Demand and Supply

Name

[Institutional Affiliation(s)]

Author Note

**Summary of Scenario 1**

I opened an ice-cream stand on campus named as Ice-Campusades, and I sold each ice-cream at the rate of $1.50. I purchased the same variety of ice-cream on a daily bases. I also ordered the same quantity for each day of moth. At the end of the first month, I found that there were some days in the month when I left with unsold ice-creams in my stock. While in some days of the month, I did not have enough stock of ice-cream to fulfill the need of all customers. This was happening even I was selling the same ice-cream on the same rates.

**Shifts in Demand for Ice-Cream**

In the given situation, the demand for ice-cream was changing over time. The demand of ice-cream should change according to the changes in its price. Law of demand explains price as one of the determinants of demand. Price is the key factor of change in demand. In our case, the price was not changing at all, but the demand for ice-cream was changing over time. This was happening due to the shifting factors of demand. Due to the impact of a shifting factor, demand for a commodity can change on existing levels of price. In the case of Ice-Campusades, there were three factors that were shifting the demand for ice-cream.

* The weather could be the first factor that was shifting the demand for ice-cream. There was the possibility that students like to spend their pocket money on ice-cream on a sunny day. But on a rainy or cloudy day, they would like to take tea or coffee.
* Taste can be the next shifting factor for the demand for ice-cream. Students did not like to spend their money on ice-cream on a daily bases. There could be other options that can give more satisfaction to a student as compared to the utility of ice-cream. According to the law of marginal utility, the continuous and permanent use of ice-cream could decrease its marginal utility while the utility of other things could be higher due to less consumption. Students could maximize their utility by consuming different edibles.
* The trend could be the final factor of shifting in demand for ice-cream. Mostly students purchased ice-cream when their other friends purchase the ice-cream. The preferences of one student could change the preferences of his fellows.

**Summary of Scenario 2**

Another ice-cream stall was opened on the campus with the permission of school administration. While the student's strength almost remained the same.

**Supply Side Effects**

The opening of another stall on the campus could affect the price of ice-cream. But first of all, we here assume that the demand for ice-cream remained constant over the period of analysis. The opening of another ice-cream stall would increase the supply of ice-cream within the campus. If I remained my ice-cream stock at the same level, and my competitor also has an equal ice-cream stock on daily bases, the total supply of ice-cream would be doubled. While demand was unchanged. Increase in the supply of ice-cream must decrease its price. This decrease in price would increase the existing levels of demand for ice-cream, and the equilibrium would be restored in this small market for ice-creams.

**Conclusion**

There can be different factors that can change the existing levels of demand and supply. Price is the most important factor that can change demand and supply. Any other factor that can change demand or supply called the shifting factors of demand or supply. In the provided case study, the first scenario was about the shifting factors of demand. While the second scenario was about the impact of change in supply over the price of a commodity.