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Question 5 (Answer: **C**)

- Identify which curve moved, and in which direction, from the new equilibrium point.
- A higher price with a lower quantity means supply shifted left.
- A higher price with a higher quantity means demand shifted right.

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Question 5 (Answer: **D**)

- Demand rising pushes both price and quantity up.
- Supply rising pushes price down but quantity up.
- So quantity definitely rises, while the two effects on price pull against each other – price is indeterminate.

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Question 7 (Answer: **D**)

- Hot weather raises demand, so the equilibrium price would rise to P_2.
- If the price is held at P_1, quantity demanded exceeds quantity supplied.
- The result is a shortage, and the ice cream has to be rationed some other way.

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Question 6 (Answer: **A**)

- A shift of the demand curve is caused by something other than the good's own price.
- Income, tastes, population or the price of a related good will do it.
- A change in the cherries' own price would move you along the curve instead.

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Question 4 (Answer: **B**)

- A crop failure shifts the supply curve to the left.
- With demand unchanged, less is available at every price.
- So there is a shortage at the old price, and the price rises until the market clears.

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Question 6 (Answer: **C**)

- Price rises when demand increases or supply decreases.
- A rise in the price of a *substitute* makes buyers switch to tea, so demand for tea rises.
- A fall in the price of a substitute, or a fall in demand, would push the price down instead.