Q1) Use the demand and supply framework to qualitatively analyze the market in each of the scenarios given in part a to d.

How would the demand and/or supply curves shift? (Leftward/rightward/no shift)

What are the effects on equilibrium price and quantity? (Increase/decrease/ambiguous)

Summarize the result in the following table format:

	Market	Demand Curve	Supply Curve	Equilibrium Price	Equilibrium Quantity
a)	Bubble Tea				
b)	Fruit Smoothies				
c)	Microwave Meal				
d)	Wisconsin Cheese				

==Show all the shifts and changes in equilibrium prices and quantities using separate diagrams.==

a) A recent study claims that the tapioca pearls in bubble tea are linked to increased risk for cancer, creating fear among consumers.

b) In addition to the study report in a), you are also told that fruit smoothies are good alternatives to bubble tea. At the same time, you know that the extended summer has invigorated fruit harvests.

c) Teaching assistants consider microwaveable meals an inferior good. This semester, they are greeted with bad news as the Department of Economics cuts their stipends by 15%.

d) Wisconsin produces fine cheese using cow's milk; however, mad cow disease has wiped out half the population of cows in Wisconsin.

Q2) Given the following information:

$Q_d = 100 - 5P$

$Q_s = -125 + 20P$

where Qs: Quantity supplied & Qd: Quantity demanded

    a. Find the market equilibrium price(P) at which there will be no excess or surplus in the market.

MCQ:

1. A movement along the demand curve of cars will occur due to :
    a. Changes in population
    b. Changes in income
    c. Changes in price of cars
    d. Changes in price of fuel

2. A shift in the demand curve for apples to the RIGHT may occur due to:
    a. Increase in the price of oranges
    b. Increase in the price of apples
    c. Decrease in population
    d. Decrease in the price of apples

Hint: think of substitute products

3. A shift in the demand curve for cars to the LEFT may occur due to:
    1. Increase in the price of apples
    2. Increase in the price of cars
    3. Increase in the price of fuel
    4. Decrease in the price of fuel

Hint: think of the complementary goods

4. If John's income increases, what kind of goods would he demand more?
    a. Complementary goods
    b. Normal goods
    c. Inferior goods
    d. Substitutes

5. **If John's income decreases, what kind of goods would he demand more?**

a. Normal goods
b. Inferior goods
c. Substitutes
d. Complementary goods

6. **If it is expected that the Government will cut down VAT on laptops in the near future, what will happen to the demand for laptops today?**

a. Demand will increase and demand curve will shift to the right
b. Demand will decrease and demand curve will shift to the left
c. Demand will remain unchanged
d. Demand will decrease and demand curve will shift to the right

7. **If the price of oil per litre is expected to increase further, what is likely to happen to the supply curve now?**
a. Shift to the right
b. Shift to the left
c. Remain unchanged

8. **If there is a new invention that enables the production of a commodity with less time and labor than before, what is likely to happen to the supply of that commodity?**
a. Supply will increase, supply curve will shift to right
b. Supply will increase, supply curve will shift to the left
c. Supply will decrease, supply curve will shift to the left
d. Supply will decrease, supply curve will shift to the right

9. **Apple market equilibrium price is the price at which:**
a. Quantity demanded of apples is greater than quantity supplied
b. Quantity demanded of apples is equal to the quantity supplied
c. Quantity supplied of apples is greater than quantity demanded

10. Price of diesel increased, what is likely to happen to the food supply and the market equilibrium price?

    a. Supply curve will shift to the left, price will increase

    b. Supply curve will shift to the right, price will decrease

    c. Supply curve will shift to the left, price will decrease

    d. Supply curve will shift to the right, prove will decrease