

Demand and Supply – Day 5 Questions

Econ 201/Haworth

The questions below are provided to test your understanding of this day's material.

*To receive credit for this assignment, go to Assignments and find the folder entitled Daily Questions. Inside that folder, you'll find a folder entitled Section 1. Once you're in that folder, click on the link that says **Demand and Supply-Day 5** and complete the assignment. When you are finished, you may submit. Remember that the deadline for submitting this Day 5 Daily Question assignment is Monday, February 6, at 9:00pm.*

Questions #1-3 correspond with the market for soft drinks, and refer to the following situation:

Assume that the demand and supply curves for bread have their typical slopes. During week 1, soft drinks had an equilibrium price of 75¢, but during week 2, the price increased to \$1.

1. If fewer units of bread are sold during week 2 (compared with week 1), then which of the following best explains what happened between weeks 1 and 2?
 - a. decrease in the demand curve
 - b. increase in the demand curve
 - c. decrease in the supply curve
 - d. increase in the supply curve
 - e. decrease in both the demand and supply curves

2. If more units of bread are sold during week 2 (compared with week 1), which of the following best explains what happened between weeks 1 and 2?
 - a. decrease in the demand curve
 - b. increase in the demand curve
 - c. decrease in the supply curve
 - d. increase in the supply curve
 - e. increase in both the demand and supply curves

3. As we move into week 3, assume that there is an increase in the cost of supplying bread. If so, then which shift(s) is the most likely result of this week 3 change in cost:
 - a. decrease in the demand curve
 - b. increase in the demand curve
 - c. decrease in the supply curve
 - d. increase in the supply curve
 - e. decrease in both the demand and supply curves

Questions 4-6 correspond with the market for Louisville area gasoline.

4. If gasoline is considered a necessity, then which of the following statements is correct:
 - a. an increase in income leads to an increase in demand
 - b. an increase in income leads to a decrease in demand
 - c. an increase in income leads to an increase in supply
 - d. an increase in income leads to a decrease in supply

5. Assume that we observe increases in the price of gasoline sold in areas just outside of Louisville. If so, then which of the following statements is correct about the Louisville market:

- a. there will be an increase in the demand for gasoline
- b. there will be a decrease in the demand for gasoline
- c. there will be an increase in the supply of gasoline
- d. there will be a decrease in the supply of gasoline

6. Assume that we observe a change in regulation that leads to an increase in the number of gasoline suppliers within Louisville. If so, then which of the following statements is correct about the Louisville market:

- a. there will be an increase in the demand for gasoline
- b. there will be a decrease in the demand for gasoline
- c. there will be an increase in the supply of gasoline
- d. there will be a decrease in the supply of gasoline

Question #7 relates to the equations below, which represent the market for good X:

Demand $P = 400 - 2Q_D$ (where P = price, Q_D = quantity demanded)

Supply $P = 100 + 3Q_S$ (where P = price, Q_S = quantity supplied)

7. What are the equilibrium values associated with this market?

- a. $Q^* = 100$, $P^* = \$200$
- b. $Q^* = 100$, $P^* = \$60$
- c. $Q^* = 50$, $P^* = \$300$
- d. $Q^* = 100$, $P^* = \$400$
- e. $Q^* = 60$, $P^* = \$280$
- f. none of the above