

# Market equilibration process



**ASSIGN  
BUSTER**

Equilibrium price is when the quantity demanded by consumers is the same quantity that firms are willing to supply of a good or service. The market equilibrating process related to my experience with the Capstone, because the assignment was to create a successful company. My team/company decided that a successful company would have to be able to reach the point of equilibrium and maintain it. There are five supply determinants and five demand determinants that we should have considered when building our Capstone company in order to reach the point of equilibrium.

The only demand determinant we considered was consumer preferences. We should have considered the other determinants: income, prices of related goods, consumer expectations about future prices and incomes, and the number of potential consumers. The supply determinant we considered was production costs. We should have taken into consideration the determinants of: technological advances, prices of related items, expectations about future prices, number of suppliers.

By taking these determinants into consideration we could have kept from experiencing a shortage/stock out in our 2nd week of business, where we were unable to meet the demands of our consumers. Our 4th week of business we increased our supply slightly, and the demand increased as well, so we had a pretty good week overall, but still did not reach the point of equilibrium. With our lack of experience and business knowledge our mock business failed because we didn't follow the laws of supply and demand, and consider all of the determinants.

So when our demand increased, and we experienced a shortage, we increased our supply and our prices, unaware that consumers would

purchase a cheaper substitute for our product from another company. This caused our company to have a huge surplus, and lose a substantial amount of money. We had to liquidate our assets. [pic](amosweb. com) Conclusion Understanding how to maintain market equilibrium is essential for business managers.

My experience with the Capstone simulation demonstrates the importance of understanding and correctly applying the components to prevent making costly business mistakes that could result in a surplus, a substantial monetary loss, or even the loss of a business. References As Markets & Market Systems. (2006). Retrieved from <http://tutor2u.net/economics/revision-notes/as-markets-equilibrium-price.html> Supply Determinants. (2012). Retrieved from [http://www.amosweb.com/cgi-bin/awb\\_nav.pl?s=wpd&c=dsp&k=supply+determinants](http://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&c=dsp&k=supply+determinants) Market Efficiency. (). Retrieved from <http://www.investopedia.com/terms/m/marketefficiency.asp#axzz1yqyqgpt5>