# Semester "Spring 2011"

## Economics (ECO401)

## Assignment No.01

## Marks: 20

**Question:**

**Suppose the market demand and market supply for Levis jeans is given by the following equations:**

$$Q_d = 5000 - 2.5P$$
$$Q_s = 4000 + 1.5P$$

A. **Find quantity demanded when price is Rs. 250, Rs. 450 and Rs. 650.**
B. **Find quantity supplied when price is Rs. 200, Rs. 400 and Rs. 600.**
C. **Find equilibrium price and equilibrium quantity with the help of above equations.**
D. **Show the equilibrium condition in Levis jeans market graphically.**

**Marks: A=3(1 for each value), B=3(1 for each value), C=8(4 for each value), D=6**

**Solution Part A:**

I- Quantity demanded at price= Rs 250
Qd= 5000-2.5(250)
= 5000-625
=4375
II- Quantity demanded at price= Rs 450
Qd= 5000-2.5(450)
= 5000-1125
=3875
III- Quantity demanded at price= Rs 650
Qd= 5000-2.5(650)
= 5000-1625
=3375

**Solution Part B:**

I- Quantity supplied at price= Rs 200
Qs= 4000+1.5(200)
=4000+300
=4300
II- Quantity supplied at price= Rs 400
Qs= 4000+1.5(400)
=4000+600
=4600

III- Quantity supplied at price= Rs 600

Qs= 4000+1.5(600)

=4000+900

=4900

**Solution Part C:**

**Since equilibrium condition is:**

**Qs=Qd**

4000+1.5P=5000-2.5P

1.5P+2.5P=5000-4000

4P=1000

**P=250**

By putting P=250 in Qd equation:

Qd= 5000-2.5(250)

Qd= 5000-625

**Qd=4375**

By putting P=250 in Qs equation

Qs= 4000+1.5(250)

Qs=4000+375

**Qs=4375**

**Solution Part D:**