**TUTORIAL 2:**

**DEMAND AND SUPPLY**

**Name:**

**Marks**:

**ID:**

**Section:**

Question 1

Explain the impact of each of the situation below on the movement along the demand curve and the changes in the demand for computers. Sketch a separate graph for each situation to show your answer.

1. Consumers expect that the price of computers will decrease in the future due to high competition among the producers.
2. The government set higher minimum salaries to be paid to government servants.
3. The price of computer in the market increases.
4. The government reduces income tax by 3%.
5. There is a decrease in the price of tablet (substitute for computers).

Question 2

1. Give **TWO** situations in which the law of demand is not applied. Explain why.
2. Briefly explain **THREE** determinants of supply.

Question 3

The following table shows the quantity demanded for oil at different price level.

|  |  |
| --- | --- |
|  Price (RM/barrel) | Quantity Demanded (millions of barrels/day) |
| 10  | 60  |
| 20  | 50  |
| 30  | 40  |
| 40  | 30  |
| 50  | 20  |

1. Plot a graph to show the quantity of oil demanded at each price level.
2. If the price rises from RM20 to RM40 a barrel, what is the change in the total revenue?
3. What is the demand elasticity when oil price changes from RM40 to RM50? Is the demand elastic or inelastic?
4. What is the demand elasticity when oil price changes from RM20 to RM30? Is the demand elastic or inelastic?

Question 4

|  |  |  |  |
| --- | --- | --- | --- |
| Price of Product S(RM) | Quantity Demanded for Product S | Quantity Demanded for Product T  | Consumer’s income (RM) |
| 8 | 150 | 100 | 2200 |
| 10 | 120 | 150 | 2000 |
| 12 | 90 | 200 | 1800 |
| 14 | 60 | 250 | 1600 |
| 16 | 30 | 300 | 1400 |

1. What is the cross elasticity of demand for product T when price of Product S increases from RM12 to RM14?
2. Based on your answer in (a), what is the relationship between product S and Product T?
3. Find the income elasticity of demand for Product S when income increases from RM1800 to RM2000.
4. What is the type of Product S?