

### Opportunity Cost

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

### Example

**JACOBBLAND**  
**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?

Substitution Effect	Income Effect	Law of Diminishing 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?

Substitution Effect	Income Effect	Law of Diminishing 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.
---	--	--

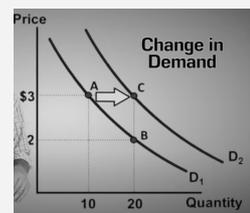
### Demand Curve Decrease = Left



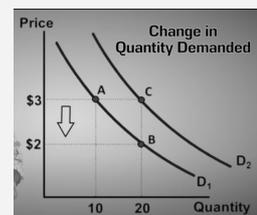
### 5 Shifters of Demand

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



### Law of Supply

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

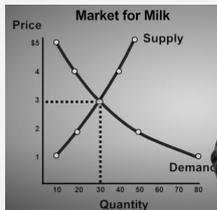
### 5 Shifters of Supply

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.

### Equilibrium



By **haniyashariqkhan**



[cheatography.com/haniyashariqkhan/](https://cheatography.com/haniyashariqkhan/)

Published 13th November, 2022.

Last updated 13th November, 2022.

Page 2 of 2.

Sponsored by **ApolloPad.com**

Everyone has a novel in them. Finish Yours!

<https://apollopad.com>