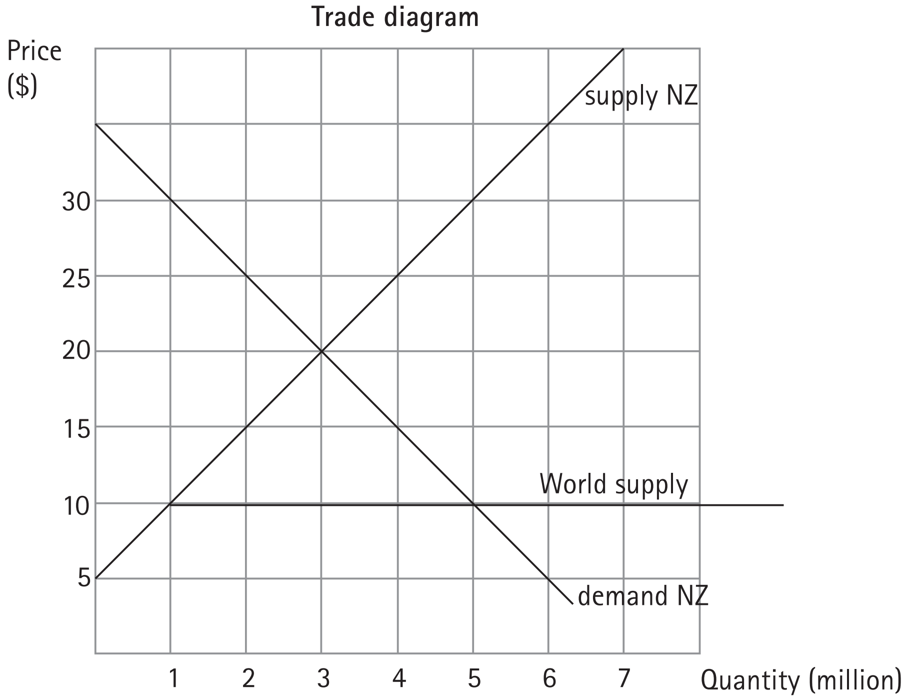
eLearneconomics: Trade – One Country Trade Model (1)

Student response ____________________

(a) Study the graph below and label the original price and quantity as P and Q respectively. Label the new price and new quantity as P′ and Q′. Label the new quantity produced by New Zealand firms as QL.



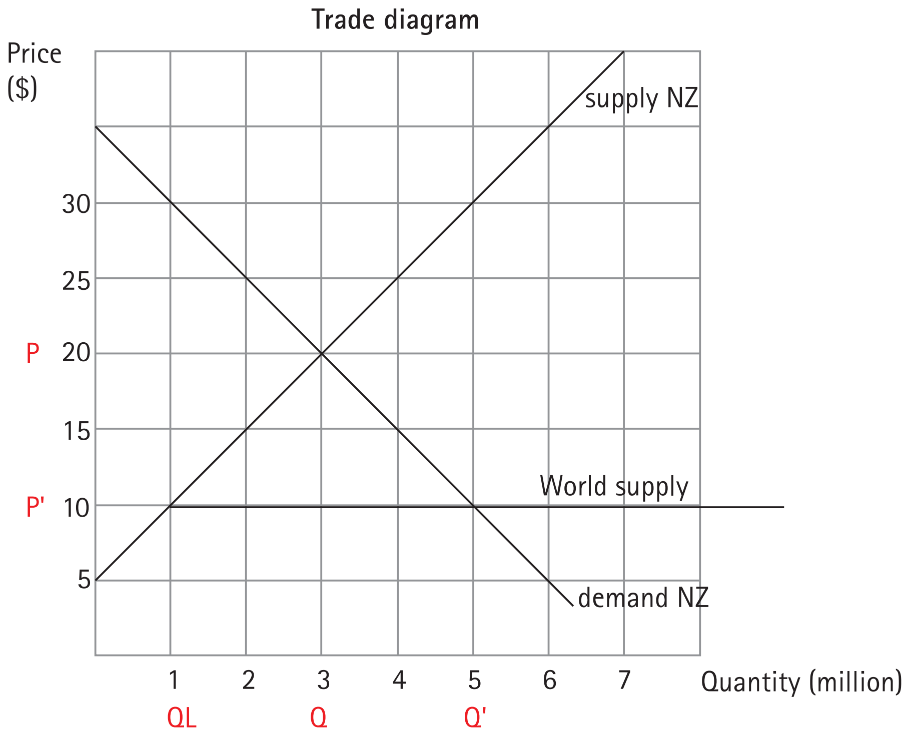
(b) Complete the following table.

Question		Formula or Letter	Value from graph
(i)	Price paid by the consumer before		
(ii)	Price paid by the consumer after		
(iii)	Value of sales before		
(iv)	Value of sales after		
(v)	Change in the value of sales		
(vi)	Local firms' output before		
(vii)	Local firms' output after		
(viii)	Local firms' income (revenue) before		
(ix)	Local firms' income (revenue) after		
(x)	Change in local firms' income (revenue)		
(xi)	Quantity imported		
(xii)	Importers′ revenue (income)		

eLearneconomics: Trade – One Country Trade Model (1a)

Solutions

(a) Study the graph below and label the original price and quantity as P and Q respectively. Label the new price and new quantity as P′ and Q′. Label the new quantity produced by New Zealand firms as QL.



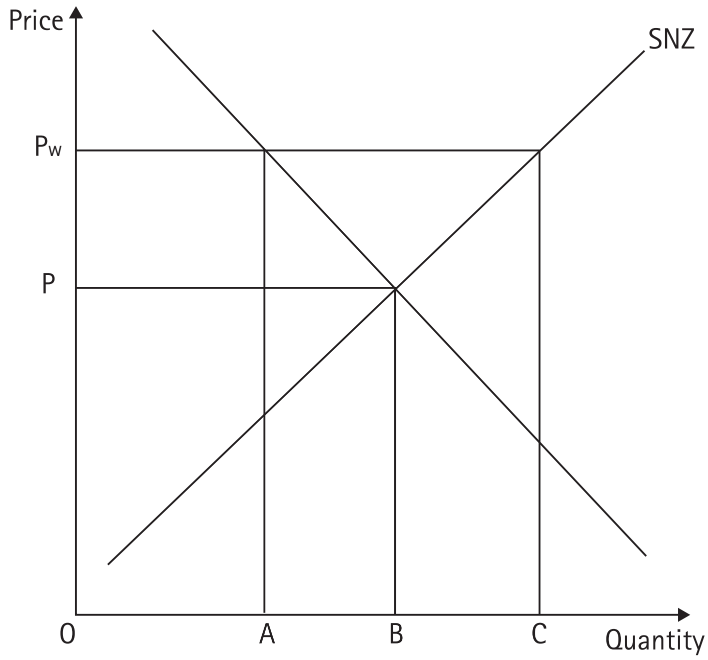
(b) Complete the following table.

Question		Formula or Letter	Value from graph
(i)	Price paid by the consumer before	P	$20
(ii)	Price paid by the consumer after	P′	$10
(iii)	Value of sales before	P x Q	$60m
(iv)	Value of sales after	P′ x Q′	$50m
(v)	Change in the value of sales	(P x Q) vs (P′ x Q′)	$10m decrease
(vi)	Local firms' output before	Q	3m
(vii)	Local firms' output after	QL	1m
(viii)	Local firms' income (revenue) before	P x Q	$60m
(ix)	Local firms' income (revenue) after	P′ x QL	$10m
(x)	Change in local firms' income (revenue)	(P x Q) vs (P′ x QL)	$50m decrease
(xi)	Quantity imported	gap between QL and Q′	4m
(xii)	Importers′ revenue (income)	imports x P′	$40m

eLearneconomics: Trade – One Country Trade Model (2)

Student response ______________________________

New Zealand domestic market for apples



Refer to the trade diagram above to answer the questions that follow.

(a) Match the numbers and letters to the situations described in the table below.

(i) OA (ii) OB (iii) OC (iv) BC

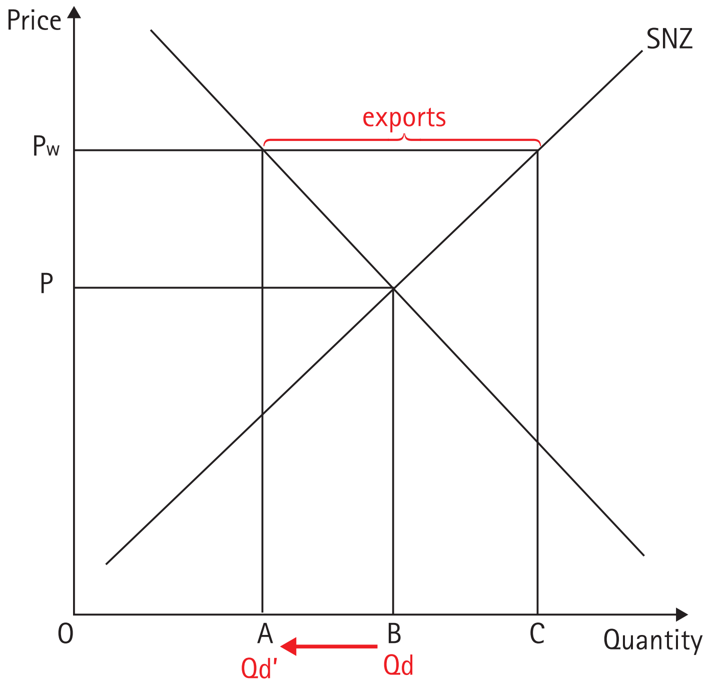
(v) AB (vi) AC (vii) OP (viii) OP_W

Situation		Numbers and letters
(i)	Price New Zealand consumers pay before trade.	
(ii)	Price New Zealand consumers pay after trade.	
(iii)	New Zealand firms' output before trade.	
(iv)	New Zealand firms' output after trade.	
(v)	New Zealand consumers' consumption before trade.	
(vi)	New Zealand consumers' consumption after trade.	
(vii)	Quantity exported by New Zealand firms.	
(viii)	Change in consumers' consumption in New Zealand with trade.	
(ix)	Change in New Zealand firms' output with trade.	

(b) Label clearly on the diagram
(i) The quantity exported or imported.
(ii) The change in domestic consumption.

Solutions

New Zealand domestic market for apples



Refer to the trade diagram above to answer the questions that follow.

(a) Match the numbers and letters to the situations described in the table below.

(i) OA (ii) OB (iii) OC (iv) BC

(v) AB (vi) AC (vii) OP (viii) OP_W

Situation		Numbers and letters
(i)	Price New Zealand consumers pay before trade.	(vii) OP
(ii)	Price New Zealand consumers pay after trade.	(vii) OP_W
(iii)	New Zealand firms' output before trade.	(ii) OB
(iv)	New Zealand firms' output after trade.	(iii) OC
(v)	New Zealand consumers' consumption before trade.	(ii) OC
(vi)	New Zealand consumers' consumption after trade.	(i) OA
(vii)	Quantity exported by New Zealand firms.	(vi) AC
(viii)	Change in consumers' consumption in New Zealand with trade.	(v) AB
(ix)	Change in New Zealand firms' output with trade.	(iv) BC

(b) Label clearly on the diagram

(i) The quantity exported or imported.

(ii) The change in domestic consumption.

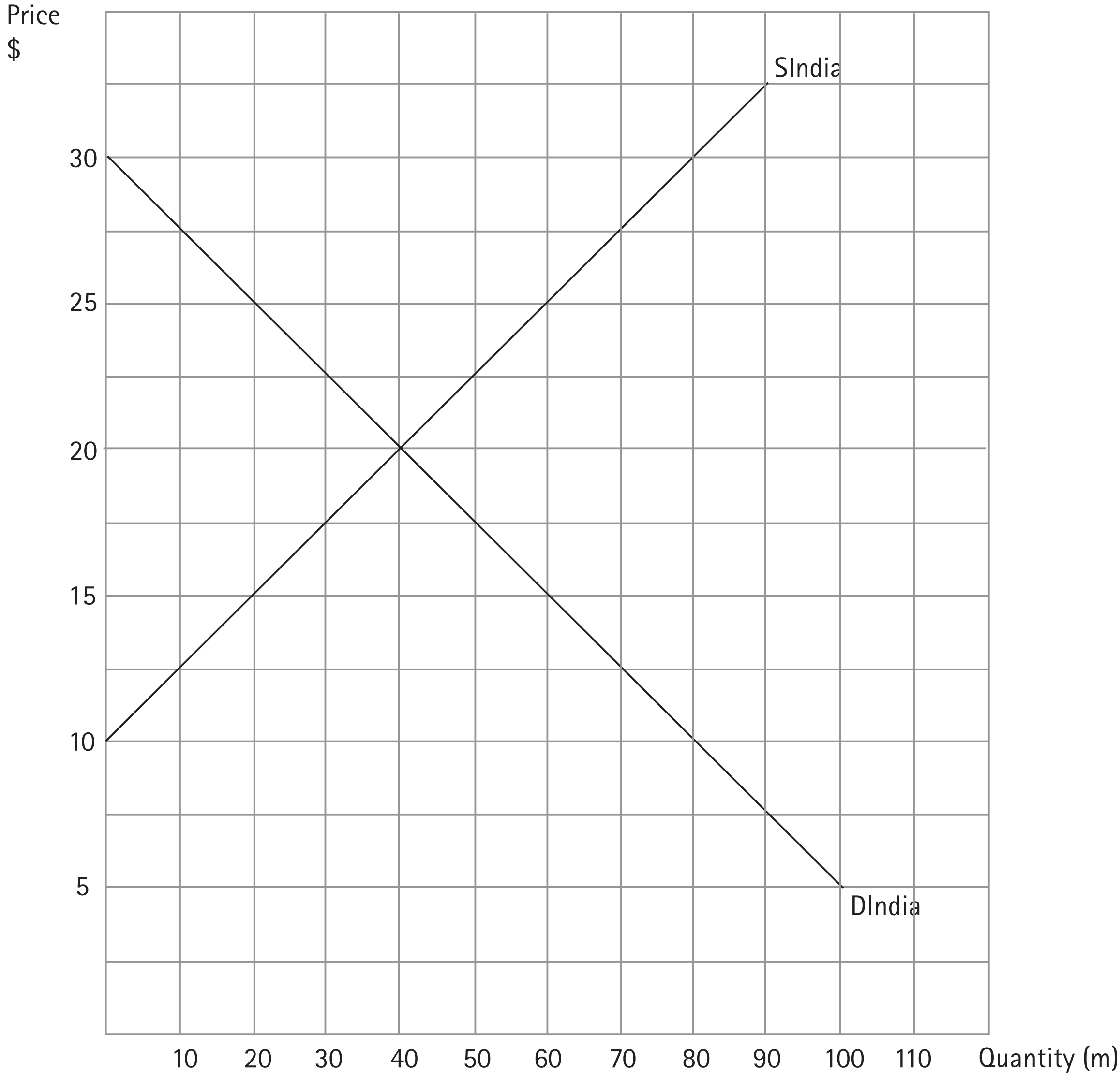
eLearneconomics: Trade – One Country Trade Model (3)

Student response ______________________________

The Indian clothing industry is one of the country's major export industries.

(a) Label the before trade equilibrium price and quantity as P and Q respectively.

Indian domestic clothing market



(b) (i) Show a world price of $25 per garment as Wp.

(ii) At the world price show the quantity of garments exported.

(iii) At the world price show the domestic demand as Qd.

(c) Draw a new supply to show a sharp increase in clothing production as indicated in the schedule below. Label as S^2.

Price $ per garment	Quantity supplied (m)
$30	110
$7.50	20

(d) (i) Show a new world price at $27.50 per garment and label Wp_2.

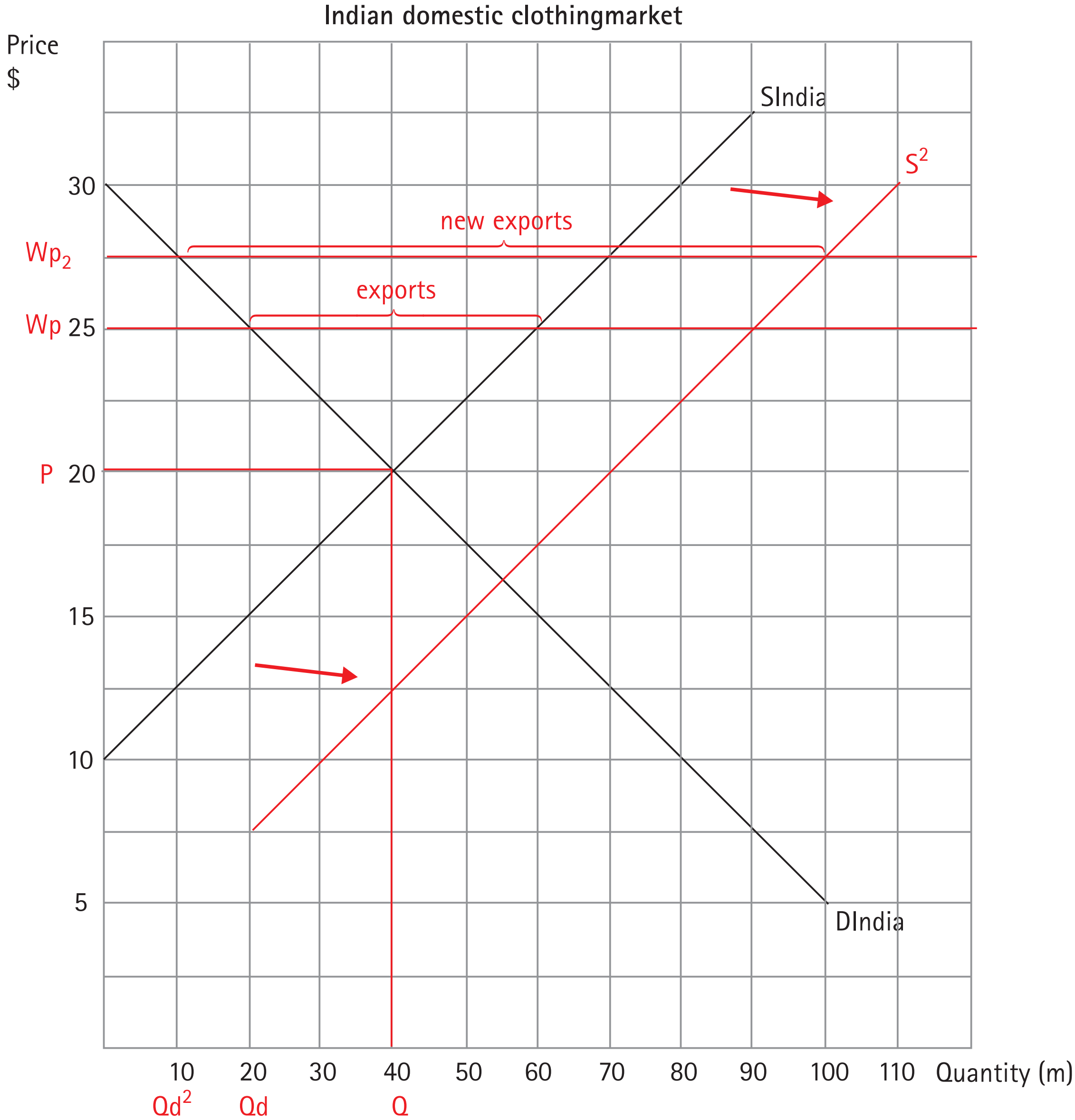
(ii) Show the new exports as 'new exports'.

(iii) Show domestic demand and label Qd^2.

Solutions

The Indian clothing industry is one of the country's major export industries.

(a) Label the before trade equilibrium price and quantity as P and Q respectively.



(b) (i) Show a world price of \$25 per garment as Wp.

(ii) At the world price show the quantity of garments exported.

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(c) Draw a new supply to show a sharp increase in clothing production as indicated in the schedule below. Label as S^2.

Price \$ per garment	Quantity supplied (m)
\$30	110
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(d) (i) Show a new world price at \$27.50 per garment and label Wp_2.

(ii) Show the new exports as 'new exports'.

(iii) Show domestic demand and label Qd^2.