



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:

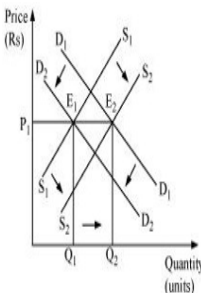
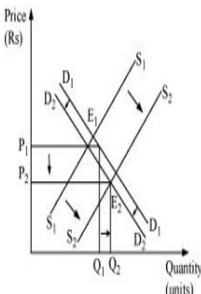
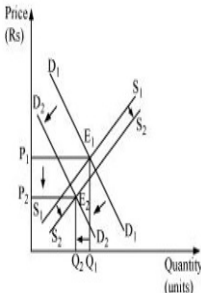
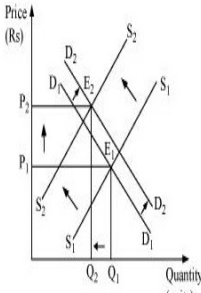
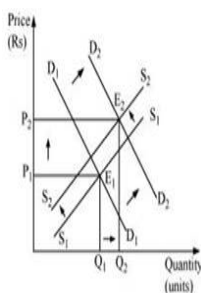
(a) **both demand and supply curves shift in the same direction**

Cases	Equilibrium Price	Equilibrium Quantity	Figure
1) Increase in Dd = Increase in supply	Unchanged	Increases	
2) Increase in Dd more than increase SS	Increases	Increases	
3) Increase in Dd less than increase in SS	Falls	Increases	

4) Decrease in Dd = decrease in SS	Unchanged	Falls	
5) Decrease in Dd more than decrease in SS	Falls	Falls	
6) Decrease in Dd less than decrease in SS	Increases	Falls	

(b) demand and supply curves shift in opposite direction

Cases	Equilibrium Price	Equilibrium Quantity	Figure
1. Increase in Dd = decrease in SS	Increase	Unchanged	

2. Decrease in D_d = increase in S_s	Unchanged	Increase	 <p>A supply and demand graph with Price (Rs) on the vertical axis and Quantity (units) on the horizontal axis. The initial equilibrium is at E_1 with price P_1 and quantity Q_1. A decrease in demand shifts the demand curve left from D_1 to D_2. An increase in supply shifts the supply curve right from S_1 to S_2. The new equilibrium is at E_2 with a higher price P_2 and higher quantity Q_2.</p>
3. Decrease in D_d < increase in supply	Decrease	Increase	 <p>A supply and demand graph with Price (Rs) on the vertical axis and Quantity (units) on the horizontal axis. The initial equilibrium is at E_1 with price P_1 and quantity Q_1. A decrease in demand shifts the demand curve left from D_1 to D_2. An increase in supply shifts the supply curve right from S_1 to S_2. The new equilibrium is at E_2 with a lower price P_2 and higher quantity Q_2.</p>
4. Decrease in D_d > increase in supply	Decrease	Decrease	 <p>A supply and demand graph with Price (Rs) on the vertical axis and Quantity (units) on the horizontal axis. The initial equilibrium is at E_1 with price P_1 and quantity Q_1. A decrease in demand shifts the demand curve left from D_1 to D_2. An increase in supply shifts the supply curve right from S_1 to S_2. The new equilibrium is at E_2 with a lower price P_2 and lower quantity Q_2.</p>
5. Increase in D_d < decrease in S_s	Increase	Decrease	 <p>A supply and demand graph with Price (Rs) on the vertical axis and Quantity (units) on the horizontal axis. The initial equilibrium is at E_1 with price P_1 and quantity Q_1. An increase in demand shifts the demand curve right from D_1 to D_2. A decrease in supply shifts the supply curve left from S_1 to S_2. The new equilibrium is at E_2 with a higher price P_2 and lower quantity Q_2.</p>
6. Increase in D_d > decrease in S_s	Increase	Increase	 <p>A supply and demand graph with Price (Rs) on the vertical axis and Quantity (units) on the horizontal axis. The initial equilibrium is at E_1 with price P_1 and quantity Q_1. An increase in demand shifts the demand curve right from D_1 to D_2. A decrease in supply shifts the supply curve left from S_1 to S_2. The new equilibrium is at E_2 with a higher price P_2 and higher quantity Q_2.</p>

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