

The Wen Group

Thecasesolutions.com Problem Set 1

Q1.1, Q1.2, Q1.3, Q2.1



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Q1.1
According to the Authority of...
...
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Q1.2
...
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Q1.3
...
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REQUIREMENT: ECONOMIC SURPLUS OF PROGRAMME A EQUAL TO THE FIRST FIFTY BEST PROGRAMMES, I.E. PROGRAMME B)
economic surplus of Programme A -
economic surplus of Programme C
= 12.64
= 0.12 million

...
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...



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Q1.1

“According to the definition of opportunity cost, the *more alternatives* that we have given up in undertaking an action, *the higher* the opportunity cost.”



After High School,

① College (\$200,000)

② Work (\$250,000)

③ Travel (\$80,000)

④ Staying at Home (\$50,000)

Assume you choose...

✓ College (\$200,000)

✗ Work (\$250,000)

✗ Travel (\$80,000)

✗ Staying at Home (\$50,000)

Second option: Work [⚡]

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3

Q1.2

- After graduating from PolyU and working full time for three years, Peter decided to pursue further study for a postgraduate degree. He has received the offers from **three** postgraduate programmes with details as follows:



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closing price and volume
(shares transacted) of
1 August 2016 and 12
to explain which stock has
decrease in demand, on
the other hand, a decrease in
demand, a decrease in
price in supply,
there were changes in either
supply curves but not

CHANGE?



Full-time programme B:

The **tuition fee** is **\$0.4 million** and Peter will receive a **benefit of \$1.5 million** from the programme. However, he has to **forgo** the **income** of **\$0.6 million** when studying for this programme. In addition, the programme gives Peter a **scholarship** that equals **50%** of the **tuition fee**.

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Part-time Programme A:

The **tuition fee** is **\$0.3 million** and Peter will receive a **benefit** of **\$0.9 million** from the programme. He can keep his job and work full time when studying for this programme.

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Full-time programme C:

The tuition fee is \$0.3 million and Peter will receive a benefit of \$1.5 million from the programme. However, he has to forgo the income of \$0.6 million when studying for this programme. In addition, the programme gives Peter a scholarship that equals 40% of the tuition fee.
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Full-time programme B:

The **tuition fee** is **\$0.4 million** and Peter will receive a **benefit** of **\$1.5 million** from the programme. However, he has to **forgo** the **income** of **\$0.6 million** when studying for this programme. In addition, the programme gives Peter a **scholarship** that equals **50% of the tuition fee**.



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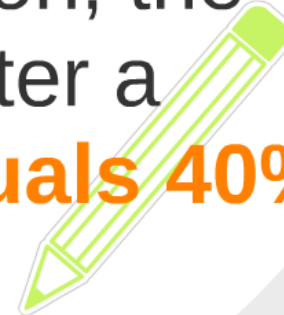
For simplicity, assume there are no additional benefits and costs other than those mentioned above.

a) Calculate the economic surplus received from each programme. Which is the first- best programme for Peter based on your calculation?



Full-time programme C:

The **tuition fee** is **\$0.3 million** and Peter will receive a **benefit** of **\$1.5 million** from the programme. However, he has to **forgo** the **income of \$0.6 million** when studying for this programme. In addition, the programme gives Peter a **scholarship** that **equals 40% of the tuition fee.**



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For simplicity, assume there are no additional benefits and costs other than those mentioned above.

a) Calculate the **economic surplus** received from each programme.

Which is the first- best programme for Peter based on your calculation?

