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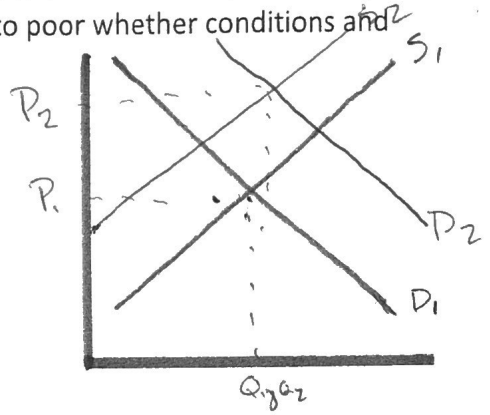
Final Double Shift Practice

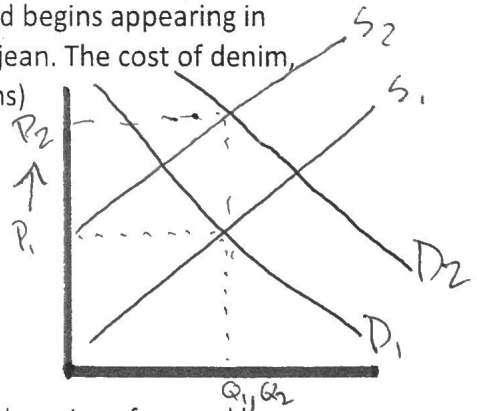
Directions: First, fill in the chart below. Then, graph each of the following situations with the given shocks to supply and demand. Be sure to label S1, D1, S2, D2, P1, Q1, P2, and Q2. Then, tell whether equilibrium prices and quantity increased, decreased, or is indeterminate.

Change in Demand	Change in Supply	Effect on Equilibrium Price	Effect on Equilibrium Quantity
Increase	Increase		
Decrease	Decrease		
Increase	Decrease		
Decrease	Increase		

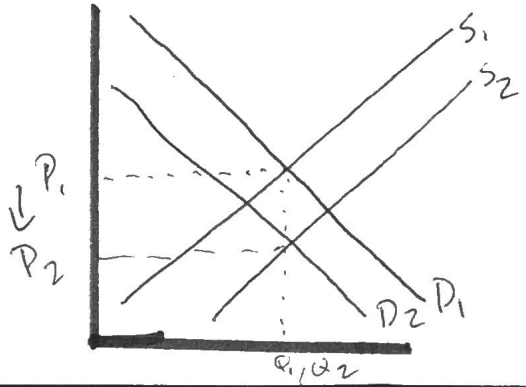
1) Apple announces the release of the highly anticipated iPhone 12XR, which is supposed to be the most advanced and user friendly smart phone to date. However, on the day of its release, thousands of shipments are lost at sea due to poor whether conditions and incompetent ship captains. (Market for iPhone 12XR)
   a. Supply: increase / decrease
   b. Demand: increase / decrease
   c. Price: increase / decrease / indeterminate
   d. Quantity: increase / decrease / indeterminate



2) Brett Favre begins signs on as a sponsor for Wrangler Jeans and begins appearing in many commercials, popularizing the new U-shaped cut of the jean. The cost of denim, however, is dramatically increasing. (Market for Wrangler Jeans)
   a. Supply: increase / decrease
   b. Demand: increase / decrease
   c. Price: increase / decrease / indeterminate
   d. Quantity: increase / decrease / indeterminate

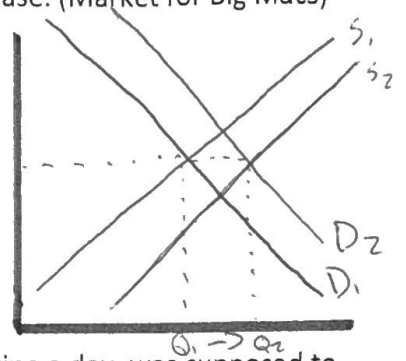


3) Both consumers and producers in the housing market expect the price of normal houses to decrease this time next year. (Market for housing)
   a. Supply: increase / decrease
   b. Demand: increase / decrease
   c. Price: increase / decrease / indeterminate
   d. Quantity: increase / decrease / indeterminate



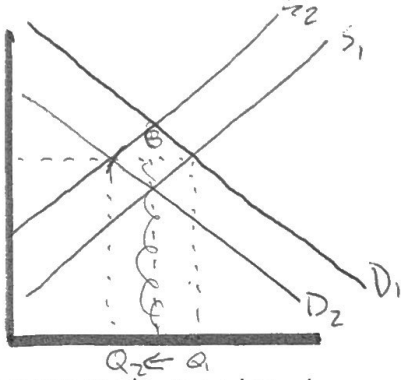
4) McDonalds launches a new advertisement campaign to increase attention on their new and improved Big Mac. At the same time, the cost of whatever the special ingredient is that goes into the Big Mac Sauce is, is beginning to decrease. (Market for Big Macs)

a. Supply: increase / decrease
b. Demand: increase / decrease
c. Price: increase / decrease / indeterminate
d. Quantity: increase / decrease / indeterminate



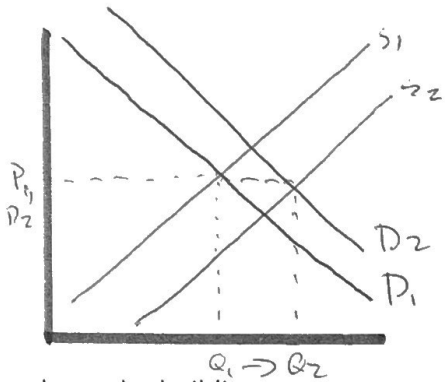
5) For many years, research showed that one glass of red wine a day, was supposed to provide certain heart benefits. However, it is now coming out that red wine may lead to digestive problems, increased chance of stroke, and even certain inflammatory issues. Simultaneously, farmers begin to notice that they can make higher and more reliable profits by growing avocados, as opposed to grapes (a key ingredient in red wine). (Market for red wine)

a. Supply: increase / decrease
b. Demand: increase / decrease
c. Price: increase / decrease / indeterminate
d. Quantity: increase / decrease / indeterminate



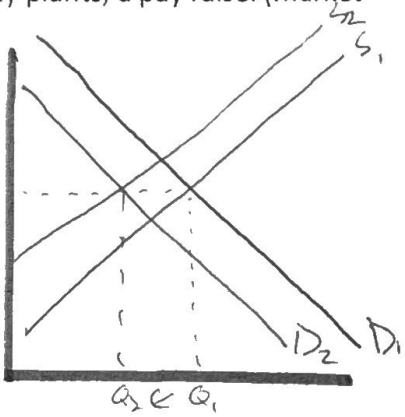
6) The price of tea, a caffeine filled morning drink that helps many students and teachers with productivity, is increasing in Charlotte. At the same time, many new coffee brewers are moving into old abandoned warehouses and opening their doors in the Charlotte area. (Market for coffee)

a. Supply: increase / decrease
b. Demand: increase / decrease
c. Price: increase / decrease / indeterminate
d. Quantity: increase / decrease / indeterminate



7) The price of wifi is skyrocketing. Additionally, Dell succumbs to the building pressure to give workers in the computer manufacturing and assembly plants, a pay raise. (Market for computers)

a. Supply: increase / decrease
b. Demand: increase / decrease
c. Price: increase / decrease / indeterminate
d. Quantity: increase / decrease / indeterminate



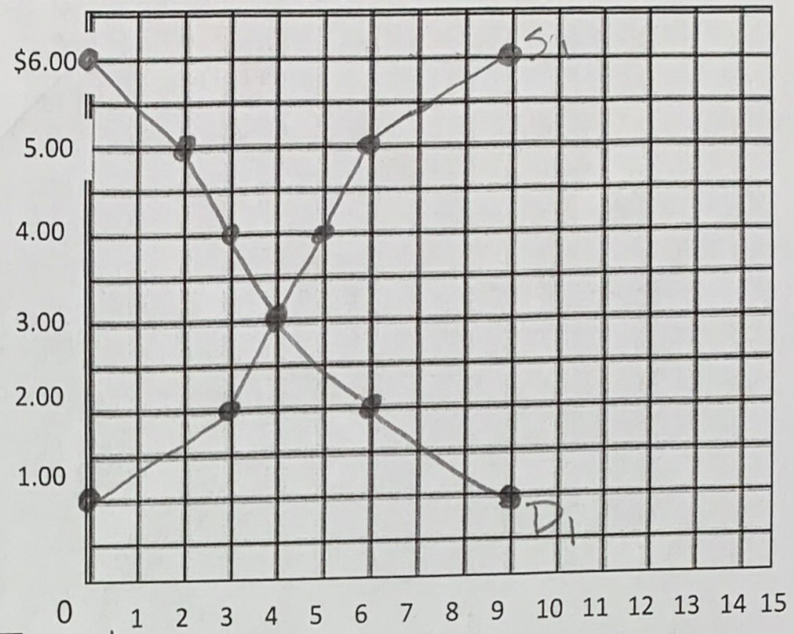
Name: Answer Key Date: _____

Combining Supply and Demand

Scenario: The following shows a demand and supply schedule listing CDs demanded and supplied (in the millions) per week at each price.

- Graph each the following demand/supply schedules on one demand graph and then answer the questions below:

Price Per Compact Disc	Quantity Demanded D1	Quantity Supplied S1	Shortage/ Surplus (QS – QD)
$6	0	9	9
5	2	6	4
4	3	5	2
3	4	4	0
2	6	3	3
1	9	0	9

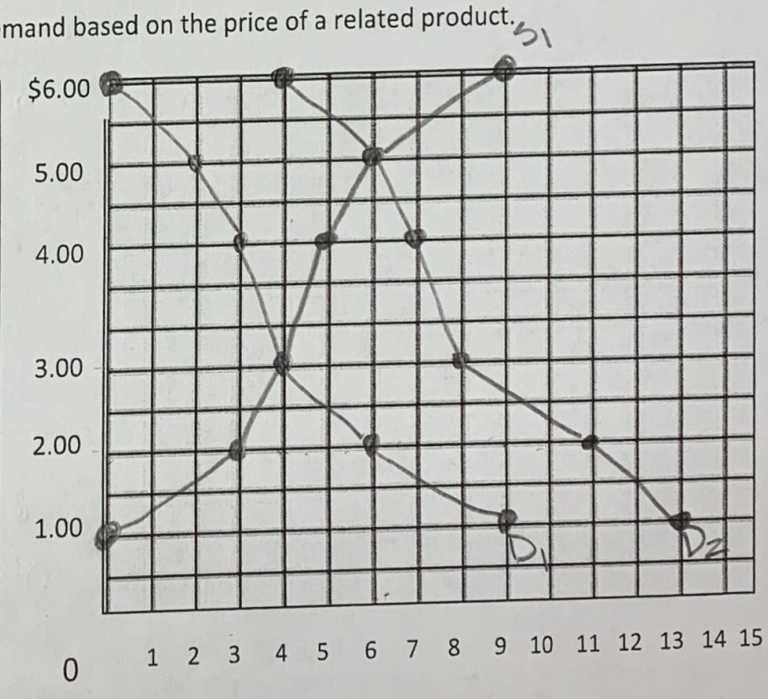


a. What is the equilibrium price? $3.00
b. What is the QD and QS at the equilibrium price? 4
c. What is the surplus at $6? 9
d. What is the shortage at $2 3
e. How does a surplus affect the price of a product? Price will have to drop
f. How does a shortage affect the price of a product? Price will have to increase

Changes in Demand

Scenario: The following schedule shows a change in demand based on the price of a related product.

Price Per Compact Disc	Quantity Demanded (CD Players $75) D1	Quantity Demanded (CD Players $50) D2	Quantity Supplied S1	Shortage or Surplus (QS - new QD)
$6	0	4	9	5
5	2	6	6	0
4	3	7	5	2
3	4	8	4	4
2	6	11	3	8
1	9	13	0	13



a. What happened to the original demand curve? increase - shifted right

b. What determinate of demand caused this shift? compliments

c. How were the equilibrium price and quantity effected? price increase ($2) & Quantity increase (2)

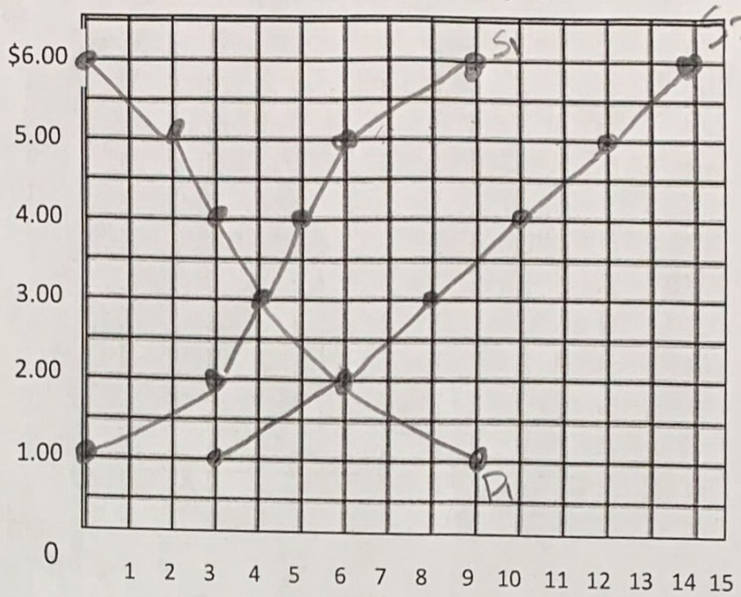
d. What is the surplus at $6.00? 10

e. What is the shortage at $2.00? 8

Changes in Supply

Scenario: The following schedule shows a change in supply due to more efficient methods of producing CDs.

Price Per Compact Disc	Quantity Demanded D1	Quantity Supplied (old methods) S1	Quantity Supplied (new methods) S2	Shortage/ Surplus (New QS minus QD)
$6	0	9	14	14
5	2	6	12	10
4	3	5	10	7
3	4	4	8	4
2	6	3	6	0
1	9	0	3	6



a. What happened to the original supply curve? increase -> shift right

b. How was the equilibrium price and quantity effected? price decrease ($1) Quantity increase (2)

c. What is the surplus at $6.00? 14

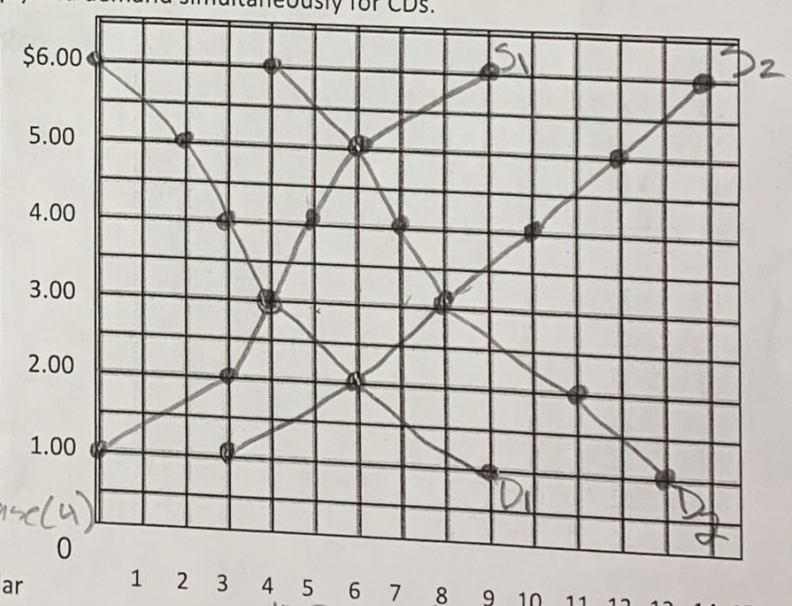
d. Why is there no longer a shortage at $2.00? 0

e. How did this scenario benefit the consumers of CDs? Brought prices down (& larger consumer surplus)

Changes in Supply and Demand

Scenario: The following schedule shows a change in supply and demand simultaneously for CDs.

Price Per Compact Disc	Quantity Demanded (CD Players $75)	Quantity Demanded (CD Players $50)	Quantity Supplied (old technology)	Quantity Supplied (new technology)
$6	0	4	9	14
5	2	6	6	12
4	3	7	5	10
3	4	8	4	8
2	6	11	3	6
1	9	13	0	3



a. How was the equilibrium point affected? Price = same Quantity increase (4)

b. What would happen to the price of CD's if an alternative product, such as the iPod, became popular and shifted the demand curve back to D1? (all things remaining the same) $2 (where D1 & S2 come together)

c. What would happen to the price of CD's if an input cost for creating CDs increased and shifted the supply curve back to S1? (all things remaining the same) $5 (where S1 & D2 meet)