Assignment

The following relations describe the supply and demand for posters.

Qd = 65,000 – 10,000 P
Qs = -35,000 + 15,000P

Where Q is the quantity and P is the price of a poster, in dollars.

a. Complete the following table.

Price Qs Qd Surplus or Shortage
$6.00
5.00
4.00
3.00
2.00
1.00

b. What is the equilibrium price?

Solution

	Qs = -35,000 + 15,000P	Qd = 65,000 – 10,000 P	Surplus	Shortage
6.00	55,000	5,000	50,000	
5.00	40,000	15,000	25,000	
4.00	25,000	25,000	0	
3.00	10,000	35,000		25,000
2.00	-5,000	45,000		50,000
1.00	-20,000	55,000		75,000

The equilibrium occurs when Qs = Qd. So, the equilibrium price is 4.00.