**Demand homework questions**

Name and date submitted (3 pts):

Instructions: create space and enter your answers in the Word document below, and then submit as an email attachment.

(10 questions, 100 points plus 10 points extra credit)

1. Which of the following do you think would lead to an increase in the current demand for beef?
2. Higher pork prices
3. Higher consumer income
4. Higher prices of feed grains used to feed cattle
5. Widespread outbreak of mad cow or hoof-and-mouth disease
6. An increase in the price of beef
7. Diminishing Marginal Utility
8. Explain what is meant by “diminishing marginal utility”. Your book discusses this concept. Explain in your own words.
9. Give an example of diminishing marginal utility. The book uses the ‘candy bar’ example. Come up with your own example and explain it….
10. The function of prices
11. What is the function of prices? The textbook lists 3 functions. What are they?
12. Give examples of each of the 3 functions. Your book does this, but try to come up with your own examples if you can. Give this some thought.
13. Demand
14. What is the “law of demand”? Rather than copying the book’s answer, try to state this in your own words.
15. Give an example of the law of demand. Don’t use the Candy Bar example from the book. Think about this and come up with your own scenario.
16. Change in demand (when the whole entire demand curve shifts right or left)
17. How does a ‘Change in Income’ cause a change in demand for a product? The book gives several examples, but try to come up with your own!
18. How does a ‘Change in the price of related goods’ cause a change in demand for a product? Again, think about this and try to come up with your own example.
19. How do ‘Changes in tastes and preferences’ cause a change in demand for a product? Again, please develop your own illustration, here.
20. Finally, how do “Changes in expectations” cause a change in demand for a product? Give this some thought and list an original example of this.
21. Explain what is meant by “normal goods”.
22. Explain what is meant by “inferior goods”.
23. What are “substitute goods”? Indicate two goods that are substitutes for each other.
24. What are “complementary goods”? Indicate two goods that are complements.
25. In year two of operation, your Chocolate-covered jalapeno business generates $1,000,000 in sales revenue, has cost of goods sold of $500,000, and has overhead expense (sales, marketing, and administrative) of $350,000. Your corporate income tax rate is 35%.
26. What is your Gross Profit?
27. What is your Net Profit before taxes?
28. What is your tax expense?
29. What is you Net Profit after taxes?
30. What will you do with your Net Profit? Here are some possibilities:
31. Reinvest it in the business? (this is called “ploughing-back” your earnings)
32. Pay it out to your shareholders who got you started in the first place? (this is called “paying dividends”)
33. Put it in the bank for a rainy day? (this would be called “building a cash reserve”)
34. Pay out some portion of it to shareholders, and reinvest the other portion in the business?
35. Tell your shareholders they need to be patient, reinvest it all in the business, and risk having a shareholder revolt?

These are just some of the possibilities. I am looking for a well-reasoned answer in one-to-two paragraphs! If you’re going to reinvest, tell me what you’re going to \*reinvest in\* specifically! If you’re going to pay shareholders a dividend, explain why! Explain, explain, explain….

Example: Sales revenue $100

 Less: cost of goods sold ($80)

 Gross profit $20

 Less: overhead expense ($10)

 Net profit before tax $10

 Tax expense 40% ($4)

 Net profit after tax $6

1. Extra Credit (10 pts): *You’re waiting to take the bus home after school when your neighbor drives up on his motorcycle and offers you a ride. He doesn’t have an extra helmet and you can smell whiskey on his breath, but you figure there’s only a one-in-ten-thousand chance that you’ll be killed if you accept the ride. In addition, if you go with him you’ll save the $1 bus fare. You waver, but decide to go with him. What’s the most your life is worth?*