**4. Interaction of demand and supply Mark: /18**

1. Ryanair offers flights from London to Sardinia for £99. EasyJet adds London to Sardinia as a new route with 3 flights a week.

Using a supply and demand diagram, illustrate the impact on the London to Sardinia flight market of EasyJet’s decision. /4 marks

S

Explanation of diagram: /2 marks

Q1

P1

S1

D

Q

Quantity

Price

P

Supply will increase causing the supply curve to shift downwards and to the right from S to S1 as quantity increases from Q to Q1. This causes equilibrium price to fall from P to P1.

1. A teenage boy band is seen wearing Converse boots on every night of its sell out tour.

Using a supply and demand diagram, illustrate the impact on the market for Converse boots. /4 marks

Explanation of diagram: /2 marks Demand will increase shifting the demand curve upwards and to the right from D to D1 with demand increasing from Q to Q1. This will cause equilibrium price to rise from P to P1.

D1

Q

Q1

P1

D

Quantity

Price

P

1. A fashion retailer changes the selling price of its jeans from £35 to £40.

Using a supply and demand diagram, illustrate the impact of this decision. /4 marks

Explanation of diagram: /2 marks A change in price from P to P1 will cause a movement along the demand curve with equilibrium quantity falling from Q to Q1.

Q1

Q

P1

D

Quantity

Price

P