and the labor spent in the production of a cup of coffee. The demand of the cup of coffee in shops in the North America determines its price, when the demand of a cup of coffee is high the price of a cup of coffee will be low and vice versa. The supply of a cup of coffee in the North American shops is going to be high so the price will be high and when the supply is low the price is also going to be low (Mankiw 53). Since the coffee shops in the North America are operating under a competitive market the price in the other shops will determine the amount of money Mr. Tim is going to charge in a cup of coffee. Tim Horton will have to consider the price of other shops to avoid overcharging and losing in the market of the coffee he is selling. The quality of coffee Mr. Tim is selling is going to determine the price of coffee; Mr. Tim has to ensure that the type of coffee he is selling is of high quality so that many people can accept to buy the coffee he is selling and thus he can be able to determine the price.

We have seen that the main aim of microeconomics is making of decisions that will help in making profit and allocation of the available resources appropriate. The decision made by Mr. Tim of closing some of the stores in the northern eastern of United States can be viewed as a long term decision. We are told that Tim Horton has six hundreds stores in the United States, closing these stores is a long term decision that is going to affect the operation of the rest stores. Closing of these stores will ensure that the rest of store in the United States are going to deliver quality goods and services which will make a lot of profit. The closure of the stores in the United States by Tim Horton was triggered by the competition in the market, quality of goods and services, the demand and supply of the coffee. The competition of coffee in the United States seems to be high and therefore having a lot of coffee stores will not accelerate a lot of profit and hence there was a need to close some. Tim Horton also needs to look at the quality of coffee he is selling and hence the decision of closing some of the coffee store will ensure that quality goods and services are provided in the rest of the stores. Demand and the supply of the coffee is another factor that would trigger Mr. Tim to close some of the stores in the United States. When the demand is high it means that the price of coffee is going to be high and the quantity supplied is low (Bernake & Frank 59). This will make Mr. Tim close some of the stores in the United States and ensure that the price of coffee remain high since the goal of making coffee is to make profit.

Tim Horton's stores were facing a lot of competition from the other coffee stores in the United States. This is because a lot of competition in the market will make the price to be low. The resources will also make Mr. Tim to close some of the stores, to ensure that the available coffee stores are readily supplied with enough resources that will ensure quality services are delivered to the customers. Consumer and producer efficiency in the market will also trigger Mr. Tim to close some of the stores; this is to ensure that his producers are friendly to the consumer and are delivering quality services (Mankiw 69).

Before closing some of the United State stores, Mr. Tim was making a twenty percent profit in the quarter and earned approximately seventy-four US dollars. After closing some of the stores in the United States, the remaining coffee shops were making a forty-two percent per every share and recorded 20. 9 million US dollars charge that was expected to be followed by 30 million US dollars in the fourth quarter (The Canadian Press 3). The price of cup of coffee in the left stores was likely to go high; this is because the remaining stores will be supplying the customers who were being supplied by the closed stores. The quantity of the coffee in the remaining shops is likely to go high since the staff employed in the other stores will now be working in the remaining store and hence ensuring that they are producing a lot of quality products. Due to the production of quality and in large quantity the demand of Mr. Tim coffee is likely to go high.

From the above scenario Mr. Tim should consider the type of market, the demand and supply, cost of production and consumer and producer efficiency in the market. This will help him in the allocation of the available resources and be able to make a quality decision.

Works Cited

The Canadian Press. “ Tim Horton Closes 36 Stores.” CBC News, 11 Nov. 2010. Web. 15 May 2011. (http://www. cbc. ca/news/business/story/2010/11/11/tim-hortons-store-closures. html).

Mankiw, Gregory. Principles of Microeconomics. Illinois: Thompson-South Western, 2006. Print.

Bernanke, Ben and Robert Frank. Principles of Microeconomics. New York: Irwin, 2008. Print.