

PRICE - MARKET DISEQUILIBRIUM

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

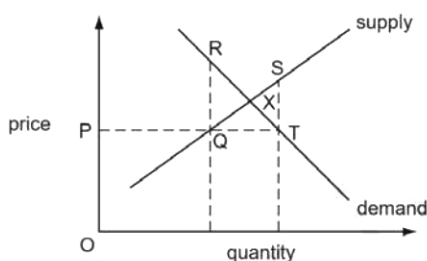
price (\$)	demand (tonnes)	supply (tonnes)
20	16	10
30	12	12
40	10	14

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

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

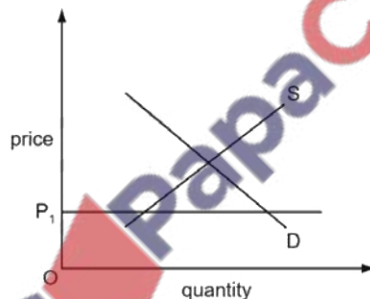
In 2008 inflation was close to 100 000 % in Zimbabwe. In a bid to reduce this high rate, the Zimbabwean Government imposed maximum prices on a range of products. This caused price rises amongst those goods sold unofficially or illegally.

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