Unit 2 Study Guide – Supply/Demand/price ceiling/price floors/circular flow of economic activity/functions and characteristics of money

1. List the demand Determents.
2. List the supply determinants.
3. Explain the difference between a change in quantity demanded and a change in demand.
4. Explain the difference between a change in quantity supplied and a change in supply.
5. Why is the supply curve upward sloping?
6. Why is the demand curve downward sloping?
7. Draw the Circular Flow of Economic Activity and explain households, factor market, businesses/firms, and the product market.
8. What are fixed costs?
9. What are variable costs?
10. What is the difference between an elastic good and an inelastic good? Give one example of each.
11. What is the effect of a price increase on the demand curve?
12. What is the effect of a price increase on the supply curve?
13. What is a determinant?
14. What is the law of demand?
15. What is the law of supply?
16. Explain the difference between a complement and substitute.
17. What is a subsidy? Give an example.
18. Explain the difference between Microeconomics and Macroeconomics.
19. Draw and properly label an increase in demand on a graph.
20. Draw and properly label a decrease in demand.
21. Draw and properly label an increase in supply on the graph.
22. Draw and properly label a decrease in supply.
23. Draw a supply/demand graph and show a change in quantity demanded.
24. Draw on a supply/demand graph and show a change in quantity supplied.
25. Define price ceiling.
26. Why would the government impose a price ceiling in the market?
27. What are the consequences of a price ceiling?
28. Define price floor.
29. Why would the government impose a price floor in the market?
30. What are the consequences of a price floor?
31. What are the characteristics of money?
32. What are the functions of money? Give one example of each.
33. Draw a supply/demand graph from the schedule below:

|  |  |  |
| --- | --- | --- |
| Price | Quantity Demanded | Quantity Supplied |
| $5.00 | 10 | 100 |
| $4.00 | 20 | 60 |
| $3.00 | 30 | 30 |
| $2.00 | 60 | 20 |
| $1.00 | 100 | 10 |

Properly label your graph.

Show on your graph the following:

The government imposed a maximum price of $2.00. (Label properly)

Would this be a price ceiling or a price floor?

Would there be a shortage or a surplus?

How much of a shortage or surplus would there be?

The government imposed a minimum price of $4.00.

Would this be a price ceiling or a price floor?

Would there be a shortage or a surplus?

How much of a shortage or surplus would there be?