

- Q16. How are the equilibrium price and quantity affected when
- (a) both demand and supply curves shift in the same direction?
- (b) demand and supply curves shift in opposite directions? Ans:

(\circ) both demand and supply curves shift in the same direction

(a) both demand and supply cut ves sinte in the same direction				
Cases	Equilibrium Price	Equilibrium Quantity	Figure	
1) Increase in Dd = Increase in supply	Unchanged	Increases	$\begin{array}{c c} Price & & & & & & \\ Price & & & & & \\ \hline (Rs) & & & & & \\ D_1 & & & & & \\ \hline D_2 & & & & & \\ \hline P_1 & & & & & \\ \hline S_2 & & & & \\ \hline D_1 & & & & \\ \hline P_2 & & & & \\ \hline D_2 & & & & \\ \hline S_2 & & & & \\ \hline D_1 & & & & \\ \hline P_2 & & & & \\ \hline Output & & \\ \hline (Units) & & & \\ \hline \end{array}$	
2) Increase in Dd more than increase SS	Increases	Increases	Price (Rs) D_1 S_1 S_2 D_2 D_1 D_2 D_2 D_1 D_2 D_2 D_1 D_2	
3) Increase in Dd less than increase in SS	Falls	Increases	Price (Rs) D ₁ D ₂ S ₁ S ₂ Output (Units)	
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4) Decrease in Dd = decrease in SS	Unchanged	Falls	Price (Rs) D_1 D_2 D_2 D_3 D_4 D_5 D_6 D_7 D_8 D_9
5) Decrease in Dd more than decrease in SS	Falls	Falls	Price (Rs) D_1 S_2 S_1 D_2 D_1 D_2 D_1 $Output (Units)$
6) Decrease in Dd less than decrease in SS	Increases	Falls	Price A (Rs) D_2 D_1 D_2 D_1 D_2 D_1 D_2 D_2 D_1 D_2 D

(b) demand and supply curves shift in opposite direction

Cases	Equilibrium Price	Equilibrium Quantity	Figure
1. Increase in Dd = decrease in SS	Increase	Unchanged	$\begin{array}{c} \text{Price} \\ \text{(Rs)} \\ P_2 \\ P_1 \\ \hline \\ S_1 \\ \hline \\ Q_1 \\ \hline \\ Q_1 \\ \hline \\ Q_2 \\ Q_1 \\ \hline \\ Quantity \\ \text{(units)} \end{array}$

2. Decrease in Dd = increase in SS	Unchanged	Increase	Price A (Rs) D_1 D_2 D_3 D_4 D_5 D_5 D_7 D_8 D_9 D
3. Decrease in Dd < increase in supply	Decrease	Increase	Price (Rs) D_2 E_1 Q_1 Q_2 Q_2 Q_2 Q_2 Q_3 Q_4 Q_4 Q_4 Q_4 Q_4 Q_4 Q_4 Q_5 Q_4 Q_5 Q_4 Q_5 Q_6 Q_6 Q_6 Q_7 Q_8
4. Decrease in Dd > increase in supply	Decrease	Decrease	$\begin{array}{c} Price \\ (Rs) \\ \hline D_2 \\ \hline D_2 \\ \hline S_1 \\ \hline S_2 \\ \hline Q_2 Q_1 \\ \hline Q_0 annity \\ (units) \\ \end{array}$
5. Increase in Dd < decrease in SS	Increase	Decrease	Price 4 (Rs) D_2 D_2 D_2 D_2 D_2 D_2 D_2 D_2 D_2 D_1 D_2
6. Increase in Dd > decrease in SS	Increase	Increase	Price A (Rs) D_2 D_2 D_3 D_4 D_5 D_5 D_6 D_7 D_8 D_8 D_9 D

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