

Teacher Notes



Supply and Demand Curves and Market Price Equilibrium

Activity 3 Assessing Demand, Supply, and Market Equilibrium

Activity at a Glance

- ◆ **Subject:** Social Studies
- ◆ **Subject Area:** Economics
- ◆ **Category:** Production, Distribution, and Consumption
- ◆ **Topic:** Supply and Demand Curves and Market Price Equilibrium
- ◆ **Grade Level:** 11 - 12
- ◆ **Prerequisites:** Students should have completed the activities titled "Exploring Demand and supply Schedules" and "Determining Market Equilibrium".
- ◆ **Total Teaching Time:** 45 Minutes

Materials

- ◆ TI-83 Plus, TI-83 Plus Silver Edition
- ◆ Teacher Guide, **Assessing Demand, Supply, and Market Equilibrium**
- ◆ **Answers to the Assessment and Suggested Rubrics**
- ◆ Student Assessment: **Assessing Demand, Supply, and Market Equilibrium**

Activity Overview

This activity assesses student knowledge and understanding of demand and supply schedules. This activity also assesses student knowledge and understanding of the means by which market equilibrium is reached and how changes in supply and demand affect market equilibrium. The assessment includes three definition questions, six brief responses, and one extended response question.

Directions

Before the Activity Begins

Using the **Teacher Instructions for Assessing Demand, Supply and Market Equilibrium**, conduct a class review session. Remind the students to review their vocabulary and their notes.

During the Activity

Once the students have begun the assessment, monitor their progress and answer any questions that may arise.

After the Activity

Discuss the assessment and answers.

Teacher Instructions

Assessing Demand, Supply and Market Equilibrium

Review the following topics with your students.

Economic definitions:

- ◆ Demand
- ◆ Supply
- ◆ Demand Schedule
- ◆ Supply Schedule
- ◆ Law of Demand
- ◆ Law of Supply
- ◆ Equilibrium Price

Economic topics:

- ◆ Demand Curve
- ◆ Supply Curve
- ◆ Shifting of Demand and Supply Curves
- ◆ Factors influencing Increase/Decrease in Demand
- ◆ Factors influencing Increase/Decrease in Supply
- ◆ Determination of Price

Answers to the Assessment

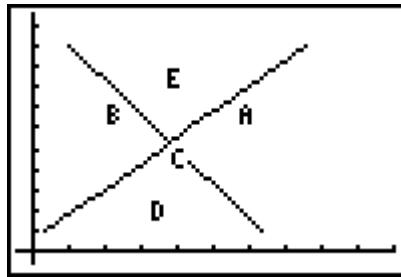
Definitions:

1. The quantity demanded increases as prices fall, and decreases as prices rise.
2. The quantity supplied increases as prices rise, and decreases as prices fall.
3. The price where no shortage or surplus occurs; supply equals demand.

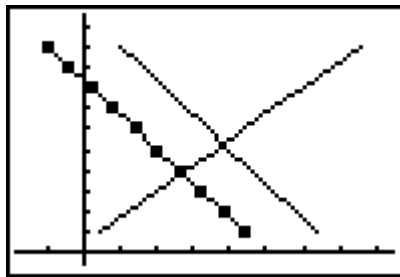
Brief Response:

4. a. Quantity demanded would fall.
b. Income best explains the change, because there are not many substitutes for milk.
5. Substitution best explains the change as drinkers of other colas may switch to the cheaper brand.

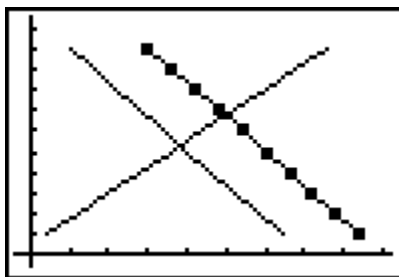
6.



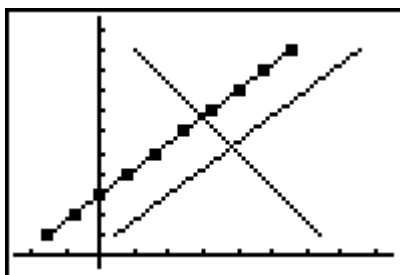
7.
 - a. Demand increases now, but falls after the price increases.
 - b. Demand for original product falls as consumer buy cheaper product.
 - c. Demand increases.
8.
 - a. Supply decreases, because there are fewer suppliers.
 - b. Supply increases as costs are reduced. This increases profits.
9.
 - a. Demand curve shifts to left, equilibrium price falls.



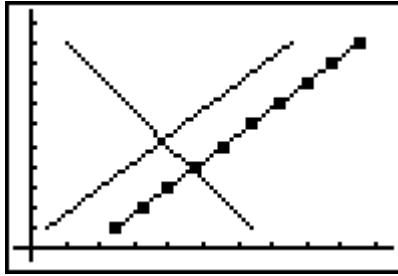
- b. Demand curve shifts to right, equilibrium price rises.



- c. Supply curve shifts to left, equilibrium price rises.



d. Supply curve shifts to right, equilibrium price falls.



Extended Response:

10. The extended response should use graphs and explain how and why the resulting shortages occur and their impact. They should use these facts as a basis on which to discuss government involvement in the economy with respect to setting prices. Discussion of minimum wages laws may also be referenced.

Suggested Scoring Rubrics for Extended Response Questions:

5=Exceeds standard. This response shows understanding of the content. The response is thorough and complete. The response is accurate and provides ample evidence to support the response.

4=Meets standard. This response show general understanding of the content. The response is substantial. The response is generally accurate but may include some minor errors. There is general evidence to support the response.

3=Approaching standard. This response shows partial understanding of the content. The response is incomplete but on topic. The response may include errors. There is some evidence to support the response.

2=Partially meets standard. This response shows limited understanding of the content. The response is incomplete and may include off-topic information. The response includes misunderstandings and errors. The response lacks meaningful evidence.

1=Other

Student Assessment
Assessing Demand, Supply and
Market Equilibrium

Name: _____

Date: _____

Define the following:

1. Law of Demand

2. Law of Supply

3. Equilibrium Price

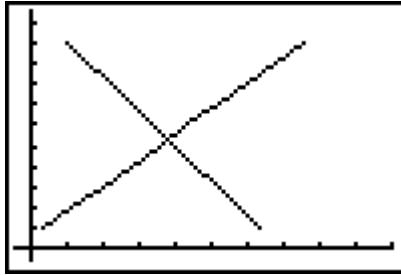
Brief Response:

4. a. Suppose the price of milk rises. What will happen to the quantity demanded?

b. Which factor, income or substitution, best explains the change in quantity demanded? Why?

5. Suppose the price of a certain brand of cola decreases in price. Which factor, income or substitution, best explains the change in quantity demanded? Why?

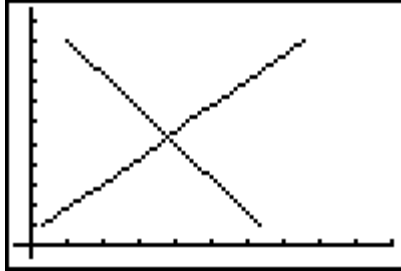
6. Given the following graph of a demand and supply curve label the following:
 - a. Supply curve
 - b. Demand curve
 - c. Equilibrium price
 - d. Price where a shortage would occur
 - e. Price where a surplus would occur



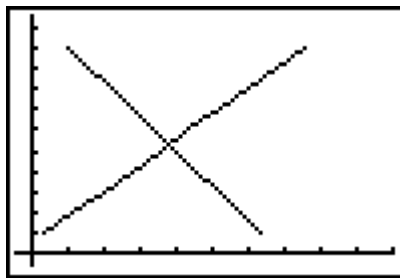
7. What effect will each of the following have on the demand for a product.
 - a. Consumers hear that prices are about to rise later in the year.
 - b. A competitor comes out with a similar but cheaper product.
 - c. A heavy advertising campaign convinces people that the product is fashionable.
8. What effect will each of the following have on the supply of a product.
 - a. Several producers declare bankruptcy
 - b. Government decreases business taxes

9. Draw small free hand sketches to illustrate how the equilibrium price changes in each of the following scenarios. Indicate with each whether the price will rise or fall.

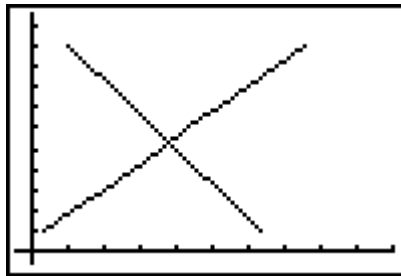
- a. Demand decreases and supply stays the same



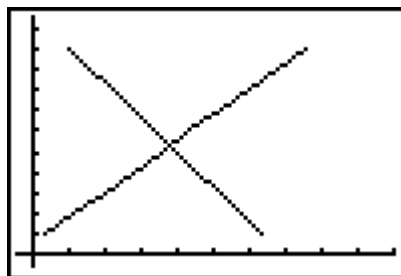
- b. Demand increases and supply stays the same



- c. Supply decreases and demand stays the same



- d. Supply increases and demand stays the same



Extended Response:

10. Many consumers complain as prices rise. What does a rise in price indicate about either the supply or a demand for a product? If the prices were not allowed to rise what is likely to happen? Similarly, governments have sometimes established a set price for a good or service. One such example is the prices that can be charged for rental accommodations. Explain what would happen to rental accommodations if the government set the price for rent below market equilibrium. Given the above, discuss whether governments should intervene and allow prices to rise.