Analyzing supply of demand simulation assignment

Analyzing Supply of Demand Simulation ECO/365 January 31, 2010 Analyzing Supply of Demand Simulation Supply and demand is a significant element of business procedures thus this paper will evaluate how supply and demand affects a business via a simulation provided by the University of Phoenix. In this paper, I will talk about the reasons for changes that occur in supply and demand. I will talk about how shifts in supply and demand influence the organization's decision making process as well.

I will also cover the four key points established within the reading assignments and how they relay to the simulation and how every theory can be related to situations in a workplace environment. This paper will establish how price elasticity of demand influences the decisions of the consumer and the organization. Changes in Supply and Demand There are quite a few factors that influence supply and demand in the simulation. These factors demand for the apartments, the availability of the apartments, the price of the apartments, the quantity of people or renters who are interested.

According to the simulation, a demand curve is downward sloping. During the simulation, as the price of the apartments decreased, demand for them increased. The supply curve, however, is sloping upwards. The number of two-bedroom apartments increased as the price increased. An excess in the industry for the apartments make use of downward demands on the price for the apartments. So therefore in order for GoodLife to attract renters, they would need to lower their prices. Shifts that Affect Decision Making

The different shifts in supply and demand affects decision making in several ways in regard to the simulation. In the simulation the changes that GoodLife were trying to make as well as the changes in the population of Atlantis had an effect on the supply and demand of the simulation. Since the renters changed their preferences, the demand for the apartments that GoodLife offered decreased. GoodLife then decided to renovate the apartments and make them into condominiums that they could for sell. By doing this, GoodLife caused a decrease in the supply as well as a decrease in the demand.

Given that, the supply and demand curve equally moved to the left. Four Key Points Four key points in the simulation were supply and demand, equilibrium, shifts in the supply and demand, and price ceilings. The simulation is based on supply and demand and is very helpful in understanding the different factors that can affect it. According to the simulation, a demand curve is downward sloping. According to our text, a demand curve illustrates how a " change in the price level will change aggregate expenditures on all goods and services in an economy" (Colander, 2010).

In reference to the simulation, as the price for the apartments decreased, demand increased. The supply curve, on the other hand, is upward sloping. The number of two-bedroom apartments increased as the price increased. Equilibrium is a concept in which opposing dynamic forces cancel each other out. In other words, equilibrium can be described as the position at which quantity demanded meet up with the supply that is presented. The quantity demanded will surpass the quantity supplied which can possibly lead to shortages, if prices are below the equilibrium point.

At this point, the prices have a tendency to rise in order to increase the supply until the equilibrium is met. A shift in the demand curve can occur because of a change in the income, a change in the price or a change in tastes. A shift in the supply curve can because of change in the costs of production, a change in technology, or a change in price of goods. A price ceiling takes place when the government places a legal limit on how high the price of a product can be. In order for a price ceiling to be successful, it must be put below the market equilibrium.

Applying Simulation to Workplace The impact of supply and demand changes can have a big influence over the software industry. The technology involved in the software industry never really stays at the same level because technologies constantly change. However, if you were to take a closer look at things, computers and software evolve about every six months to a year and half; hence the reason technology is the constant factor that prompts change in the software industry. Elasticity of Demand Price elasticity of demand refers to the way prices change in correlation to the demand.

People with lower incomes are inclined to have lower price elasticity because they have less money to spend. People with a higher income are inclined to have higher price elasticity since he can afford to spend more money. In both cases, " ability to pay is negotiated by the intrinsic value of what is being sold. If the thing being sold is in high demand, even a consumer with low price elasticity is usually willing to pay higher prices" (WiseGeek, 2010). Basically, goods or services presented at a lower price lead to a demand for greater quantity.

Price elasticity of demand also explains that price becomes more elastic, because consumers can always choose to buy a good or service that is cheaper, in this case, prices will change with demand. In addition to this, completion for a certain good or service can also affect price elasticity of demand because it keeps prices lower. In summary, according to the simulation process, the demand curve is sloping downward, which causes the quantity demand to increase as the price decreases. The suggestion was for the management company to decrease its rental rates, which would therefore increase the demands for apartments.

The supply curve is sloping upward, so therefore the quantity supplied increases as the price decreases. As stated, the quantity demanded balances out the quantity supplied at the equilibrium point. Nevertheless, when prices are below equilibrium, the quantity demanded surpasses the quantity supplied. In retrospect, when prices are above equilibrium, quantity supplied exceeds the quantity demanded, which cause an excess. References 1) WiseGeek. (2010). What is Price Elasticity of Demand?. Retrieved from http://www. wisegeek. com/what-is-price-elasticity-of-demand. htm