JENESSA
BUSI 100- PROJECT #1
MICRO FOUNDATIONS OF REAL ESTATE ECONOMICS

Question #1:

FIXED COST: $295,000 ANTICIPATED
TARGET SELLING PRICE: $350,000
DESIGNATED PROFIT: $55,000
UNEXPECTED COST: $100,000
RESALE WITHOUT NEW ENGINE: $220,000

SCENARIO 1:
$295,000 Buy
$220,000 Sell Without New Engine
-$75,000 Loss
[$350,000 Suggested Resale Price]

SCENARIO 2:
$295,000 Buy
$100,000 Repairs For New Engine
$395,000 Total With Repairs
-$45,000 Loss
[$350,000 Suggested Resale Price]

In Scenario 1, with the circumstances that have occurred, Mark is looking to sell the plane for $220,000 which is less than the original purchase price of $295,000. If Mark proceeds with this action and decides to resell without the engine, he would therefore be netting a total loss $75,000. This does not benefit Marks idea of making a profit on his purchase like he originally intended.

In Scenario 2, Mark has an option to deal with the unexpected cost to replace the engine of the airplane for an additional $100,000. This additional cost would added to his initial $295,000 purchase investment in order to achieve the selling price of $350,000. If Mark were to invest these additional funds into replacing the engine, he would be netting a minimum total loss of $45,000.

Therefore, in order to achieve the least economic loss measured in dollars, Mark must spend an extra $100,000 on a new engine. Mark has already accepted that this project has yielded him into negative profits. The marginal benefit of which Mark receives by choosing to spend an extra $100,000 is greater than the Marginal costs ($45,000 < 75,000). Thus, Mark's second option can be viewed as the *best* solution.

Question #2:

Throughout chapter one in the course textbook, we had the opportunity to learn about the *ten principles of economics.* I have chosen an article that relates and describes to the **Principle #4: "People Respond To Incentives."** This article stood out for me because it provides real life examples on the notion of how incentives are applied in my hometown, Toronto. Previous to the 2015 transition for the Toronto Transit System, the Toronto Transit Commission charged a flat rate to ride the transit system of $3.25 through means of coins, tokens and daily, monthly or yearly metro passes. After many years of deliberation, Toronto decided to rule out a smart card automated fare system called Presto. In this article, it provides information on the incentive program for people to use this new Presto system, and stray away from the old procedure to paying for transit. As most people are stuck in a comfortable habit, Presto announces their discount incentives for users who make the transition. The goal is for all of Toronto to become Presto only-users and permanently disregard the use of cash and tokens completely. This incentive allows users to save $1.50 on any transit system by using the card. This also applies for Go Transit and York Regional transit who also use Presto systems. This gives the users an opportunity to save more money each time they ride, provides convenience, and a more modern aged means of payment following the 'tap' method.

CP24 (2017). Metrolinx makes it cheaper for Presto card holders who ride both GO and TTC. [online] Iheartradio.ca. Available at: http://www.iheartradio.ca/newstalk-1010/news/metrolinx-makes-it-cheaper-for-presto-card-holders-who-ride-both-go-and-ttc-1.3540980 [Accessed 3 Jul. 2019].

Name of Article: Metrolinx makes it cheaper for Presto card holders who ride both GO & TTC

Link to Article: http://www.iheartradio.ca/newstalk-1010/news/metrolinx-makes-it-cheaper-for-presto-card-holders-who-ride-both-go-and-ttc-1.3540980

News Source: CP24, Toronto

Question #3:

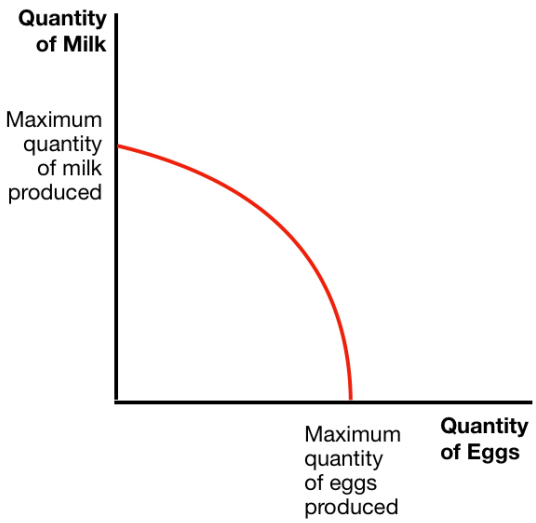
A) If an electric-only lane is implemented the impact of sales on electric vehicles may increase due to the desire of users wanting to benefit from the lane. People who regularly drive this route may want to decrease their drive time and arrive at their destinations quicker. This implementation gives users an incentive to get to work and school sooner, without the added stress of sitting in traffic during peak hours and spending valuable time consuming hours on the road. In addition, more cars have the opportunity to be sold which can potentially mean that more electric car corporations will enter the market, driving the price of each individual car to also rise.

B) Some positive externalities that may result from the implementation of consuming the new electric-only lane would be the reduction of vehicle pollution. The implementation of this lane, encourages people to purchase electric cars. Not only does this benefit users to have the ability to use the designated lane, but also to help aid the pollution crisis made by gasoline vehicles. Another positive externalities would be the increase in sales of electric vehicles. With this new implementation, the likelihood of consumers wanting to benefit from this new lane, would increase the sales of these electric cars. Without this new lane implementation, these specific car sales may not have increased as significantly. If there becomes a continuous growth within the electric car industry, eventually the cost of manufacturing these cars will fall, and at one point be more affordable to the public. At this point, could in turn become a negative externalities causing more traffic in the electric-car lane as more and more people try to benefit using this.

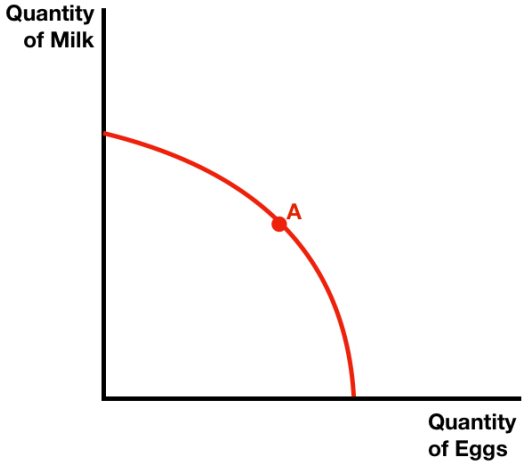
C) The newspaper article written regarding the statement: “City planners should implement an electric-only lane to reduce carbon emissions.” Is a normative statement. I believe this to be true as this statement is based on someone’s viewpoints rather than a statement of factual information. This normative statement describes *what should be done* in the economy rather than reveal the proven facts that already exist.

Question #4

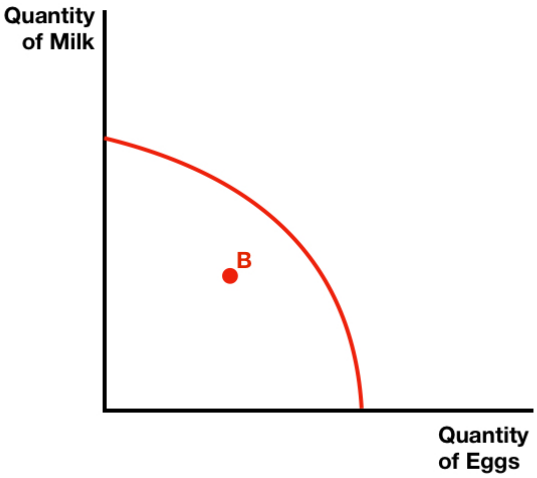
A)



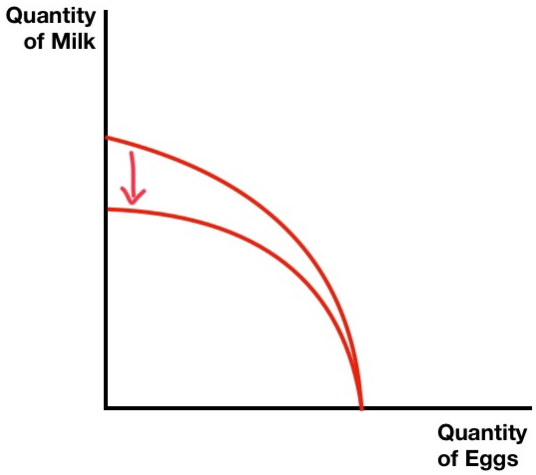
B)



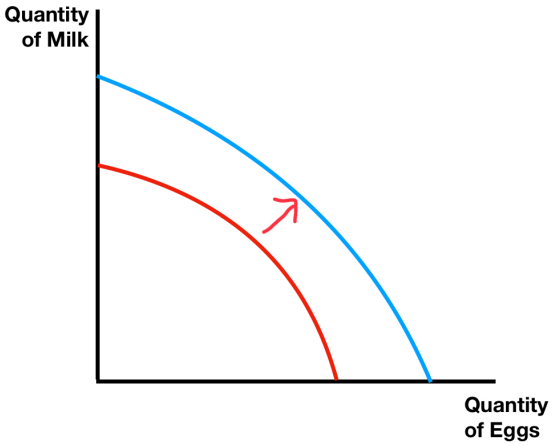
C)



D)

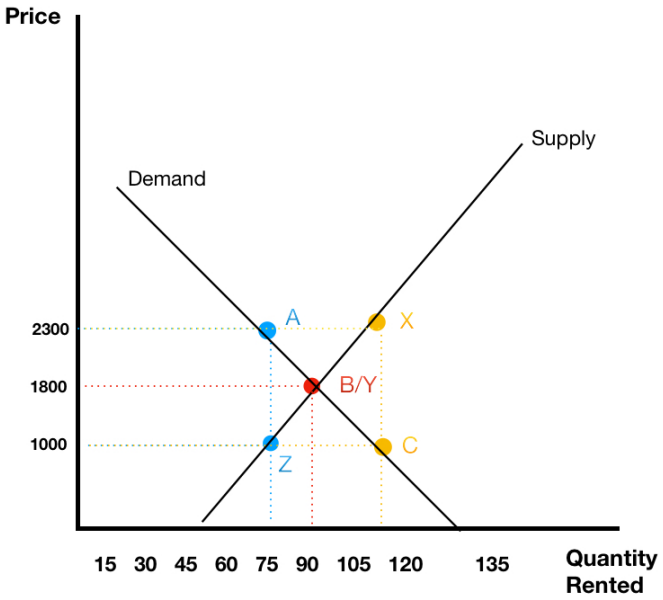

Quantity
of Milk
Quantity
of Eggs

E)


Quantity
of Milk
Quantity
of Eggs

Question #5

A)



B) $2300 is not market equilibrium price because both functions intercept on the $1800 price point. Equilibrium = Demand = Supply (when demand functions equals supply)

C) The market equilibrium price and quantity equals 90 and 1800 (B/Y)

Question #6

A) The price elasticities of demand would be 1.5 for small businesses and 0.3 for government services.

Government Services: -3% discount= +10% increase

Small Business: -3% discount= +2% increase

B) The business that has an inelastic demand would be the small business while the government services would be elastic demand. After the discounts, they are projecting small businesses will have an increase in demand of only 2% while the government could benefit them with a 10% increase. Although small business may be able to jump on the actions of this discount at a quicker rate, the commercial building may not see the total revenue they are hoping to accomplish by years end. Allowing for the government services to take advantage of this office space, would increase total revenue more quickly.

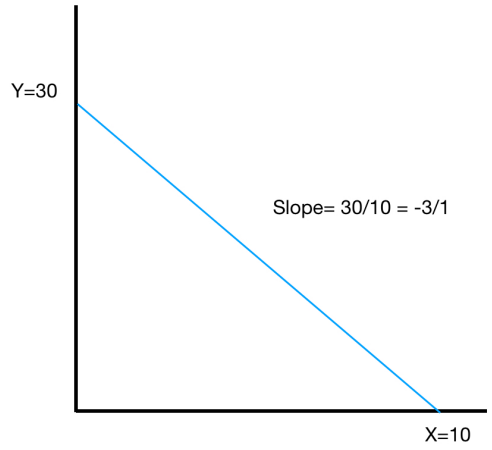
C) If OfficeForce wants to increase their total revenue, the discounts should be offered to both the small business and government service to see what highest bid each are willing to take. It does not make sense not to offer to both in aspects of competition and getting the best benefit. Although small business most likely would be up for the discount in price from the commercial unit, going with the government services would pay off more substantially.

Question #7:

A) 600,000 (x) + 200,000 (y) = 6,000,000

Y= 30 **X**= 10

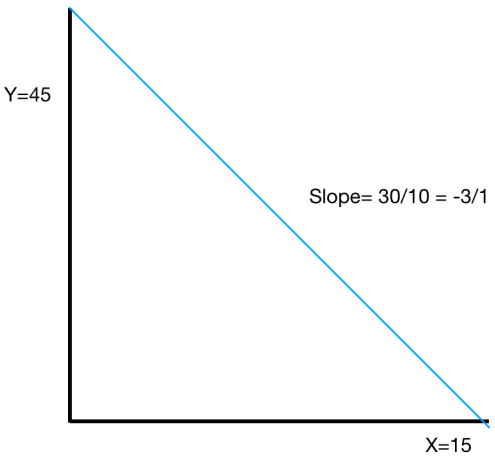
Slope: -3/1



B) 600,000 (x) + 200,000 (y) = 9,000,000

Y=45 **X**=15

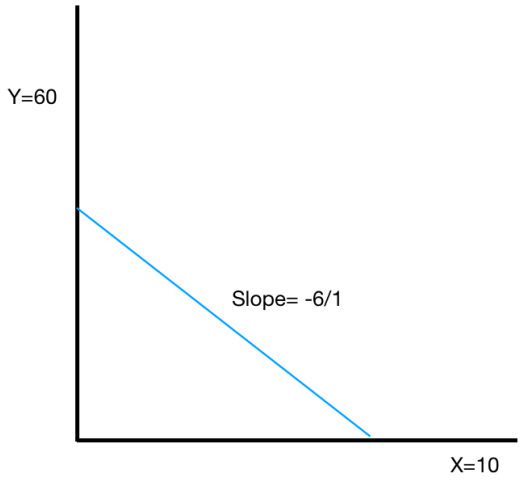
Slope: -3/1



C) 600,000 (x) +100,000 (y) = 6,000,000

X=10 **Y**=60

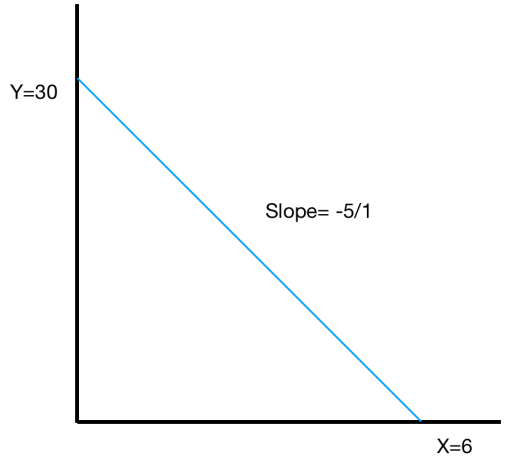
Slope= -6/1



D) 1,000,000 (x) +200,000 (y) = 6,000,000

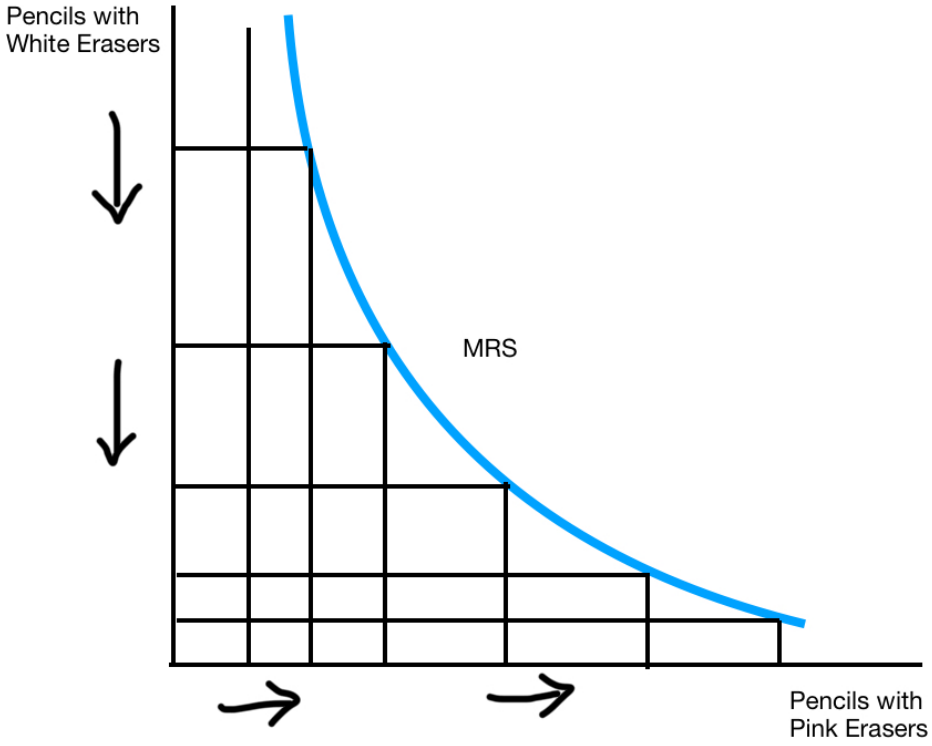
Y=30 **X**=6

Slope= -5/1

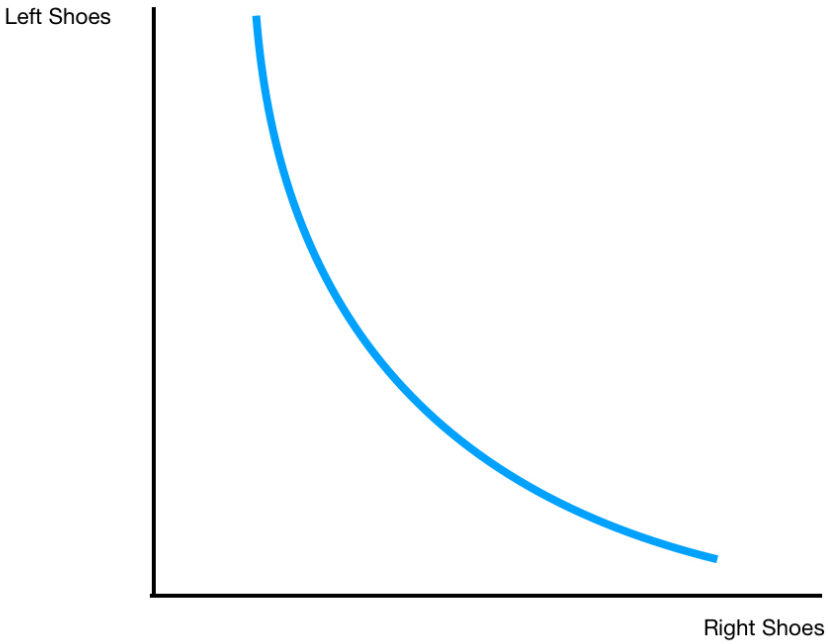


Question #8:

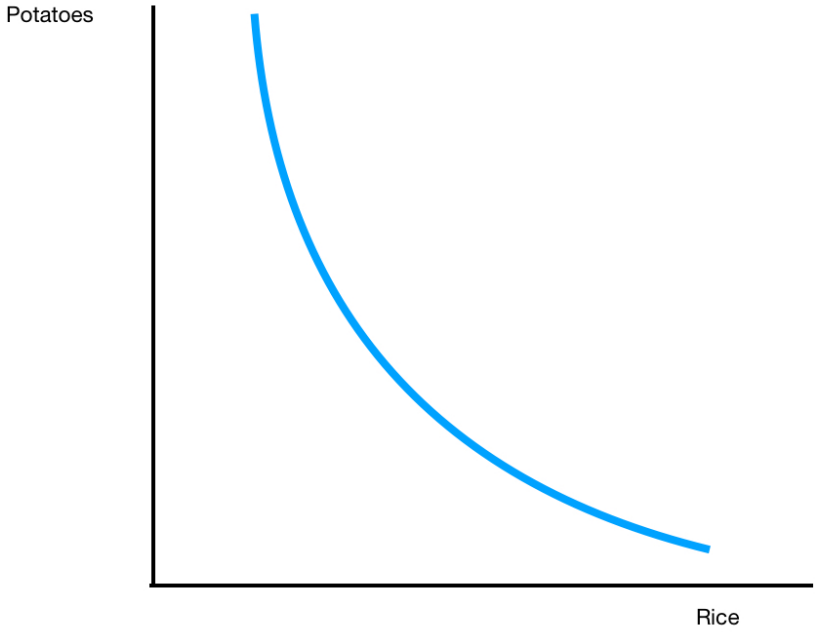
A)



(I)



(II)



(III)

B) The four properties of an indifference curve is met in all 3 examples. Graphs i,ii,iii all are negatively and downward sloping from the left to the right. As one side of the axis increases the consumption of the other must be given up in order to maintain the same level of satisfaction. All curves act convex to the origin and are bowed inward. As preference for greater quantities is reflected, all the graphs in this example are able to qualify into an higher indifference curve which would then result in greater satisfaction. None of these graphs show any intersects between the indifference curve as the consumer has preference to liking more of both goods to less.

Question #9:

Output	FC	VC	TC	AFC	AVC	ATC	MC
0	**2800**	0	2800	2800	0	2800	2800
1	**2800**	**400**	**3200**	2800	400	2300	**400**
2	2800	900	3700	1400	450	**1850**	**500**
3	2800	**1450**	**4250**	933	483	1416	550
4	2800	**1950**	4750	700	**488**	1187	500
5	2800	**2550**	5350	560	510	1070	600
6	2800	3200	**6000**	467	533	1000	**650**
7	2800	**4100**	6900	**400**	586	985	900
8	2800	**5400**	8200	**350**	675	1025	1300
9	2800	**7300**	10,100	311	**811**	1122	1900
10	2800	9800	**12,600**	280	980	1260	2500