Assignmnet 2

1. Define the following terms and give an example: (10 points)

• Market - is where the consumer and producer exchange resources with one another. The exchange in the market benefits both parties, as consumers can purchase the products they need or desire, while producers can sell their goods and earn a profit.

Ex. John is a vendor. He sells his produce in the wet market where different products are available for consumers like Anna. John will sell his produce, like carrots and potatoes, to Anna, and then Anna will John for the produce.

• **Demand** - simply means a consumer's desire to buy goods and services without any hesitation and pay the price for it.In addition demand is the number of goods that the customers are ready and willing to buy at several prices during a given time frame.

Ex. Samsung launched a new model of its product, the Samsung earbuds Max and the number of people worldwide willing to buy is 100,000.

• **Supply**- the goods available to consumers to purchase in the market. It represents the relationship between the price of a product and the quantity of that product that producers are willing to supply.

Ex. A bakery produces ten pieces of cake a day, and they cost P100 each, but in the following months, the price of raw materials increased, which resulted in to increase in the price of the cake, and with the price increase, the supply of cake decreased in to five cakes a day.

• **Market Equilibrium** - The demand and supply are balanced and met at a certain point. When a commodity's supply and demand are precisely balanced at a given price.

Ex. Lila store sells lato-lato toys for P25 each, and the children in the neighborhood are willing to buy the toy for its price. The Lila store has a supply of 100 pieces of lato-lato toys, and the demand for them is also 100. The Lila store was able to give all the children the toy as the supply of it was equal to the demand.

• **Elasticities of Demand and Suppl**y- Elasticities of demand and supply are measures of the responsiveness of the quantity demanded or supplied to changes in price or other factors. They provide insights into how sensitive buyers and sellers are to changes in various determinants of demand and supply.

Ex . for the Elasticities of Supply.If the price of wheat increases by 10%, and as a result, the quantity supplied increases by 5%, the elasticity of supply is 0.5; we can conclude that the wheat supply is inelastic. Lower than one means price changes have a proportionally smaller impact on the quantity supplied.