Calculations for Price Controls:

Price Floors:

Government impose a $15 price floor for Cattle Ranchers producing Beef (kg’s) following a decline in the global price for the meat.





1. Indicate the original equilibrium price and quantity on the graph for beef prices (000’s kg’s per month).
2. Show the price floor on the diagram.
3. Explain how many (kg’s) of Beef will be demanded and supplied following the imposition of the price floor.
4. Calculate the change in producer revenue from Beef following the imposition of the price floor.
5. The government is required to purchase the surplus in order to support the Beef producers:
6. Calculate the government expenditure required for this measure
7. Identify the consequential welfare loss
8. Suggest two ways that the surplus may be disposed of.

Price Ceilings:

In order to support baby development and health the government decides to impose a price ceiling on baby milk powder formula. It imposes a maximum price of $10 per kg.





1. Indicate the original equilibrium price and quantity on the graph for milk powder (000’s kgs per month).
2. Show the price ceiling on the diagram.
3. Identify the quantity of milk powder that will be demanded and supplied following the imposition of the price floor.
4. Calculate the change in consumer expenditure revenue on milk powder following the imposition of the price floor.
5. Explain two measures the government may take to provide cheap milk powder formula to the people.