1. What are the three components of a demand and supply model?
2. What are the properties of a perfectly competitive market?
3. Describe the relationship between Price and Quantity for demand.
4. Question on Market demand

2. Individual and market demand

Suppose that Nick and Rosa are the only consumers of ice cream cones in a particular market. The following table shows their monthly demand schedules:

<table>
<thead>
<tr>
<th>Price (Dollars per cone)</th>
<th>Nick’s Quantity Demanded (Cones)</th>
<th>Rosa’s Quantity Demanded (Cones)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

Plot Nick and Rosa’s Demand for ice cream cones. Then plot the market demand for ice cream cones. How many cones are demanded at a price of $1? How about $3?

5. Is the following an example of substitute effect or income effect?
   a. The price of red meat increases above the price of chicken. The demand of red meat subsequently declines, and the demand for chicken increases. In this case, the chicken is a substitute good.
   b. A bus pass will increase in demand when the relative price of cars increases.
   c. With higher wages, he can maintain a decent standard of living through less work.
   d. If wages increase, then work becomes relatively more profitable than leisure
      i. Now compare c and d. If the substitution effect is greater what will happen?

6. What is the difference between quantity demanded and changes in demand?

7. Give an example of an inferior good and a normal good. What is the difference?

8. Inferior or Normal good? Explain
   a. Ramen
   b. Steak
   c. House

9. Question
   a. Draw a general demand curve, no numbers required.
   b. Describe what happens when there is a decrease in quantity demanded.