Student id :mcxxxxxxx
Eco 401 assignment fall 2011

A. Find initial equilibrium price and quantity in the market of Panadol.

Solution:

As we know that at equilibrium :

$$Qd = Qs$$
$$1000-200P=100+400P$$
$$400P+200P=1000-100$$
$$600P =900$$
$$P= 900/600$$
$$P= 1.5$$

Putting the value of price in any of demand and supply equation

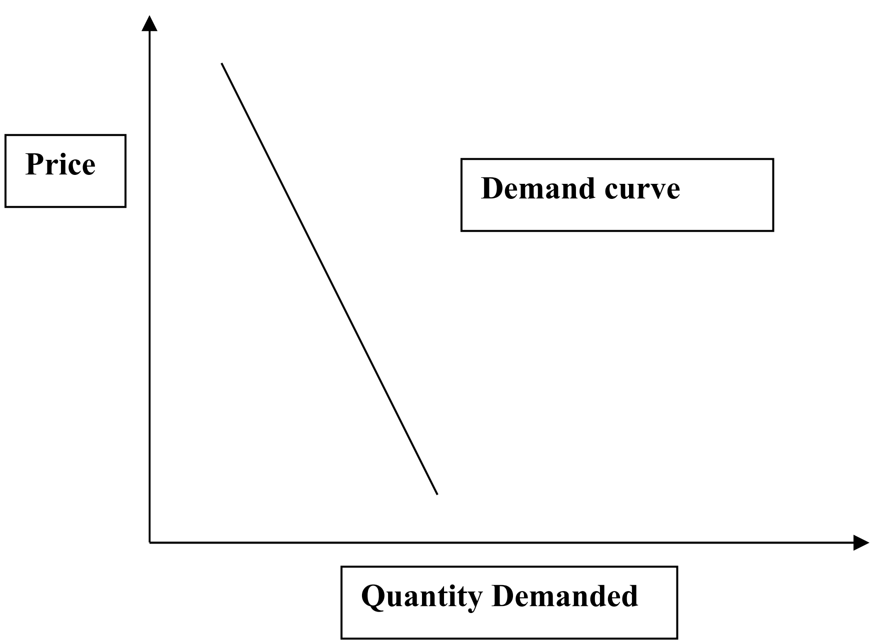
$Q=1\,000 - (200 * 1.5)$

$= 700$

The equilibrium price is 1.5 and the equilibrium quantity is 700

B. How would the shift of customers to Disprine have affected the market for Panadol? Support your answer with diagram.

Diagram:

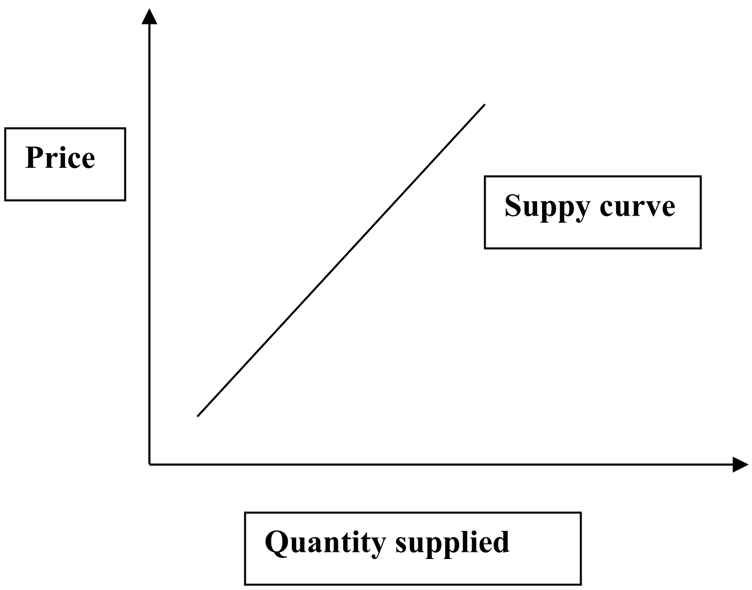


Points to support my answer are :

Due to decrease in consumers no there is

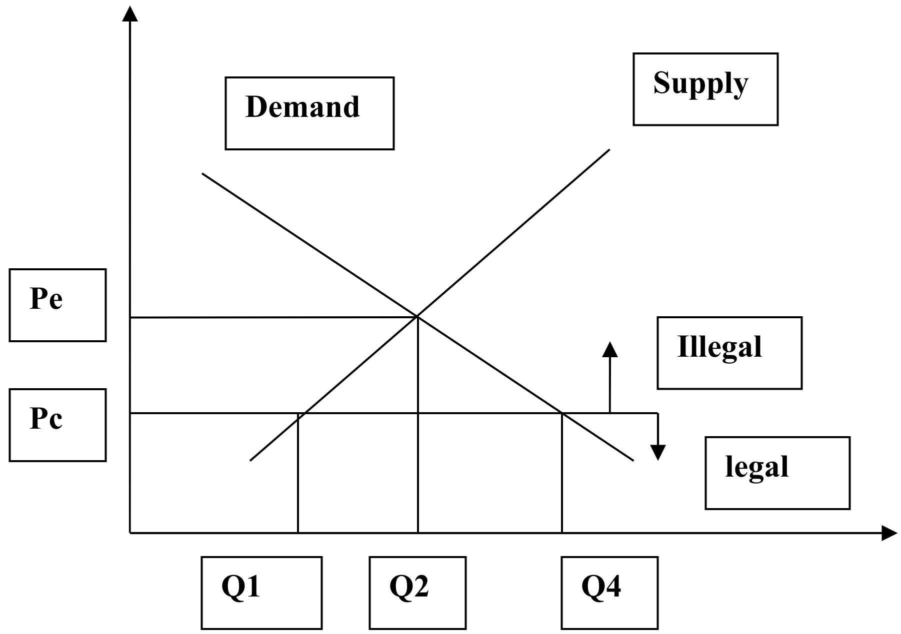
1- decrease in demand
2- direction of shift in the demand curve will be leftward
3- equilibrium price ll decrease
4- equilibrium quantity ll decrease

C:How would the increase in cost of production have affected the market for Panadol? Illustrate graphically.



1-Decrease in supply
2-shift in supply curve leftward
3-increase in equilibrium price

D :How can the price of Panadol be controlled? Analyze graphically.



Government have to set ceiling price below the market clearing price coz price ceiling will make the high price illegle
Graph is showing that an increase in price, is illegal; and buyers or sellers or both will be penalized if transactions take place above Pc