

DUE DATE: _____

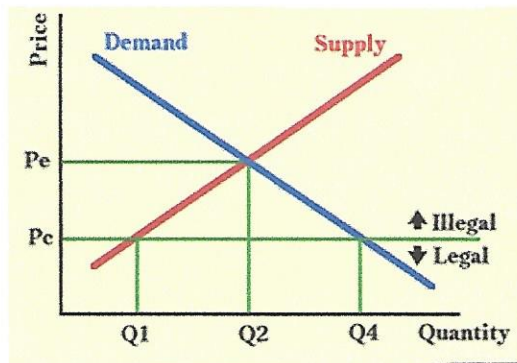
NAME: _____

CHAPTER 6 SUPPLY, DEMAND AND PRICES WORKSHEET

Topics

Demand and Supply Together & Price Controls

USE THE GRAPH BELOW TO ANSWER QUESTION #1



1.) The graph above represents a price _____? (circle one) **CEILING** FLOOR

2.) A price floor would be _____ the equilibrium price. (circle one) **ABOVE** BELOW

3.) Jake finds that the cost of producing his birdhouse has dropped. Which way will the supply shift for Jake's birdhouses? (circle one) LEFT **RIGHT** Production costs dropped -- supply more.

4.) The monthly payment on new machinery that the company financed through a bank is a _____ cost. (circle one)

VARIABLE **FIXED**

5.) When you add more and more resources (such as labor) to the production process and you find that your marginal product (the added amount you produce by using one more unit of a resource) is decreasing, you are experiencing what law in economics? (Answer below)

The Law of Diminishing Return

6.) What does the Law of Supply say about the relationship between price and quantity supplied? (Answer below)

Direct Relationship between price and quantity supplied.

7.) What does the Law of Demand say about the relationship between price and quantity demanded? (Answer below)

Indirect Relationship between price and quantity demanded.

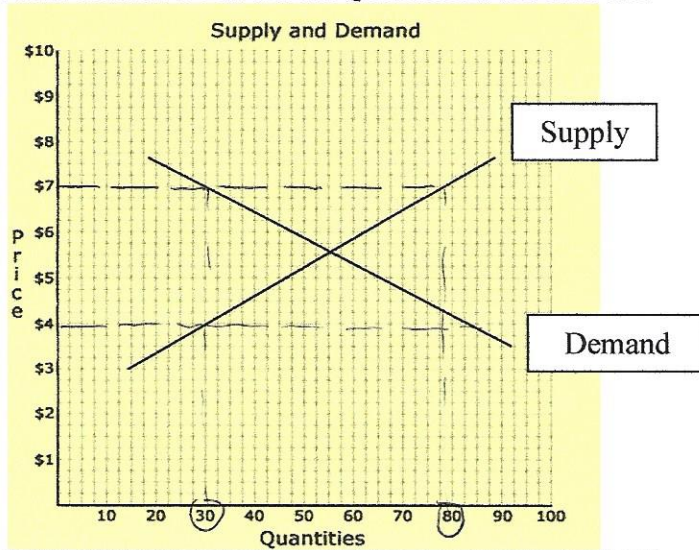
8.) If a good has many substitutes, then the demand is (circle one)

INELASTIC **ELASTIC**

9.) Which of the following is a determinant of demand? (circle one)

- a. the number of sellers
- b. consumer income
- c. producer's expectation**
- d. a change in technology

USE THE GRAPH TO ANSWER QUESTIONS #10 AND #11



FROM THE CHOICES IN **BOLD**, **CIRCLE** THE BEST ANSWER.

10.) THREE PART QUESTION:

A price of \$7 would cause a **SHORTAGE** **SURPLUS** (circle one) of about **25** **30** **50** (circle one) items, eventually driving the price of the item **DOWN** **UP** (circle one).

11.) THREE PART QUESTION:

A price of \$4 would result in a **SHORTAGE** **SURPLUS** (circle one) of about **25** **30** **50** (circle one) items, eventually driving the price of the item **DOWN** **UP** (circle one)

12.) If prices of resources used in production rise, the supply curve will (circle one)

INCREASE

DECREASE

13.) If you discover that the marginal cost (the additional cost to produce one additional good) is very low will you be _____ to supply more? (circle one)

MORE LIKELY

LESS LIKELY

14.) From your response in question #13, the supply is (circle one)

ELASTIC

INELASTIC

15.) If the substitute good of Good X decreases in price, then the demand for Good X will shift (circle one)

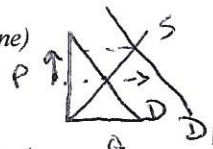
RIGHT

LEFT

16.) If the demand increases and supply stays constant, then the equilibrium price will (circle one)

INCREASE

DECREASE



17.) If the supply decreases and demand stays constant, then the equilibrium price will (circle one)

INCREASE

DECREASE



18.) If Good Y (the complementary good of Good X) decreases in price, then the demand for Good X will shift. (circle one)

RIGHT

LEFT

19.) If three more restaurants move into Hickory Flat and demand stays constant, then what will happen to the equilibrium price? (circle one) **INCREASE** **DECREASE** # of producers in mkt ↑

20.) A development company in Atlanta, who owns a series of low-income homes for the poor, begins to charge \$750 a month instead of \$500. Other development companies in the area begin to do the same to their prices. The government will most likely establish a (circle one) **PRICE FLOOR** **PRICE CEILING**

21.) _____ are designed to protect the consumer. (circle one)

PRICE CEILINGS **PRICE FLOORS**

22.) If unemployment in the USA drops, ceteris paribus, then what may happen to the equilibrium price of many goods (circle one)

INCREASE **DECREASE**

23.) A price ceiling is located _____ the equilibrium price. (circle one)

ABOVE **BELOW**

24.) Why is a price floor created? (place short answer below)

To protect Producers - (with the exception of minimum wage)

25.) Why is a price ceiling created? (place short answer below)

To help Consumers.

26.) Tim lowers the price of a cup of coffee to \$2.00 and is willing to supply one cup of coffee, but his customers begin to demand 4 cups of coffee. His customers were used to paying \$5.00 dollars for 2 cups of coffee.

a.) What will happen to the supply for Tim's coffee? (circle one)

SHORTAGE **SURPLUS**

b.) How many cups of coffee will make up the shortage or surplus? (Answer below) 2

c.) What will eventually happen to the price of a cup of Tim's coffee? (circle one)

RAISE PRICE **LOWER PRICE**

27.) The following are determinants of supply, EXCEPT _____ (circle one)

- a. Technology
- b. Number of sellers
- c. **Consumer expectations**
- d. Cost of resources

28.) What does the word "subsidy" mean? (Answer below)

Government give money to an industry to produce more. Supply will increase and price of product should decrease.

29.) Bob decided to place a \$2.00 increase on the price of his t-shirts, bringing the new price to \$15.00 per t-shirt. Bob's customers were used to paying \$13.00 per t-shirt. What is created by this change in price? (circle one)

SHORTAGE **SURPLUS**