ECONOMICS (ECO401)

ASSIGNMENT NO. 01

DUE DATE: NOVEMBER 21, 2016

MARKS: 20

ASSIGNMENT:

The Case:

Uber Technologies Inc. is an American worldwide online transportation network company whose headquarter is in San Francisco, California. This company was established in 2009. It developed markets over 66 countries and 507 cities all over the world. Those people who have cars can register with this company and can earn money. Services of this company are also beneficial for the consumers because fare is very low. This company also started services in Pakistan in March 2016. Uber service demand is increasing day by day and car holders are also getting registration. Suppose the Uber Company in Pakistan is facing the following demand and supply functions:

$$Qd = 4000\text{-}4P$$
$$Qs = 1000\text{+}P$$

Where 'P' is the price of fare per ride and 'Qd' is quantity demanded in terms of number of cars demanded by consumers. 'Qs' is number of cars offered by company.

Requirements:

a) Find equilibrium price and equilibrium quantity of cars. Also show equilibrium condition with the help of graph.

b) Calculate price elasticity of demand using point elasticity method when the company is in equilibrium and interpret the result.

c) What will be the effect on the equilibrium situation of the company if fuel prices increase remarkably in the market? Illustrate graphically.

(Marks: a: 2+2+3, b: 5+3, c: 5)

IMPORTANT:

24 hours extra / grace period after the due date are usually available to overcome uploading difficulties. This extra time should only be used to meet the emergencies and above mentioned due dates should always be treated as final to avoid any inconvenience.

OTHER IMPORTANT INSTRUCTIONS:

DEADLINE:

➢ Make sure to upload the solution file before the due date on VULMS.
➢ Any submission made via email after the due date will not be accepted.
➢ FORMATTING GUIDELINES:
➢ Use the font style "Times New Roman" or "Arial" and font size "12".
➢ It is advised to compose your document in MS-Word format.
➢ You may also compose your assignment in Open Office format.
➢ Use black and blue font colors only.

RULES FOR MARKING

➢ Please note that your assignment will not be graded or graded as Zero (0), if:
➢ It is submitted after the due date.
➢ The file you uploaded does not open or is corrupt.
➢ It is in any format other than MS-Word or Open Office; e.g. Excel, PowerPoint, PDF etc.
➢ It is cheated or copied from other students, internet, books, journals etc.

Note related to load shedding: Please be proactive

Dear students!

As you know that Pre Mid-Term semester activities have started and load shedding problem is also prevailing in our country. Keeping in view the fact, you all are advised to post your activities as early as possible without waiting for the due date. For your convenience; activity schedule has already been uploaded on VULMS for the current semester, therefore no excuse will be entertained after due date of assignments, quizzes or GDBs.