

Quiz 5
5 points

**On a separate sheet of paper please answer the following questions.
Use one graph to analyze the following questions.**

1. The unleaded gasoline market in Flagstaff is represented by the following demand and supply schedules. The price is in dollars and the quantities in thousands of gallons per day.

<u>P</u>	<u>Q^d</u>	<u>Q^s</u>
2.80	7	55
2.70	14	50
2.60	21	45
2.50	28	40
2.40	35	35
2.30	42	30
2.20	49	25
2.10	56	20
2.00	63	15

- a) Graph these curves, D for the demand curve, S for the supply curve, and make sure to label everything. Label the initial equilibrium Q_1, P_1 .
- b) What is the equilibrium quantity and price?
- c) What is the surplus, equilibrium or shortage if there is a price ceiling at \$2.30? **Make sure to write the condition of the market AND the value(s).** Label Q_d and Q_s , on the graph as well as) P_c at the price ceiling.
- d) Suppose that the supply of gasoline increases due to Iraq again producing oil such that production (quantity supplied) increases at each price by 24 thousand gallons per day. Draw the new curve and label it S^2 . Label the this equilibrium Q_2, P_2 .
- f) What happens to the equilibrium quantity? The equilibrium price? Is the equilibrium affected by the price ceiling? If so how?