



## Section 1: Guided Reading and Review

# Understanding Demand

### A. As You Read

As you read Section 1, for each boxed example, fill in the key term the example illustrates in the space provided.

1. the higher the price of pizza, the fewer slices people will buy

\_\_\_\_\_

2. eating salad or tacos instead of pizza when the price of pizza goes up

\_\_\_\_\_

3. buying fewer slices of pizza when rising prices reduce real income

\_\_\_\_\_

4.

Price	Quantity
1	5
2	4
3	3
4	2

\_\_\_\_\_

5.

Price	Quantity
1	300
2	250
3	200
4	150

\_\_\_\_\_

### B. Reviewing Key Terms

Complete each sentence by writing the correct term in the blank.

- A \_\_\_\_\_ is a table that lists the quantities of a good a person will buy at each price that may be offered in the market.
- A \_\_\_\_\_ is a table that lists the quantities of a good demanded by all consumers at each price that may be offered in the market.
- A \_\_\_\_\_ is a graphical representation of a demand schedule.
- The \_\_\_\_\_ is the change in consumption resulting from a change in real income.
- The \_\_\_\_\_ says that when a good's price is lower, consumers will buy more of it.

## Section 2: Guided Reading and Review

# Shifts of the Demand Curve



### A. As You Read

As you read Section 2, answer the following questions in the space provided.

1. What condition must exist to make a demand curve accurate? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
2. What happens to a demand curve when there is a change in factors (other than price) that can affect consumers' decisions about purchasing the good? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
3. How does consumer income affect the demand for normal and inferior goods? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
4. How does consumer expectation affect demand for certain goods? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
5. Explain how the baby boom generation affected demand for certain goods. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
6. How are consumer tastes and advertising related? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
7. Explain how demand for a good can affect demand for a related good. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
8. Give an example of a substitute good. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

### B. Reviewing Key Terms

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

#### Column I

- \_\_\_\_ 9. all other things held constant
- \_\_\_\_ 10. goods whose demand increases as consumer income increases
- \_\_\_\_ 11. goods whose demand falls as consumer income increases
- \_\_\_\_ 12. goods that are bought and used together
- \_\_\_\_ 13. goods that are used in place of one another

#### Column II

- a. normal goods
- b. substitutes
- c. *ceteris paribus*
- d. inferior goods
- e. complements



## Section 3: Guided Reading and Review

# Elasticity of Demand

### A. As You Read

As you read Section 3, supply the missing information in the spaces provided.

**Calculating Elasticity** (Provide a formula or numerical value.)

1. Computation of elasticity of demand: \_\_\_\_\_  
\_\_\_\_\_
2. Elastic demand: \_\_\_\_\_  
\_\_\_\_\_
3. Inelastic demand: \_\_\_\_\_  
\_\_\_\_\_
4. Unitary elastic demand: \_\_\_\_\_  
\_\_\_\_\_

**Factors Affecting Elasticity** (How does each affect elasticity?)

5. Substitutes: \_\_\_\_\_  
\_\_\_\_\_
6. Necessities vs. luxuries: \_\_\_\_\_  
\_\_\_\_\_
7. Changes over time: \_\_\_\_\_  
\_\_\_\_\_

**Elasticity and Revenue** (Define and explain.)

8. Total revenue: \_\_\_\_\_  
\_\_\_\_\_
9. How elasticity affects a company's pricing: \_\_\_\_\_  
\_\_\_\_\_

### B. Reviewing Key Terms

Briefly define or identify each of the following.

10. elasticity of demand \_\_\_\_\_
11. inelastic \_\_\_\_\_
12. elastic \_\_\_\_\_
13. unitary elastic \_\_\_\_\_