

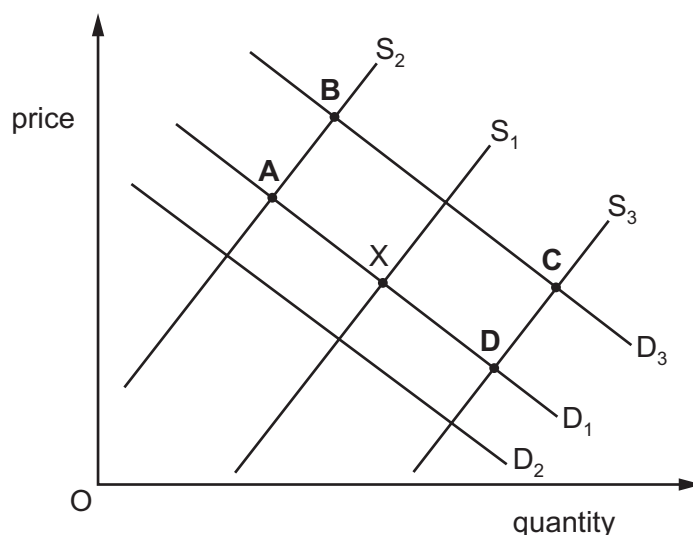
5 Which statement about market disequilibrium is correct?

- A Price is likely to change.
- B Supply is equal to demand.
- C The government must intervene.
- D There must be shortages.

6 In the diagram, D_1 and S_1 represent the demand for and supply of luxury watches. Equilibrium is initially at point X.

The cost of raw materials for manufacturing watches rises. At the same time the incomes of the rich increase.

Which point on the diagram is **most** likely to represent the new equilibrium?



7 The equation for the quantity demanded (QD) of a product is $QD = 400 - 20P$ where P = price in dollars. The quantity supplied (QS) is given by $QS = 100 + 40P$.

What can be concluded about the market when price is \$5?

- A Consumers will face a shortage.
- B Government will intervene in the market.
- C Producers will have a surplus of the product.
- D The market will be in equilibrium.