Question 2

7 points (3 + 2 + 2)

(a) 3 points:
- One point is earned for a correctly labeled graph with equilibrium price and quantity.
- One point is earned for showing the correct area of consumer surplus.
- One point is earned for showing the correct area of producer surplus.

(b) 2 points:
- One point is earned for showing the price ceiling below the equilibrium.
- One point is earned for shading the correct area of consumer surplus and producer surplus.

(c) 2 points:
- One point is earned for indicating that consumer surplus will decrease.
- One point is earned for indicating that producer surplus will not change.
Write in the box the number of the question you are answering on this page as it is designated in the examination.

(a) Market for home security system

(b) Market for home security system

(c) (i) Consumer surplus will decrease.
    (ii) Producer surplus will remain the same.
Market for home security systems.

Market for home security systems.
The consumer surplus will increase and the producer surplus will decrease.
Write in the box the number of the question you are answering on this page as it is designated in the examination.

a) Price

\[ P^* \]

Output

b) If the government en effective price ceiling, the price of the product will be below the equilibrium price.

Producer surplus area: \( P_1bP_2 \)

Output

c) (i) If demand for the product decreases, consumer surplus will increase as consumers will be able to save money for themselves or purchase alternative goods.

(ii) Producer surplus will decrease as fewer individuals purchase its product.
Question 2

Sample: 2A
Score: 7

The student received full credit.

Sample: 2B
Score: 4

The student answers part (a) correctly to earn 3 points and shows a price ceiling below the equilibrium for a fourth point. The last 3 points were not earned.

Sample: 2C
Score: 2

This student earned 1 point in part (a) for the graph with equilibrium price and quantity, and 1 point in part (b) for showing a price ceiling below the equilibrium.