**Study guide Chapter 4**

**Lesson 4-1-4-3**

|  |
| --- |
| **​Review Questions Lesson 4-1****Directions:**  Read each main idea and respond to the questions or statements below. Refer to your textbook as you write the answers.     **A. Main Idea:**  Because understanding demand—the combination of ability, desire, and willingness to purchase a product—is essential to understanding economics, we calculate and illustrate it. |

|  |
| --- |
| **1.**What are the two variables needed to calculate demand? |

|  |
| --- |
| **2.**What is a demand schedule? How does a demand schedule help us understand the effect of changes in price on the amount demanded? |

|  |
| --- |
| **3.**Explain the difference between a demand schedule and a demand curve. Would there be a reason to use one rather than the other? |

|  |
| --- |
| **​Review Questions**​​**Directions:**  Read each main idea and respond to the questions or statements below. Refer to your textbook as you write the answers.​**B. Main Idea:**  The Law of Demand is reflected in the demand curve, which shows the relationship between price and quantity demanded. |

|  |
| --- |
| **4.**What does the Law of Demand state? |

|  |
| --- |
| **5.**What kind of science is economics? What is a “law” in science? |

|  |
| --- |
| **6.**How does a market demand curve differ from a demand curve? How are they similar? |

|  |
| --- |
| **​Review Questions**​​**Directions:**  Read each main idea and respond to the questions or statements below. Refer to your textbook as you write the answers.​**C. Main Idea:**  The principle of diminishing marginal utility explains the price we pay for additional units of goods and services. |

|  |
| --- |
| **7.**Explain the concept of marginal utility. Why is diminishing marginal utility important to the demand curve? |

|  |
| --- |
| **8.**Describe an example of diminishing marginal utility in your experience. |

|  |
| --- |
| **​Review Questions Lesson 4-2****Directions:**  Read each main idea and respond to the questions or statements below. Refer to your textbook as you write the answers.     **A. Main Idea:**  Price changes quantity demanded both because it affects how wealthy consumers feel they are and because it affects the price of a good or service in relation to other similar products. |

|  |
| --- |
| **1.**Define a *change in quantity demanded*, and describe what causes it. |

|  |
| --- |
| **2.**Explain how the *income effect* can make customers feel richer and, therefore, more likely to purchase greater quantities. |

|  |
| --- |
| **3.**How is the *substitution effect* different from the *income effect*? |

|  |
| --- |
| **4.**How do *substitution effects* and *income effects* affect the demand curve? |
| **​Review Questions**​​**Directions:**  Read each main idea and respond to the questions or statements below. Refer to your textbook as you write the answers.​**B. Main Idea:**  Factors other than price can change demand. |

|  |
| --- |
| **5.**What causes the demand curve to shift to the right? To the left?​ |

|  |
| --- |
| **6.**Why would consumer income change demand? |

|  |
| --- |
| **7.**Explain how consumer tastes affect demand. |

|  |
| --- |
| **8.**Describe the relationship in demand between a product and its substitutes. |

|  |
| --- |
| **9.**Describe the relationship in demand between a product and its complement(s). |

|  |
| --- |
| **10.**Can expectations change the demand for products? Why or why not? |

|  |
| --- |
| **11.**Why would the number of consumers in a market shift the demand curve left or right? |

|  |
| --- |
|  |

|  |
| --- |
| **​Summary and Reflection****Directions:**  Summarize the main ideas of this lesson by answering the questions below.     |

|  |
| --- |
| **12.**What aspects of demand can a business control? What can't it control? What can producers do with information about the demand curve, as well as information about trends affecting demand changes, to spur their growth? |

|  |
| --- |
| **​Review Questions Lesson 4-3****Directions:**  Read each main idea and complete the statements below by filling in the blanks. Refer to your textbook as you write the answers.     **A. Main Idea:**  Demand elasticity is the extent or degree to which a change in price causes a change in the quantity demanded; it may be elastic, inelastic, or unit elastic. |

|  |
| --- |
| **1.**Demand is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ when the price change results in a relatively larger change in quantity demanded. People \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ need products urgently with this type of demand. |

|  |
| --- |
| **2.**Demand is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ when the price change results in a relatively smaller change in quantity demanded. People \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ need products urgently with this type of demand. |

|  |
| --- |
| **3.**Demand is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ when the price change results in a proportional change in quantity demanded. This type of demand is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to find. |

|  |
| --- |
| **​Review Questions** ​​**Directions:**  Read each main idea and complete the statements below by filling in the blanks. Refer to your textbook as you write the answers.​**B. Main Idea:**  When the direction of a price change is compared with the direction of the change in total expenditures (or amount spent), it is sometimes called the total expenditures test. |

|  |
| --- |
| **4.**Total expenditures (or total revenue) is found by multiplying the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of a product by the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for any point along the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ curve. |
| **5.**What types of elasticity do the following scenarios illustrate?**a.** Change in price and change in revenue move in the same direction. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**b.** Change in price and change in revenue move in opposite directions. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**c.** Price change has no effect on revenue. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

|  |
| --- |
| **6.**When businesses raise prices on products with inelastic demand, total revenues are more likely to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ than when prices are increased on product with elastic demand. |

|  |
| --- |
| **​Review Questions**​​**Directions:**  Read each main idea and complete the statements below by filling in the blanks. Refer to your textbook as you write the answers.​**C. Main Idea:** There are three determinants of demand elasticity: whether a purchase can be delayed, availability of substitutions, and the amount of income required to make the purchase. |

|  |
| --- |
| **7.**If you cannot put off purchase of a product, demand is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. If you can wait, demand is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.​ |

|  |
| --- |
| **8.**Generally, the more available substitutions are, the more \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the demand is. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the market can affect demand elasticity in cases of substitutions. |

|  |
| --- |
| **9.**When a purchase requires more of a person's income, it tends to be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. However, if the costly purchase is for a product or service a person needs urgently, the demand becomes more \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. |

|  |
| --- |
|  |
| **​Summary and Reflection****Directions:**  Summarize the main ideas of this lesson by answering the questions below. |

|  |
| --- |
| **10.**How does demand elasticity affect a business? A consumer? How can knowing the elasticity of demand for a product affect pricing decisions? Purchasing decisions? |