

Managerial economics essay sample

[Economics](#), [Money](#)



- 1) Beginning in year 0, with a payment of \$50, 000, what is the present value of an asset in perpetuity which grows by 4% each year and which is discounted at the rate of 6% each year?
- 2) Should we proceed with a project that will pay us \$100 million per year for the next five years in return for an investment of \$400 million today? Why, or why not? Assume the interest rate of 5% per year.
- 3) Chapter 1 problem 9
- 4) Let the Market Demand curve for soybeans be given by the following equation:

where Q = the quantity of soybeans in kilograms

P = the price of soybeans in dollars per kilogram.

Let the Market Supply curve for soybeans be given by the equation:

- 1) Find the inverse demand and supply curve. Graph the Demand Curve on a sheet of paper together. Be sure to label the axes. Label all parts of the graph. Using algebra, solve for the equilibrium price and quantity of the soybeans.
- 2) Price Floor: Assume that the government creates price supports for soybeans in order to help the farmers. Assume that these price supports take the form of a price floor in which the government prohibits the price of soybeans from falling below \$9. 00 per kilogram. Draw a diagram. What will be the quantity of soybeans supplied? What will be the quantity of soybeans demanded? What will be the result of this price floor? In what quantity?

3) Price Ceiling: Assume that the government creates price controls for soybeans in order to help the poor. Assume that these price controls take the form of a price ceiling in which the government prohibits the price of soybeans from rising above \$5.00 per kilogram. Draw a diagram. What will be the quantity of soybeans supplied? What will be the quantity of soybeans demanded? What will be the result of this price ceiling? In what quantity?

4) Given the original equilibrium as calculated in # 4. 1. Assume now that the supply of soybeans increases, and that the new supply equation is as follows:

Show the shift in supply in a graph. Calculate the new equilibrium price and quantity of the soybeans.

5) Chapter 3 problem 3