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Q5. What is the significance of the point where supply and demand curves intersect?

The point where the supply and demand curves meet is called the equilibrium point. At this point, the amount that buyers want to purchase is exactly equal to the amount that sellers want to sell. The price at this point is the equilibrium price, and the quantity is the equilibrium quantity. This point is important because it shows a balanced situation in the market there is no shortage and no surplus. Both buyers and sellers are satisfied at this price.

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Q6. Explain why the market price may not be the same as the equilibrium price.

The market price is not always the same as the equilibrium price because of changes in demand and supply or other outside factors. For instance, if demand suddenly rises, prices can temporarily go higher than the equilibrium level. On the other hand, if sellers produce more goods than people want, prices might drop below equilibrium. Also, sometimes governments set price limits like a price ceiling. maximum price or a price floor minimum price. which stop the market from reaching its natural balance.

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Q7. Explain why, if the price of a good is above the equilibrium price, the forces of supply and demand will tend to push the price toward equilibrium.

When the price of a good is above the equilibrium price, sellers produce more than buyers want to buy, leading to a surplus. To get rid of the extra stock, sellers lower their prices. As the price drops, more people start buying, and producers may reduce how much they supply. This process continues until the surplus disappears and the market reaches the equilibrium price again. In this way, the forces of supply and demand naturally push prices back toward balance.