Assignment | Unit 3

Unit 3 Assignment: Supply and Demand Model and PPF

1. Your Assignment should have a cover sheet with the following information:
   - Your Name
   - Course Number
   - Section Number
   - Date

2. You may submit your Assignment using the Unit 3 Assignment template.

3. Your answers should follow APA formatting by being in double spaced paragraph format, with citations to your sources and, at the bottom of your last page, a list of references. Your answers should also be in Standard English with correct spelling, punctuation, grammar, and style.

4. Respond to the questions in a thorough manner, providing specific examples of concepts, topics, definitions, and other elements asked for in the questions. Your paper should be highly organized, logical, and focused.

5. Required Format:
   - Correct APA formatting for answers (cover sheet with name, course number, section number, unit number, date, answers double spaced, in Times New Roman 12-point font). Review the APA formats found in the Writing Center.
   - Correct citations within answers
   - Standard English with no spelling or punctuation errors
   - Correct references at the bottom of the last page

Assignment

As a marketing specialist working for a production company, it is your job to explain to investors how the current status of the supply will meet the changing demand for products. Based on the following Assignment questions compile answers that effectively addresses the hypothetical examples provided in the Assignment.

This Assignment will assess your knowledge based on the following outcome:

AB204-1: Describe the importance of Production Possibility Frontier, the Circular Flow Diagram, and the Supply and Demand models in the market economy.

This Assignment deals with the Production Possibility Frontier and market forces of supply and demand models as well as the impacts of government policies on the interactions of supply and demand in the market economy. (Chapters 2, 4, and 6)

1) Given the table below, graph the demand and supply curves for flashlights. Make certain to label the equilibrium price and equilibrium quantity.

Price	Quantity Demanded Per Month	Quantity Supplied Per Month
$5	6,000	10,000
$4	8,000	8,000
$3	10,000	6,000
$2	12,000	4,000
$1	14,000	2,000

a. What are the equilibrium price and the equilibrium quantity?

b. Suppose the price is currently $5. What problem would exist in the market? What would you expect to happen to price?

c. Suppose the price is currently $2. What problem would exist in the market? What would you expect to happen to price?

2) Consider supply and demand for Maine lobsters indicated in the following tables to answers questions from a –d below. Suppose that the supply schedule of Maine lobsters is as follows:

Price of Lobster per Pound	Maine Quantity of Lobster Supplied (pounds)
$25	800
$20	700
$15	600
$10	500
$5	400

First, assume that Maine lobsters can be sold only in the United States. The U.S. demand schedule for Maine lobsters is as follows:

Price of Lobster per Pound	USA Quantity of Lobster Demanded (pounds)
$25	200
$20	400
$15	600
$10	800
$5	1,000

a. Looking at both the schedules of supply and demand, as well as the graph of the demand and supply curve for Maine Lobsters, what is the equilibrium price of lobsters and the equilibrium quantity of lobsters demanded and supplied at that price?

b. Second, suppose that Maine lobsters can also be sold in France. The French demand schedule for Maine lobsters is as follows:

Price of Lobster per Pound	Quantity of Lobster Demanded (pounds)
$25	100
$20	300
$15	500
$10	700
$5	900

What is the demand schedule for Maine lobsters now that French consumers can also buy them?

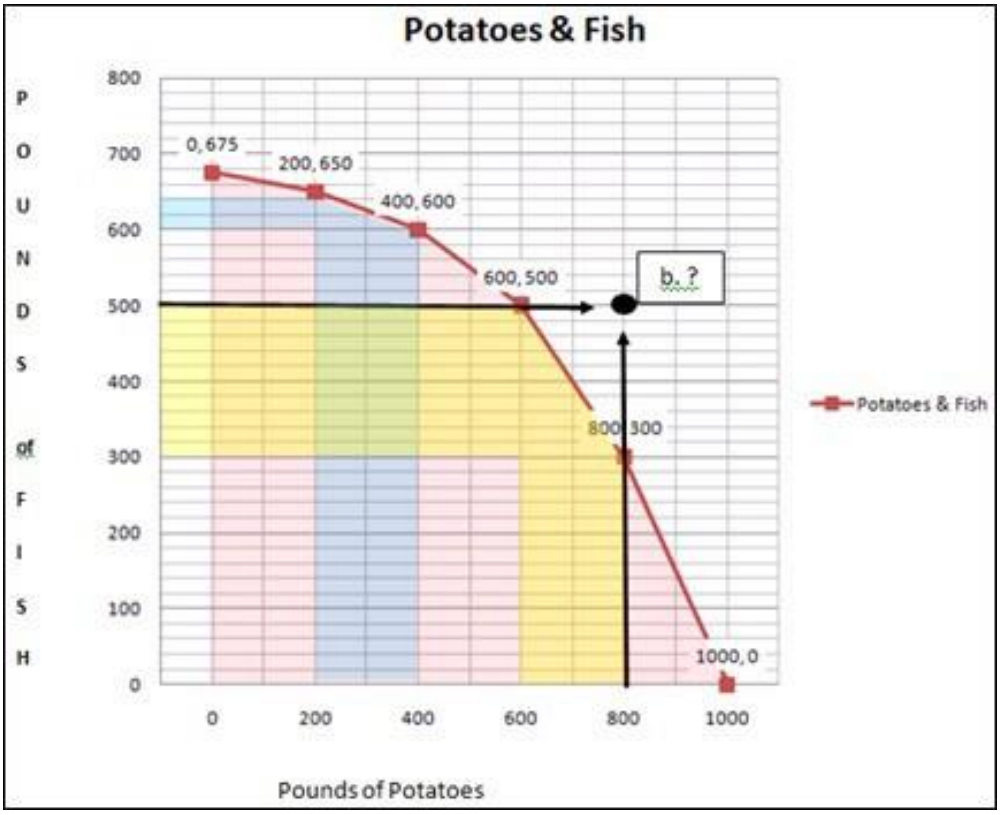
c. Using the combined U.S. and French demand schedule, the U.S. demand schedule and the supply schedule, and the graph below, analyze the change in the market for lobsters. What will happen to the price at which fishermen can sell lobster? What will be the final output of lobsters?

d. What will happen to the price paid by U.S. consumers? What will happen to the quantity consumed by U.S. consumers?

3) Atlantis is a small, isolated island in the South Atlantic. The inhabitants grow potatoes and catch fresh fish. The accompanying table shows the maximum annual output combinations of potatoes and fish that can be produced. Obviously, given their limited resources and available technology, as they use more of their resources for potato production, there are fewer resources available for catching fish.

	Quantity of Potatoes (Pounds)	Quantity of Fish (Pounds)
A	1,000	0
B	800	300
C	600	500
D	400	600
E	200	650
F	0	675

Examine the Maximum annual output options table above and the resulting Production Possibility Frontier Graph below and answer questions from a -e.



a. Can Atlantis produce 500 pounds of fish and 800 pounds of potatoes? Explain.

b. What is the opportunity cost of increasing the annual output of potatoes from 600 to 800 pounds?

c. What is the opportunity cost of increasing the annual output of potatoes from 200 to 400 pounds?

d. Can you explain why the answers to parts b and c are not the same?

e. What does this imply about the slope of the production possibility frontier?

Directions for Submitting Your Assignment

Before you submit your Assignment, you should save your work on your computer in a location and with a name that you will remember. Make sure your Assignment is in the appropriate format (Microsoft Word®), then, when you are ready, you may submit to the Dropbox.

Unit 3 Assignment: Supply and Demand Model and PPF		
Content and Analysis	**Points Possible**	**Points Earned**
Problem #1		
• Correctly explained the equilibrium values.	4	
• Correctly explained the excess demand.	3	
• Correctly explained excess supply.	3	
Problem #2		
• Correctly identified equilibrium price and quantity.	4	
• Provided a demand schedule for the combined demand of U.S. and French consumers.	4	
• Identified the new market price and quantity supplied.	3	
• Identified the new price U.S. consumers pay and the new quantity demanded.	3	
Problem #3		
• Identified the infeasible production. (“a”)	2	
• Correctly calculate the opportunity cost. (“b”)	4	
• Correctly calculate the opportunity cost. (“c”)	4	
• Explained the differences in opportunity costs.	3	
• Explained the slope of PPF.	3	
Writing style, grammar, and APA formatting.	5	
Total	**45**	