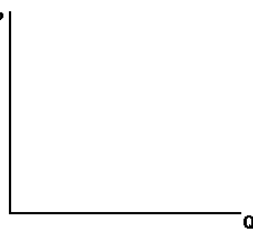
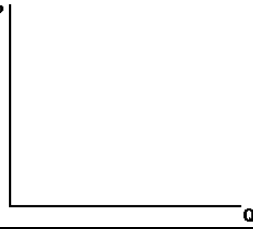

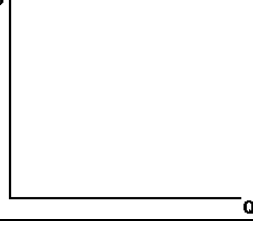
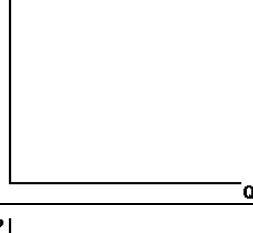
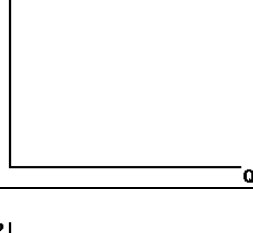

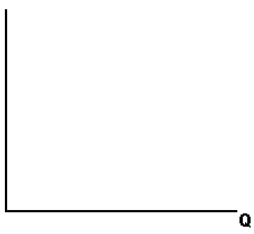
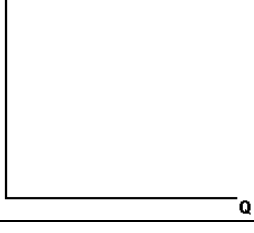
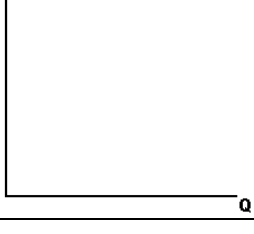
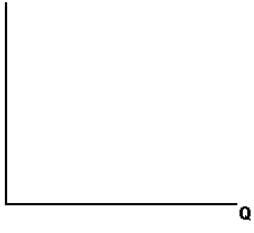
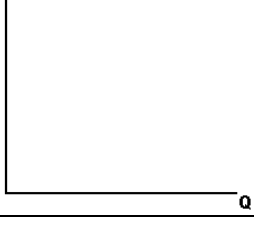
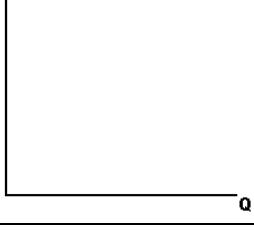



## Demand and Supply Practice

Use economic analysis to determine what happens to the price and quantity of cereal in each scenario.

#	Change	Graph	Economic Analysis
1	The workers who produce cereal go on strike.		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
2	The economy goes into a recession causing incomes to decrease (Assume cereal is a normal good).		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
3	The price of milk, a complement to cereal, decreases (Analyze cereal).		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
4.	The price of wheat and corn, key resources in the production of cereal, decreases.		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
5.	Cereal producers increase the price of cereal.		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
6.	A reputable private research institute announces that children who eat cereal improve their grades in school.		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
7.	The government places a per-unit tax on cereal manufacturers.		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____

8.	An improvement in equipment and technology for cereal firms.		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
9.	The supply of eggs, a close substitute of cereal, increases. (Analyze cereal)		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
10	An increase in population leading to an increase in cereal customers		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
11	In order to promote American production, the government subsidizes cereal producers. (Analyze only American firms)		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
12	New firms begin to start making cereal (Analyze the entire industry).		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
13	The government establishes a binding price ceiling for cereal.		1. Draw and Label Equilibrium: 2. The Change: Supply or Demand Increase or Decrease Shifter 3. After: Price _____ Quantity_____
14	The popularity of the cereal increases at the same time new technology lowers production costs. <b>(Double Shift)</b>		1. Draw and Label Equilibrium: 2. The Change: Demand- Up or Down   Shifter- Supply- Up or Down   Shifter- 3. After: Price _____ Quantity_____

Adapted from The Study Guide by Walstad and Bingham p. 35, exercise 7 and Sally Dickson.