PRICE -MARKET DISEQUILIBRIUM

The table shows the price of, demand for and supply of X per week.

price ($)	demand (tonnes)	supply (tonnes)
20	16	10
30	12	12
40	10	14

What will be the effect if the government imposes a minimum price of $40 per tonne?

A a fall in the price of X

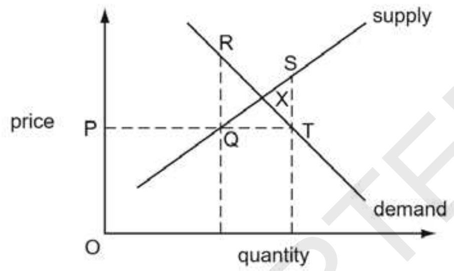
B a shortage of X

C a surplus of X

D a waiting-list for X

C

The diagram shows the supply and demand curves for a good. The market is in equilibrium at point X.



What is the excess demand at price P?

A PT **B** QR **C** QT **D** ST

C

In a market there is a shortage of a good.

What change would cause the market to come to an equilibrium?

A an increase in demand

B a decrease in supply

C a fall in price

D a rise in price

D

Sometimes travel companies advertise holidays at prices below cost.

What might be a reason for this?

A an excess demand for holidays

B an excess supply of holidays

C a price inelastic demand for holidays

D insufficient competition in the holiday market

B

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Due to good weather, there is a surplus in the market for an agricultural product.

Which change would cause the market to return to equilibrium?

A a decrease in demand

B a fall in price

C an increase in supply

D a rise in price

B

In 2008 inflation was close to 100 000 % in Zimbabwe. In a bid to reduce this high rate, the Zimbabwean Government imposed maximum prices on a range of products. This caused price rises amongst those goods sold unofficially or illegally.

What could explain this?

A The maximum prices increased demand whilst reducing supply.

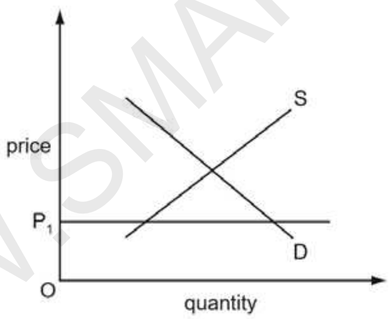
B The maximum prices reduced demand whilst increasing supply.

C The maximum prices were set above the equilibrium price levels.

D The maximum prices were set at the equilibrium price levels.

A

The diagram shows the demand for and the supply of bread.



A maximum price P_1 is fixed by the government.

What is likely to be the immediate result of this?

A a movement of the demand curve to the right

B a movement of the supply curve to the right

C a shortage of bread

D a surplus of bread

C

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