**Question #1 (5 points)**

**A. How the concepts of Demand (D) and Quantity Demanded (Qd) differ? What factors can change/shift Demand curve?**

Demand is the abilities to buy and willingness to buy. In other words, you want to buy a good and you have the money to pay. Quantity Demand is the amounts of goods you want to buy at a specific price. As a result, Demand is the purchasing power you have, and Quantity Demand is the number you can buy the goods that can be depend on the goods price.

Demand curve can be shift by several kinds of non-price factors. There are incomes, tastes and preferences consumers, price of similar goods, number of buyers and expectations of consumers.

**B. If you move from A to B, what changes? Quantity demanded or Demand? Explain your answer.**

When you move from A to B, it is the Demand changes. The reason is A to B the price stays the same, and you are able to buy more. In other words, you have more purchasing power so this like you may have more incomes.

**C. If you move from A to C, what changes? Quantity demanded or demand? Explain your answer.**

When you move from A to C, it will be Quantity demanded changes. The reason is you still have the same purchasing power, however, when the price going down, you are able to buy more.

**Question 2. (5 points)**

**a. Consider the following table that gives hypothetical data for gasoline market in New York City per month.**

According to the table, it shows the price and quantity supplied are the directly related, however, the price and quantity demanded are inversely related. In other words, when the price goes up, the quantity supplied also goes up, but the quantity demanded goes down.

**b. Draw a graph showing the demand and supply curves of gasoline in the city.**

**c. What is the equilibrium price/quantity? If price rises to $3.80, what happens to the market?**

The equilibrium is demand and supply together and cleans up the markets. In other words, the imbalance and establishes market equilibrium. As a result, we can easily find the equilibrium point in this graph is when price at $3.70 both quantity demanded and supplied are 65.

According to the graph, when the price rise to $3.80, the quantity demanded will be less then quantity supplied. As a consequence, the equilibrium will be broken and we call it “Surplus”.