Competitive Markets

Student’s Name

Institutional Affiliation

Simulation Results

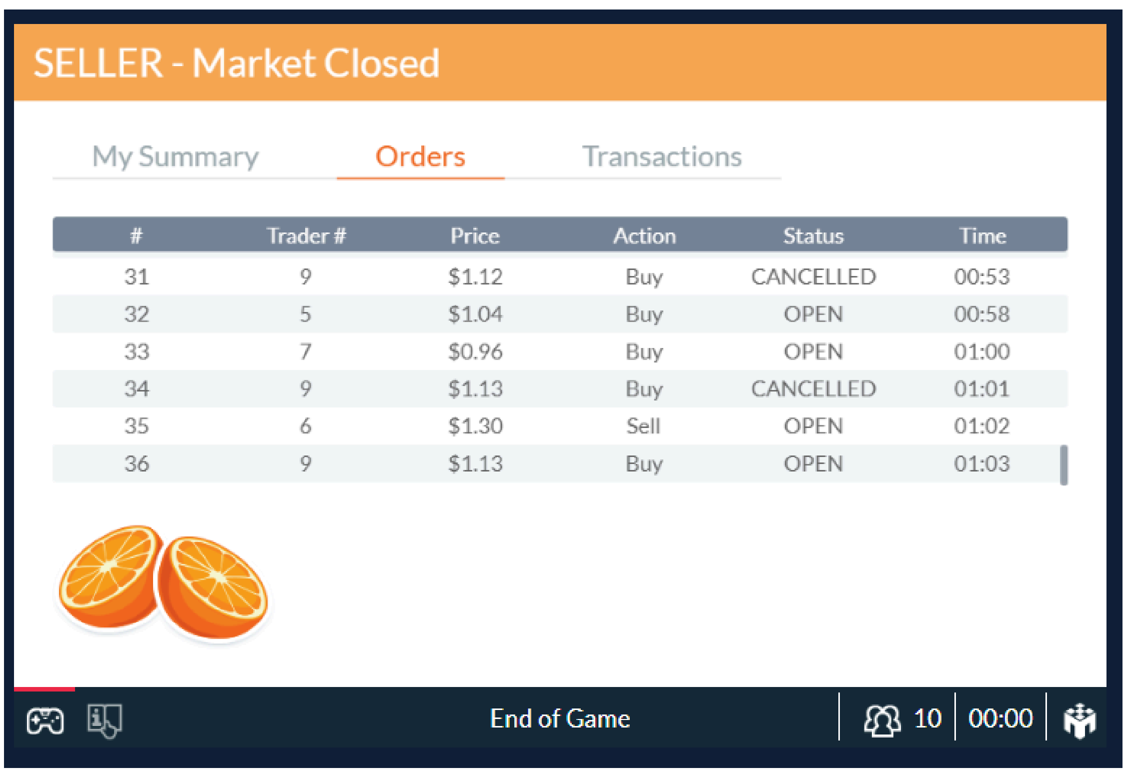
SELLER - Market Closed

My Summary | Orders | Transactions

Unit	Cost	Price	Profit
1	$0.50	$1.36	$0.86
2	$0.75	$1.29	$0.54
3	$1.00	$1.21	$0.21

Total Profit: $1.61

End of Game 10 00:00



SELLER - Market Closed

My Summary | Orders | Transactions

#	Trader #	Price	Action	Status	Time
31	9	$1.12	Buy	CANCELLED	00:53
32	5	$1.04	Buy	OPEN	00:58
33	7	$0.96	Buy	OPEN	01:00
34	9	$1.13	Buy	CANCELLED	01:01
35	6	$1.30	Sell	OPEN	01:02
36	9	$1.13	Buy	OPEN	01:03

End of Game 10 00:00

#	Price	Buy Bid#	Sell Bid#	Time
4	$1.27	13	15	00:19
5	$1.22	17	19	00:21
6	$1.29	20	23	00:39
7	$1.21	24	25	00:44
8	$1.20	14	26	00:44
9	$1.11	10	27	00:45

Based on the outcome of the simulation, was the sale price you set the same as the equilibrium price? Refer to the supply and demand model to explain their differences.

The selling price did not coincide with the market equilibrium price. The retail price is calculated by determining the total cost of production and then adding any desired profit margin. (Mankiw, 2021). The price at which equilibrium is reached indicates where you ought to be to meet the market's requirements. Dropping below the equilibrium point causes a scarcity of resources. When you get beyond the end of equilibrium, you will start to accumulate a surplus.

Imagine that you own your own business. How would price elasticity of demand impact your business's pricing decisions?

The price elasticity of demand significantly influences the price decisions made by any company. High price increases can reduce the willingness of customers to purchase the products.

(James, 2022). If you bring the price down, there will be a greater demand. People tend to give more consideration to purchase than is necessary if the cost of the goods is high.

What are the determinants of price elasticity of demand? Identify at least three examples.

Time Elapsed Since a Change In Price

If you look at the influence of a price rise over a more extended period, such as one year, rather than over a shorter period, such as three days, you will find that the price elasticity of demand is more substantial. (*Corporate Finance Institute*, 2022). People have more time to readjust their spending habits when the price adjustment is spread over a more extended period.

Availability of Substitutes

When a business deals with items that have near alternatives, such goods are said to have a high degree of price elasticity. This may result in a price increase or a drop in the required good, and consumers may switch to alternatives. (*Corporate Finance Institute*, 2022). If a product does not have any near options, then the price elasticity of demand for that product is inelastic, which means that an increase in the price will not impact the desired amount.

If The Good Is a Necessity or a Luxury

Inelastic demand exists for goods that are required for life and have a price elasticity of order of less than one. (*Corporate Finance Institute*, 2022). If a specific product or service is regarded as a luxury item, then its price elasticity of demand is higher than 1, which indicates that demand for it is very elastic.

References

Elasticity. (2022, May 7). https://corporatefinanceinstitute.com/resources/economics/elasticity/

James, M. (2022, August 30). *Price Elasticity of Demand Meaning, Types, and Factors That Impact It*. Investopedia. https://www.investopedia.com/terms/p/priceelasticity.asp

Mankiw, N. G. (2021). *Principles of Economics* (9th edition). Cengage Learning, Inc.