**Chapter 4 Price Mechanism**

1. Determination of Market Equilibrium

a) Equilibrium price and quantity, and how they are determined.

b) Causes of changes in the equilibrium price and quantity as a result of shifts in demand and supply curves.

c) The operation of market forces to eliminate excess demand and excess supply.

2. Consumer and Producer Surplus

a) The distinction between consumer and producer surplus.

b) How changes in demand or supply might affect consumer and producer surplus.

3.Functions of the Price Mechanism

a) The rationing, incentive and signalling functions of the price mechanism for allocating scarce resources.

b) The price mechanism in the context of different types of markets, including local, national and global markets.

4.Indirect Taxes and Subsidies

a) The impact of indirect taxes on consumers, producers and the government.

b) The incidence of indirect taxes on consumers and producers.

c) The impact of subsidies on consumers, producers and the government.

d) The incidence of subsidies on consumers and producers.