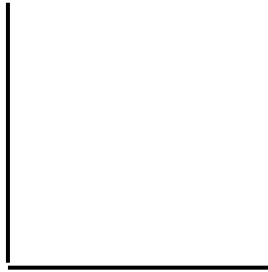


Unit I: Problem Set: Changes in Supply

Name: _____

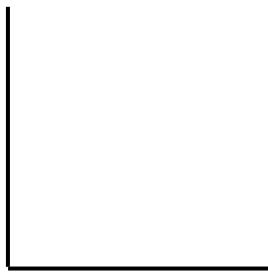
Directions: Draw a supply curve then illustrate the effect of each situation on the supply curve.
Label the initial supply curve **S₁** and the new supply curve **S₂**. Remember to label both axes.

1. The cost of sheet metal goes up. Illustrate the effect on the supply curve for cars.



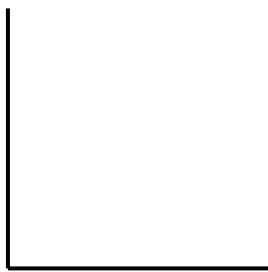
What determinant of supply is being described?

2. New technology allows for more efficient production of Nintendo Wii. Illustrate the effect on the supply curve for Nintendo Wii.



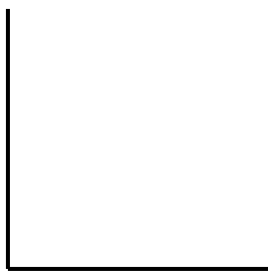
What determinant of supply is being described?

3. The amount of subsidies paid to the producers of computers goes up. Illustrate the effect on the supply curve for computers.



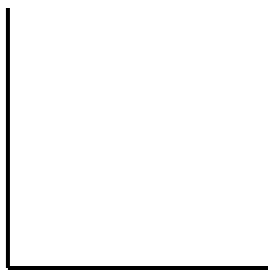
What determinant of supply is being described?

4. The number of producers of tuxedos declines. Illustrate the effect on the supply curve for tuxedos.



What determinant of supply is being described?

5. The price of **DVD players** increases. Illustrate the effect on the supply curve for **DVD players**.



What determinant of supply is being described?

Unit I: Supply and Demand

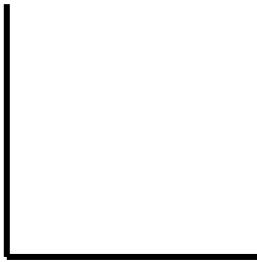
Name _____

Problem Set: Understanding Market Equilibrium

Directions:

- For each of the following situations, identify which curve is affected and how it is affected (\downarrow \uparrow).
ONLY ONE CURVE WILL MOVE.
 - Record the determinant of supply **or** demand being described.
 - Illustrate the effect on the graph. Label the original curves S_1 / D_1 – and label the new curve S_2 or D_2
 - Use \downarrow \uparrow arrows to describe what happens to equilibrium price and equilibrium quantity in each situation.
-

1. **There is an increase in consumer income.** *What will happen to the supply & demand graph for jeans?*



What determinant is being described? _____

Which curve (S or D) is affected? _____ How? _____

Equilibrium Price _____ Equilibrium Quantity _____

2. **There is a decrease in the cost of cotton.** *What will happen to the supply & demand graph for T-shirts?*

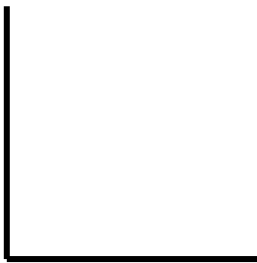


What determinant is being described? _____

Which curve (S or D) is affected? _____ How? _____

Equilibrium Price _____ Equilibrium Quantity _____

3. **The auto industry faces increased government regulations.** *What will happen to the S&D graph for cars?*



What determinant is being described? _____

Which curve (S or D) is affected? _____ How? _____

Equilibrium Price _____ Equilibrium Quantity _____

4. **The price of peanut butter increases.** *What will happen to the supply & demand graph for jelly?*



What determinant is being described? _____

Which curve (S or D) is affected? _____ How? _____

Equilibrium Price _____ Equilibrium Quantity _____