**ECN 232 Assignment**

**2020/2021 Academic Session.**

1. Determine how each of the following changes in demand and/or supply affect equilibrium price and quantity in a competitive market. Use a demand and supply diagram to verify your answer in each case.
2. Demand increases and supply increases
3. Supply increases and demand is constant
4. Demand increases and supply is constant
5. Demand increases and supply decreases.
6. Assume that the demand for and supply of a commodity are represented by the following equations:

Qd = 18-P

Qs = 6+3P

Where Qd and Qs are quantity demanded and supplied respectively, and P is price.

1. Solve the equation to determine the equilibrium price,
2. What is the equilibrium quantity?
3. Define the term price elasticity of demand. Examine the relationship between price elasticity of demand and total revenue and suggest what a producer should do if he wants to increase total revenue assuming the price elasticity of demand for his product are: for product A = 1.20, and product B = 0.8.
4. Consider the effects of the following on equilibrium price and quantity
5. A decrease in demand when supply is perfectly price elastic and stable
6. An increase in supply when demand is fairly inelastic
7. A decrease in supply when demand is perfectly price inelastic and stable.
8. Make a distinction between the substitution and income effects of a change in price.