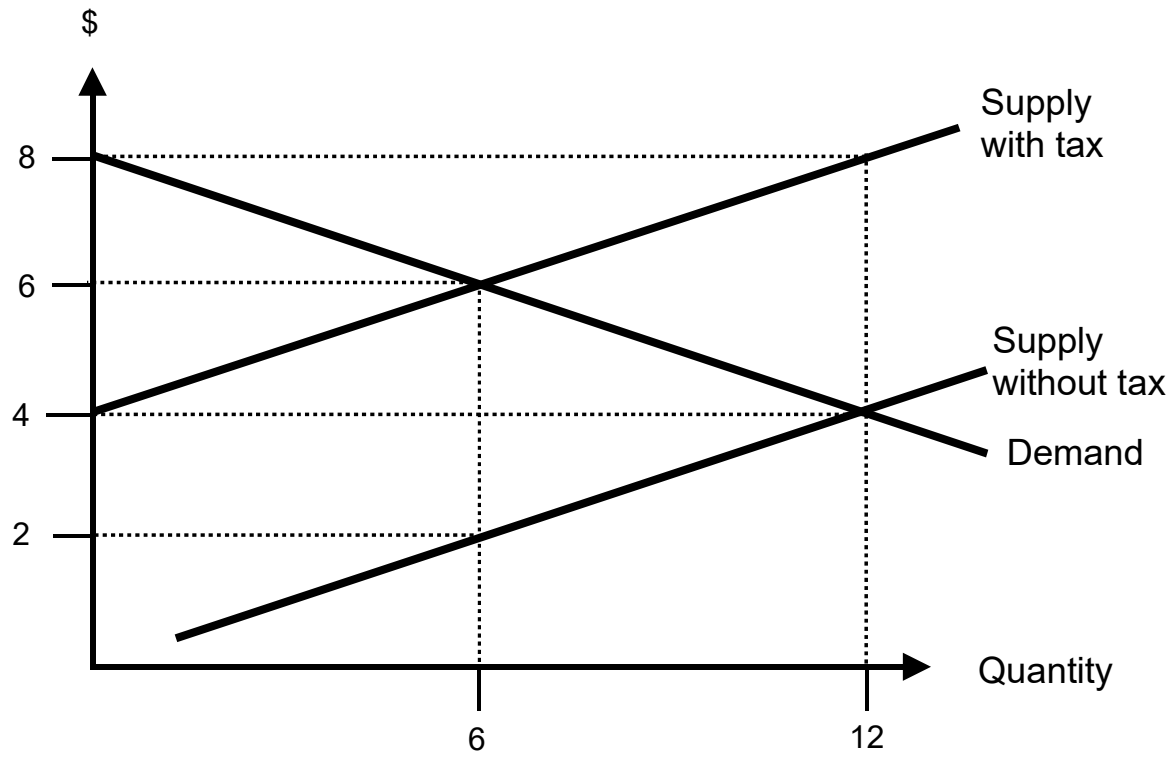
Tax issues (E31c)

→ The following graph shows a market before and after the introduction of a sales tax (e.g., x$ per unit). Answer the following questions:

1 What are the **equilibrium price** (P) and **equilibrium quantity** (Q) **before** the tax is introduced?
2 How much is the **tax per unit**?
3 How much are the **tax revenues**?
4 How are the **tax revenues** divided between the seller and the buyer?
5 What **price** do buyers pay after the **tax** is introduced?
6 What is the **net revenue per unit** (= selling price – tax) that the seller retains after the tax is introduced?



Click here to get the answer!