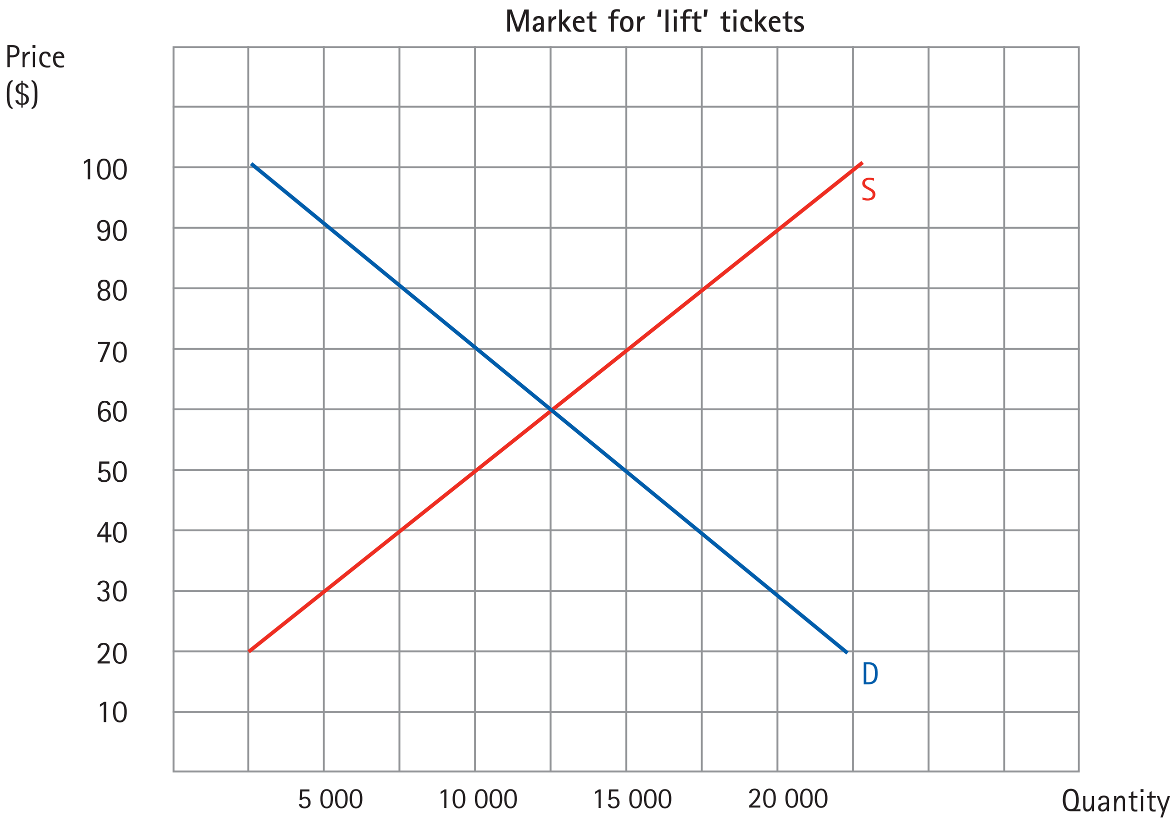
eLearneconomics: Core – The Market (1)

Student response ______________________________

Study the graph and answer the questions that follow.



(a) What is the equilibrium price and quantity?

price ______________________ quantity ______________________

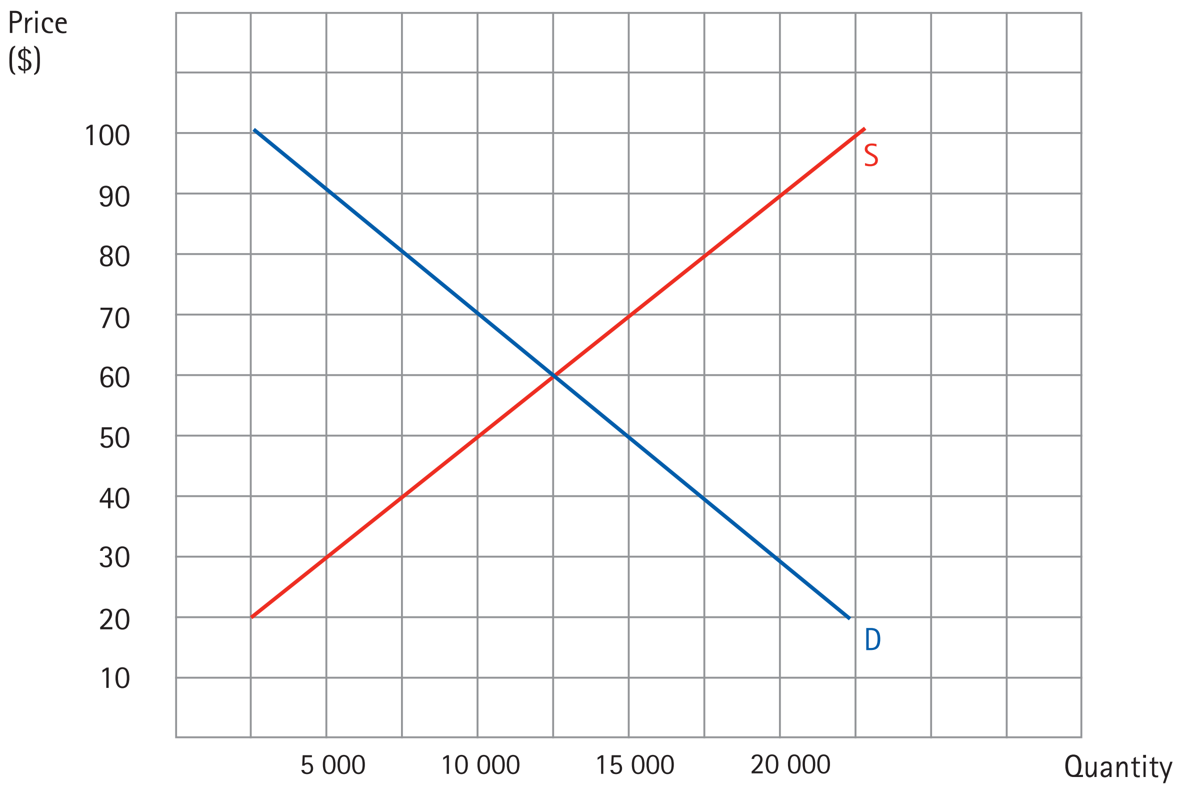
(b) Complete the table.

Price $	Market demand	Market supply	Surplus or shortage	Pressure on price Downward/upward
100				
90				
80				
40				
30				

Solutions

Study the graph and answer the questions that follow.

Market for 'lift' tickets



(a) What is the equilibrium price and quantity?

price $60 quantity 12 500

(b) Complete the table.

Price $	Market demand	Market supply	Surplus or shortage	Pressure on price Downward/upward
100	2 500	22 500	Surplus (20 000)	Downward
90	5 000	20 000	Surplus (15 000)	Downward
80	7 500	17 500	Surplus (10 000)	Downward
40	17 500	7 500	Shortage (10 000)	Upward
30	20 000	5 000	Shortage (15 000)	Upward

eLearneconomics: Core – The Market (2)

Student response ____________________

(a) Draw up the market for surfboards each month using the information below.

Price ($)	Market Demand	Market Supply
900	50	250
800	100	200
700	150	150
400	300	0

(b) Explain how a market will react to excess demand.

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(c) Explain why a surplus in the market will not last long.

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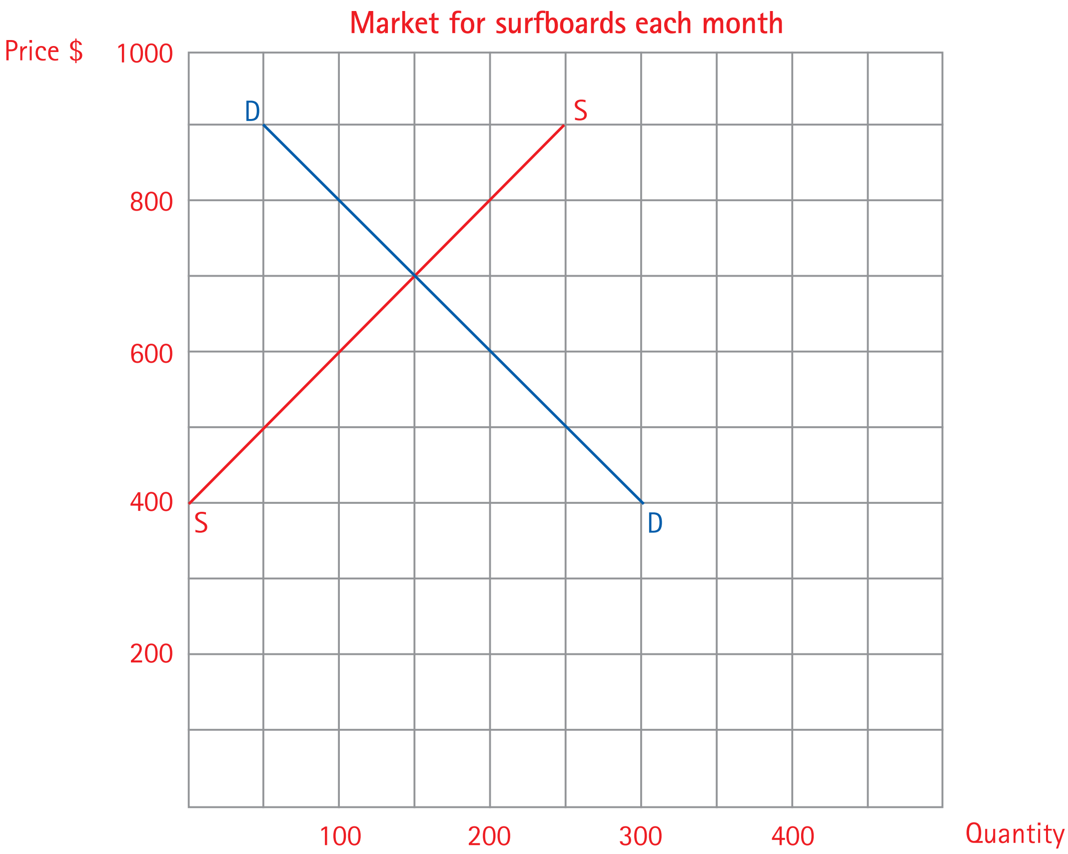
Solutions

(a) Draw up the market for surfboards each month using the information below.

Price ($)	Market Demand	Market Supply
900	50	250
800	100	200
700	150	150
400	300	0



(b) Explain how a market will react to excess demand.

When there is a shortage (excess demand) consumers will bid up the prices. Price rises so quantity supplied increases and quantity demanded falls/market forces return it to equilibrium/consumers bid price up.

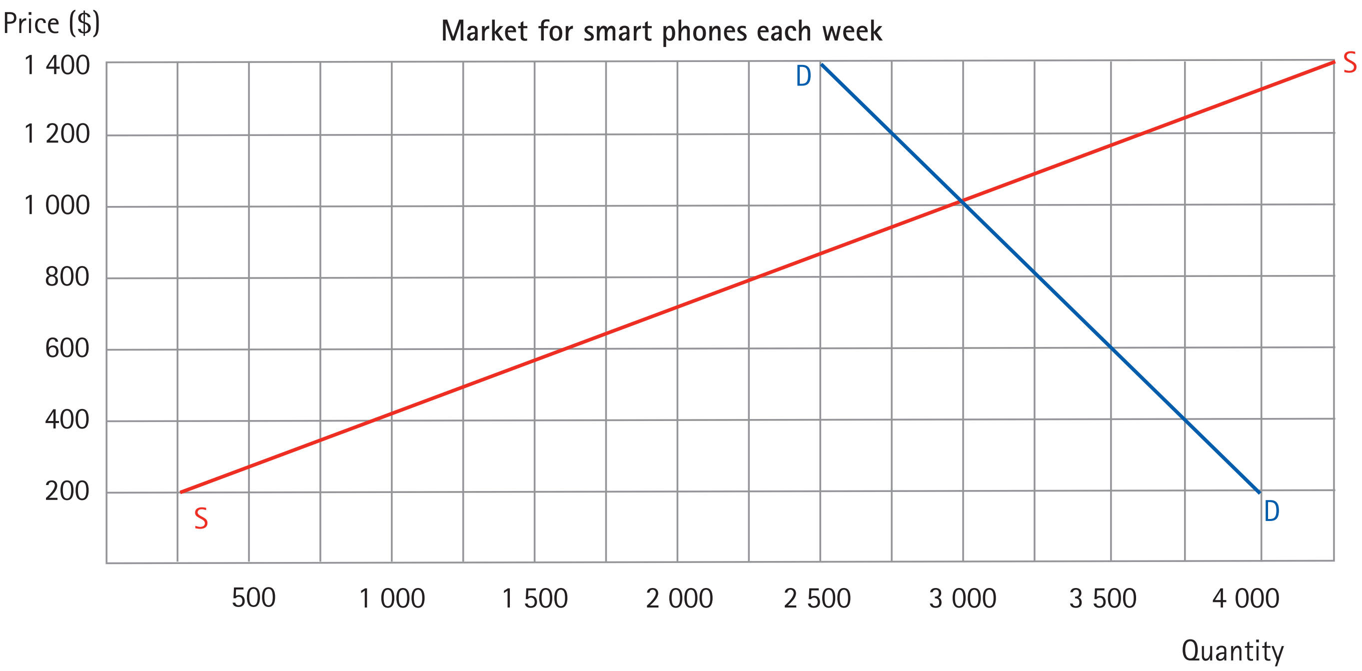
(c) Explain why a surplus in the market will not last long.

When there is a surplus (excess supply) producers are willing to accept a lower price to get rid of unsold stock. Price falls and quantity demanded increases and quantity supplied decreases/market forces return it to equilibrium.

eLearneconomics: Core – The Market (3)

Student response ____

Study the graph and answer the questions that follow.



(a) (i) Identify the equilibrium price and equilibrium quantity.

price ______________________ quantity ______________________

(ii) Identify the price where neither a shortage nor surplus will occur.

____

(b) Identify the price where a surplus of 1000 will occur. Also identify at this price the quantity demanded and the quantity supplied.

Price ____

Quantity demanded ____

Quantity supplied ____

(c) How will the market react to a surplus (excess supply)?

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(d) Explain how the quantities for a market supply curve are derived (calculated).

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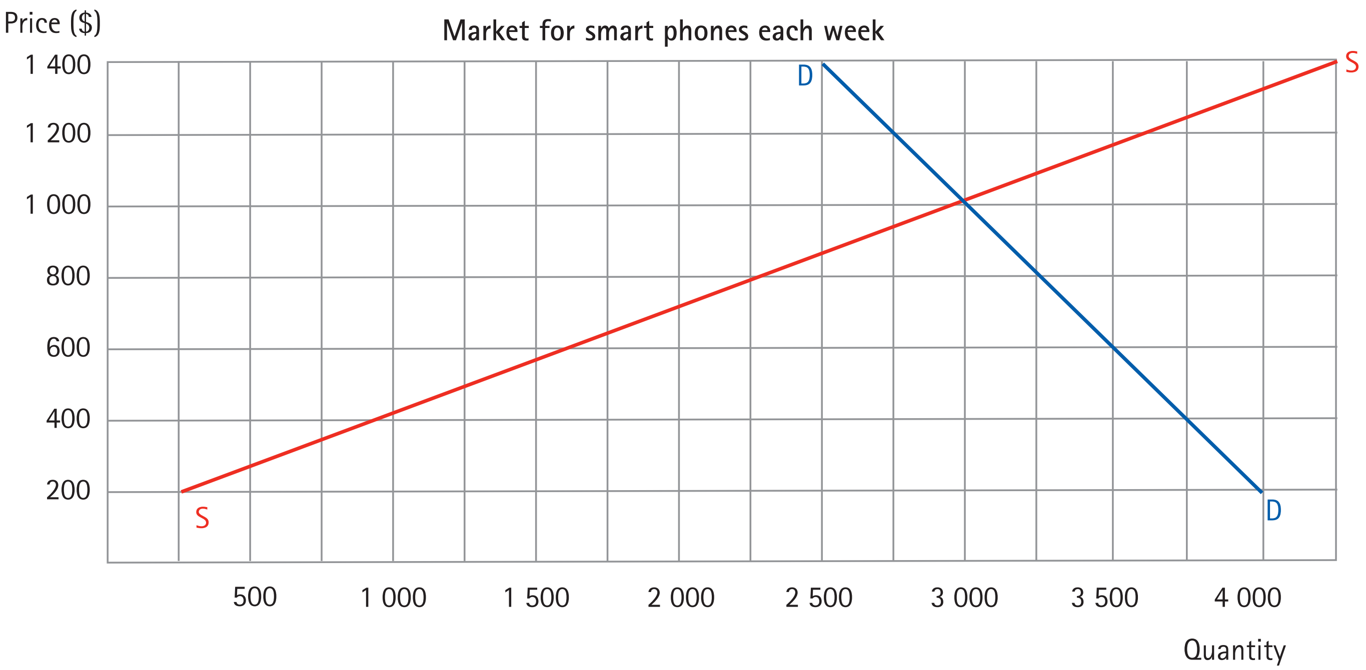
eLearneconomics: Core – The Market (3a)

Solutions

Study the graph and answer the questions that follow.



(a) (i) Identify the equilibrium price and equilibrium quantity.

price $1 000 quantity 3 000

(ii) Identify the price where neither a shortage nor surplus will occur.

$1 000

(b) Identify the price where a surplus of 1000 will occur. Also identify at this price the quantity demanded and the quantity supplied.

Price 1 200

Quantity demanded 2 750

Quantity supplied 3 750

(c) How will the market react to a surplus (excess supply)?

Producers are willing to accept a lower price to get rid of unsold stock. Price falls to the equilibrium/surplus eliminated/ price falls and quantity demanded increases or quantity supplied decreases.

(d) Explain how the quantities for a market supply curve are derived (calculated).

Horizontal summation of individual supply curves at each price/individual supply of each firm added at each price.

eLearneconomics: Core – The Market (4)

Student response ____________________

(a) Draw up the graph of the market for pizza each day.

Market for pizza each day		
Price ($)	Market Demand	Market Supply
4	260	20
6	200	60
8	120	120
10	80	180
14	40	240

(b) Identify the equilibrium price and quantity.

price ____________________ quantity ____________________

(c) Why would a shortage (excess demand) not last long in the market?

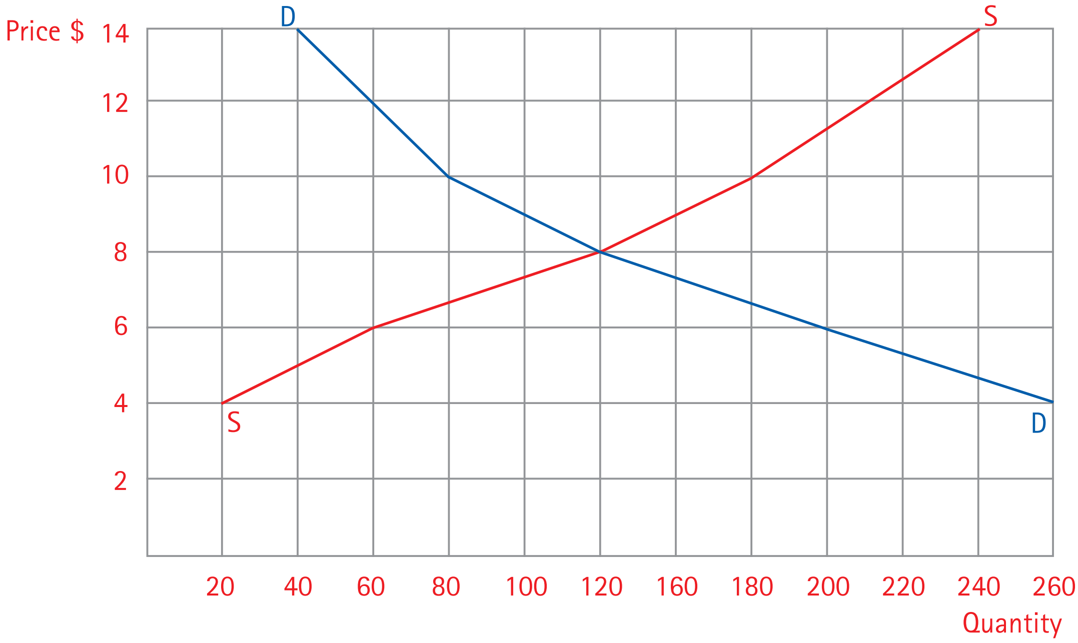
(d) Explain how the quantities for a market demand curve are derived (calculated).

Solutions

(a) Draw up the graph of the market for pizza each day.

Market for pizza each day		
Price ($)	Market Demand	Market Supply
4	260	20
6	200	60
8	120	120
10	80	180
14	40	240

Market for pizza each day



(b) Identify the equilibrium price and quantity.

price $8 quantity 120

(c) Why would a shortage (excess demand) not last long in the market?

Price rises so quantity supplied increases and quantity demanded falls/market forces return it to equilibrium/consumers bid price up/producers respond to shortage pushing prices up.

(d) Explain how the quantities for a market demand curve are derived (calculated).

Horizontal summation of individual demand curves at each price/demand of every individual added at each price.

