9.1 Change in Demand

1. When the price of a good increases, its *(demand / quantity demanded)* will *(increase / decrease)*.

2. Suppose good X is an inferior good. When people's income increases, the demand for good X will *(increase / decrease)*.

3. Determine whether the following goods are substitutes or complements.

(a) private housing and subsidised housing *(substitutes / complements)*

(b) smartphones and mobile network services *(substitutes / complements)*

4. Two goods are in *(competitive demand / joint demand)* if an increase in the price of one good leads to an increase in demand for another good.

5. The demand for *(catering services / chefs)* is derived from the demand for *(catering services / chefs)*.

6. Which of the following will cause the demand for occasional child care service to increase?

☐ More students prefer studying abroad.

☑ More women prefer working full time to being a housewife after giving birth.

☐ The government increases the subsidy provided to occasional child care service.

7. Assume that the supply remains unchanged. When the demand for a good decreases, the demand curve will shift to the *(left / right)*. The equilibrium price will *(increase / decrease)* and the equilibrium quantity will *(increase / decrease)*.

8. Draw the situation of an increase in demand in the following diagram. Indicate the corresponding equilibrium price (P_1) and equilibrium quantity (Q_1).

9.2 Change in Supply

9. When the production cost of a good increases, its *(supply / quantity supplied)* will *(increase / decrease)*.

10. When two goods are in *(competitive supply / joint supply)*, a decrease in the price of one good will lead to an increase in the supply of another good.

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11. Lambskin and lamb are in *(competitive supply / joint supply)*.

12. Which of the following will cause the supply of smartwatches to increase?

☑ The production technology of smartwatches improves.

☐ People's income increases.

☐ The price of smartwatches increases.

13. Draw the situation of an increase in supply in the following diagram. Indicate the corresponding equilibrium price (P_1) and equilibrium quantity (Q_1).

9.3 Changes in both Demand and Supply

14. Suppose both demand and supply decrease. If the decrease in demand has a *(larger / smaller)* effect on the price than the decrease in supply, the equilibrium price will decrease.

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15. How will the equilibrium price and the equilibrium quantity change in each of the following cases? Illustrate your answer with the aid of a diagram.

(a) When demand ↑ > supply ↓ Equilibrium price will increase. Equilibrium quantity will increase.	
(b) When demand ↓ < supply ↑ Equilibrium price will decrease. Equilibrium quantity will increase.	

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