Quiz #4a

A "fast food" store has determined the quantity desired by customers and the quantity that they can supply at various prices for their "Quarter Pound" hamburger. (13 points)

P	Q^D	Q^S
3.40	1000	250
3.50	900	300
3.60	800	350
3.70	700	400
3.80	600	450
3.90	500	500
4.00	400	550
4.10	300	600
4.20	200	650

a.   Graph the demand and supply schedules above (remember to label everything & P_1, Q_1).

b.   What is the equilibrium price and quantity?

c.   Suppose that the fast food chain decreases the costs to this store such that it can now increase its production (quantity supplied) at each price by 150 burgers. Label the equilibrium price and quantity (P_2, Q_2).

d.   What happens to the equilibrium quantity? The equilibrium price?