# Cheatography

### Economics 1.3-1.6 Cheat Sheet by haniyashariqkhan via cheatography.com/146687/cs/35446/

#### **Opportunity Cost**

The loss of other potential benefits when undertaking a specific business decision.

#### Example

# JACOBLAND 15 CARS COST 5 PLANES 1 CAR COST 1/3 PLANE 1 PLANE COST 3 CARS

PAULASTAN 16 CARS COST 16 PLANES 1 CAR COST 1 PLANE

Paulastan is at an absolute advantage for both cars and planes since it can produce a larger quantity of both.

Jacobland is at a comparative advantage for producing cars because they give up only 1/3 of a plane per car, whereas Paulastan gives up 1 whole plane per car.

#### Law of Demand

Price goes down, quantity demanded increases. Price goes up, quantity demanded decreases.

# Why is the demand curve downward

sloping?		
Subsit- ution Effect	Income Effect	Law of Diminisihing Marginal Utility
Changes in price motivate consumers to buy cheaper substitute products.	When price goes down, people buy more of a product because their purchasing power has increased; vice versa.	As you continue to consume a given product, you will have less satisfaction the more you have.

#### Why is the demand curve downward sloping? Subsit-Income Effect Law of ution Diminisihing Effect Marginal Utility When price As you Changes in price goes down, continue to people buy motivate consume a consumers more of a given product to buy product, cheaper because their you will substitute have less purchasing products. power has satisfaction increased; the more vice versa. you have.

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#### Demand Curve Decrease = Left



#### 5 Shifters of Demand

- 1. Tastes/Preferences
- 2. Number of Consumers
- 3. Price of Related Goods
- 4. Income
- 5. Expectations

#### Change in Demand = Rightward Shift



Change in Quantity Demanded = Downward



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By haniyashariqkhan

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### Law of Supply

There is a direct relationship between price and quantity supplied, so if price goes up for milk, quantity produced will increase.

### 5 Shifters of Supply

- 1. Price of Resources
- 2. Number of Producers
- 3. Technolog
- 4. Taxes and Subsidies
- 5. Expectations

#### Mnemonic

Supply goes to the sky, demand to the dirt.









By haniyashariqkhan

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