

2.1: Demand



IB Economics: IBeconomics.com

2.1 DEMAND: STUDENT LEARNING ACTIVITY

Answer the questions that follow.

1. DEFINITIONS

Define the following terms:

- Goods
- Services
- Consumer
- Supplier
- Factors of production
- Quantity demanded
- Demand
- Market
- Competitive markets
- Competition
- Law of demand
- Effective demand
- Income effect of a change of price
- Substitution effect of a change of price
- Income
- Demand schedule
- Market demand
- Determinants of demand
- Demand curve
- Normal goods
- Inferior goods
- Related goods
- Compliments
- Substitutes
- Variable
- Inverse relationship
- Ceteris paribus
- "Bang for the buck"
- Marginal
- Marginal analysis
- Marginal utility
- Marginal utility per dollar
- Opportunity cost
- The law of diminishing marginal utility
- Total utility
- Utility
- Utils

[10 marks]

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2. SHORT-ANSWER QUESTIONS

1. Use examples to distinguish between a **market** and a **competitive market**. **[4 marks]**

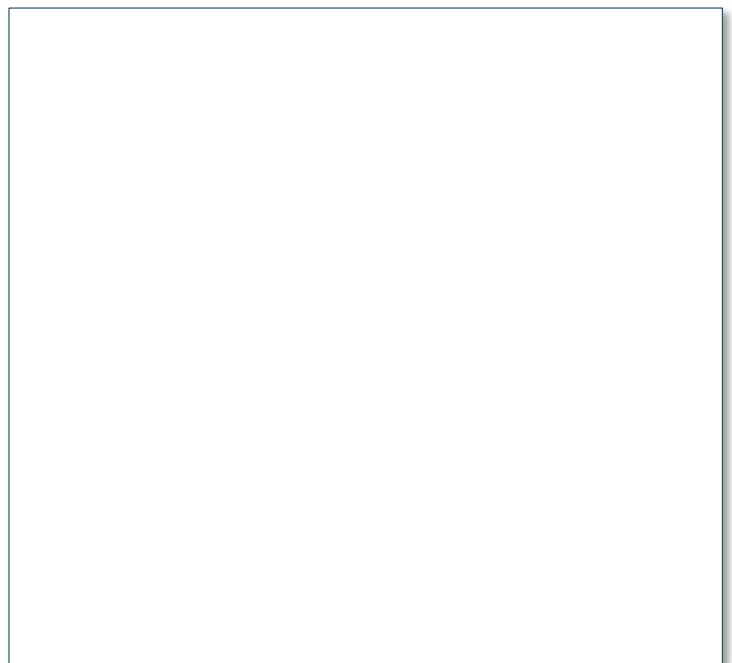
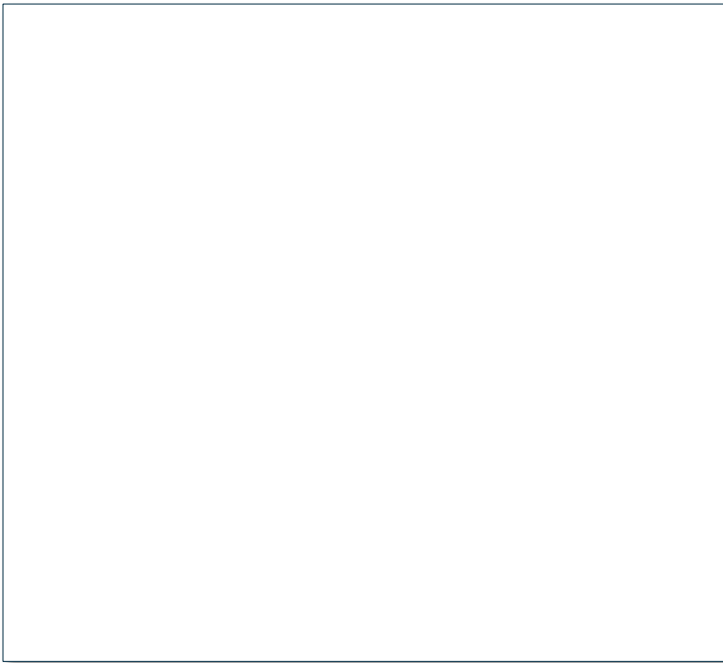
2. Use examples to distinguish between **product** and **resource** markets. **[4 marks]**

3. Use examples to explain the relationship between price and quantity demanded. **[4 marks]**

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7. Describe the relationship between an individual's consumer demand and the market demand. **[4 marks]**

8. Use diagrams to contrast an increase in demand **and** an increase in quantity demanded. **[6 marks]**



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12. Complete the following table by calculating the marginal utility values.

[4 marks]

Table 1: Total utility and marginal utility of consumption

Quantity consumed	Total utility (TU)	Marginal utility (MU)
0	0	-
1	80	
2	144	
3	192	
4	224	
5	244	
6	244	
7	230	

13. Explain the law of diminishing marginal utility.

[2 marks]

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14. Plot the TU **and** MU data in Table 1 (Question 3).

[4 marks]

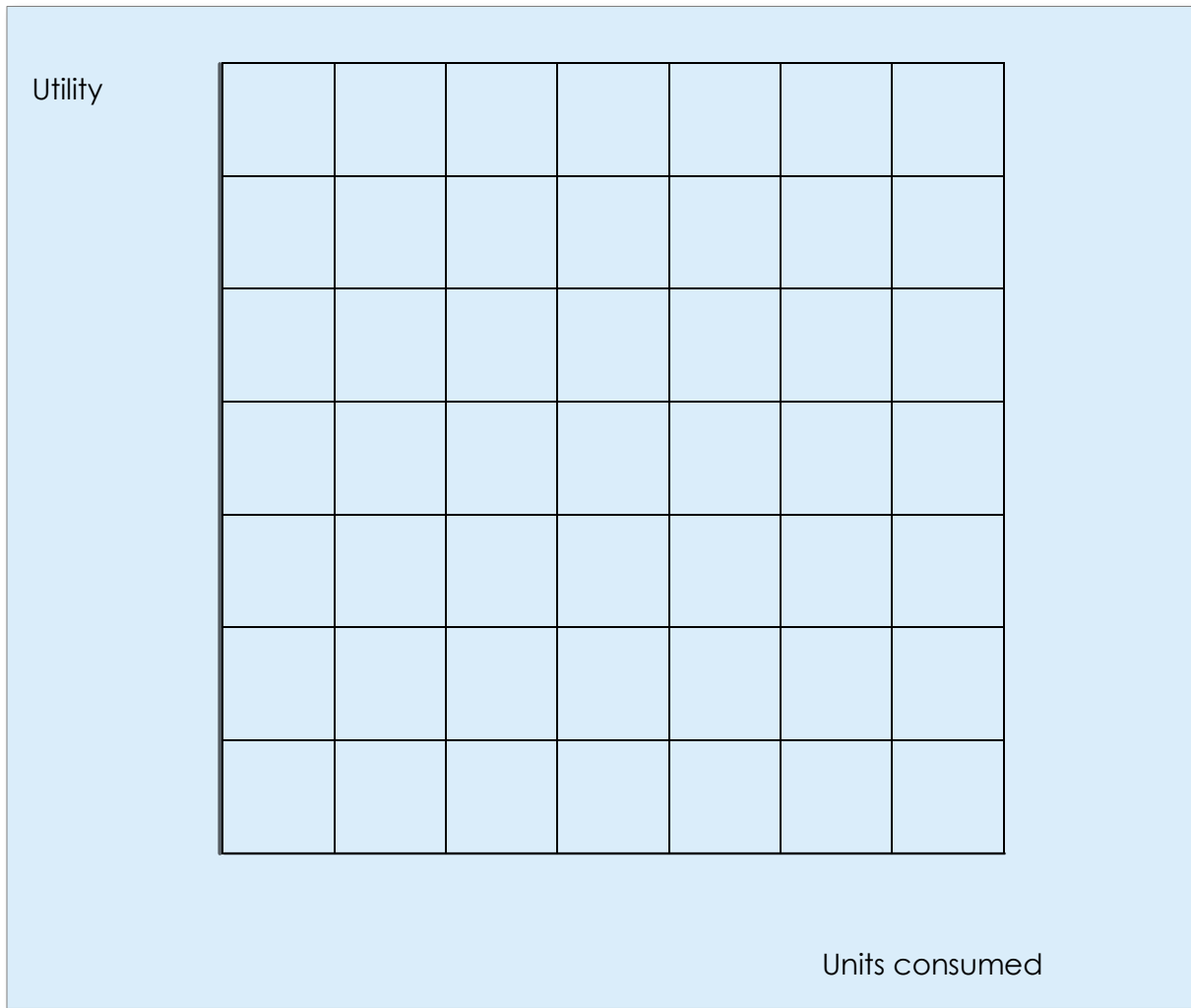


Figure 1: Total and marginal utility of consumption

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15. Complete the following table by calculating the marginal utility values.

[4 marks]

Table 2: Total utility and marginal utility of consumption

Quantity consumed	Total utility (TU)	Marginal utility (MU)
0	0	-
1	100	100
2	180	
3	230	
4		32
5		20
6	284	
7	280	

16. Complete the following table by calculating the marginal utility values.

[2 marks]

Table 3: Total utility and marginal utility of consumption

Quantity consumed	Total utility (TU)	Marginal utility (MU)
0	0	-
1	24	
2		20
3	56	
4	60	

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17. Explain why utils, as a measure of consumer benefit, are an entirely subjective in consumer choice. **[4 marks]**

18. Complete the following:

A decrease in the amount of a good purchased would _____ total utility, and marginal utility will _____. As more of a product is purchased, the marginal utility _____.

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3. DEMAND SCHEDULES AND DEMAND CURVES

1. Sketch a demand curve from the following information:

[2 marks]

Table 1: Demand schedule for chocolate bars

Price of a chocolate bar	Quantity of chocolate bars demanded each year
\$1	100
\$2	80
\$3	60
\$4	40
\$5	20

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2. Using information in Table 1 above, construct a new demand schedule showing the effect of a 20 percent increase in demand for chocolate bars at each price. **[2 marks]**

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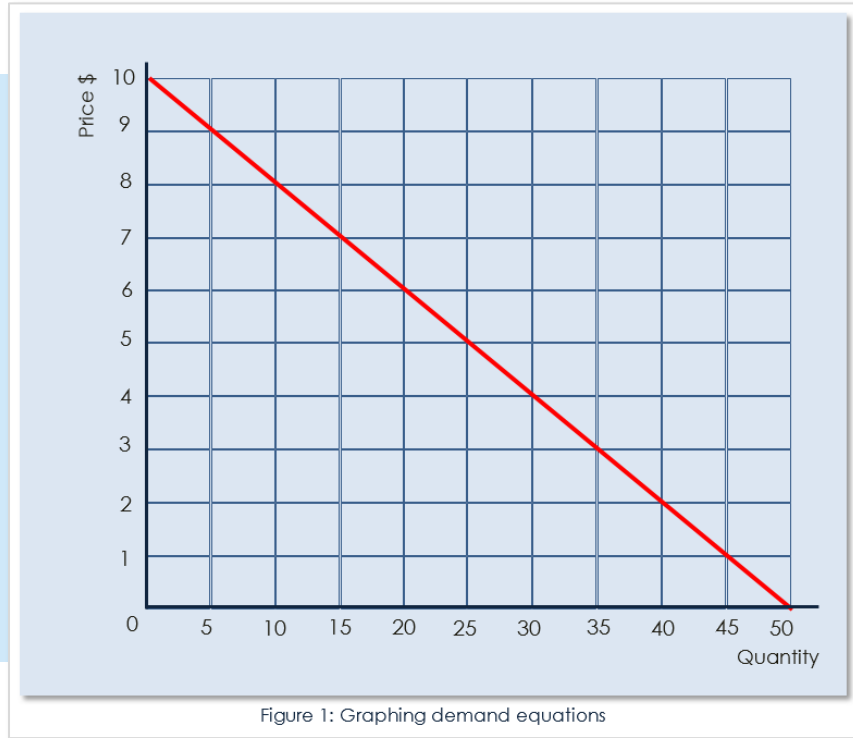
3. Use the following information in table 2 to sketch the market demand for the following good. **[4 marks]**

Table 2: Individual consumer demand for good A.

Price	Consumer 'A'	Consumer 'B'	Consumer 'C'	Consumer 'D'	Consumer 'E'	Consumer 'F'	Consumer 'G'
\$0.50	90	100	70	200	90	50	140
\$1.00	70	90	60	180	80	40	100
\$1.50	50	80	50	160	70	30	80
\$2.00	30	70	40	140	60	20	60
\$2.50	10	60	30	120	50	10	50

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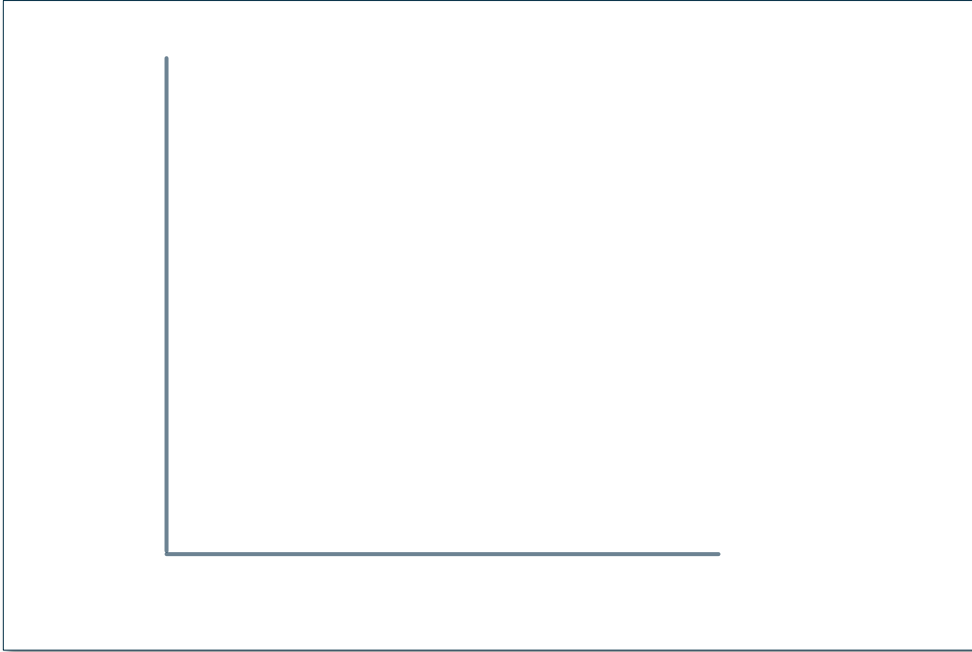
4. Construct a demand schedule using the information in the demand curve below. **[4 marks]**



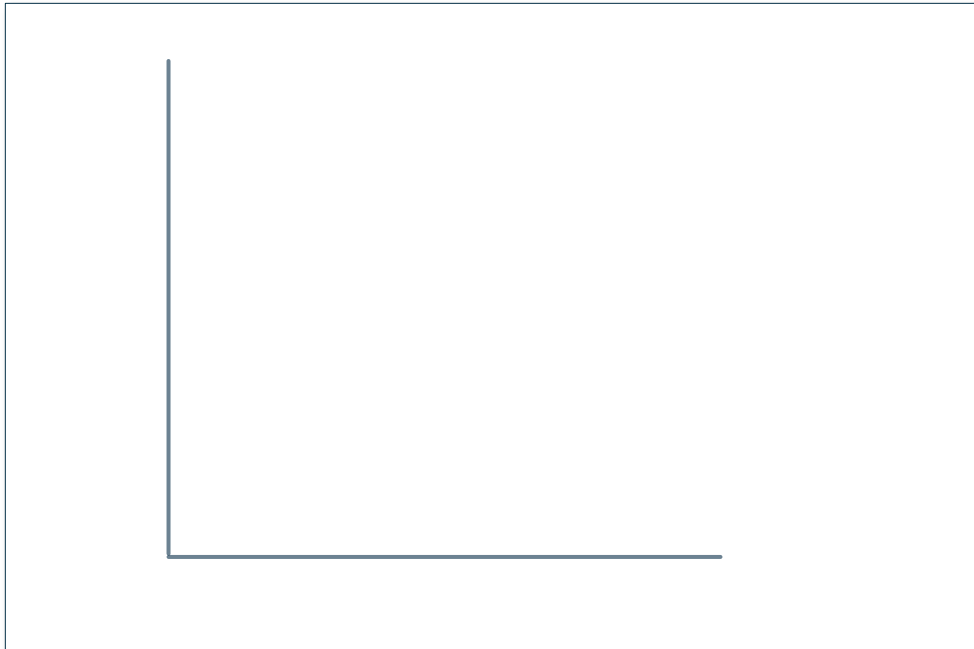
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5. Using diagrams, show the impact of the following on the demand curve for good A: **[12 marks]**

i. Consumer incomes increase and good A is an inferior good

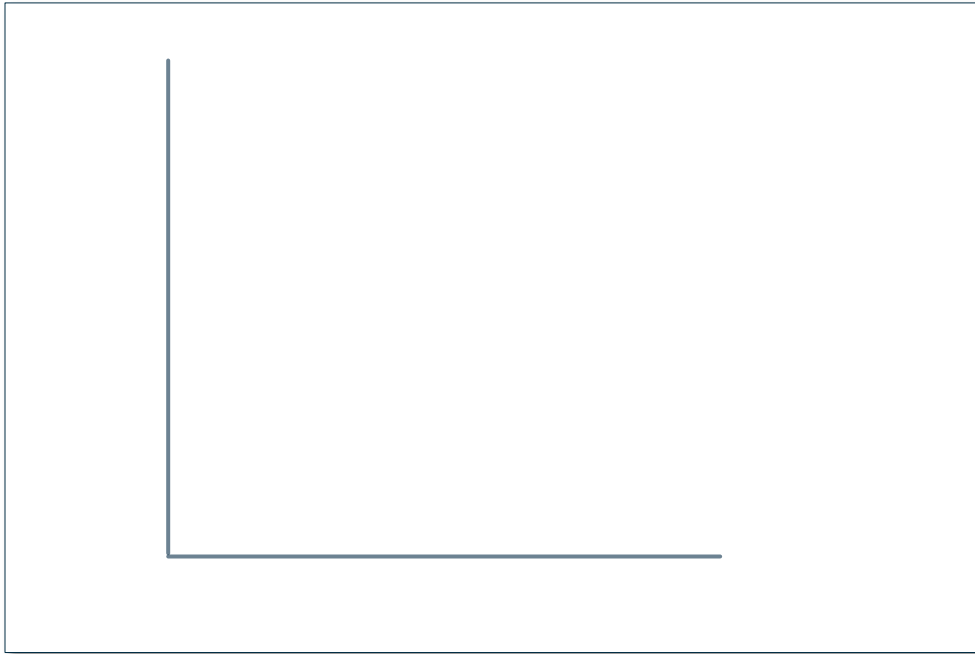


ii. The number of consumers in the market for good A decreases



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iii. Consumer incomes increase and good A is a normal good

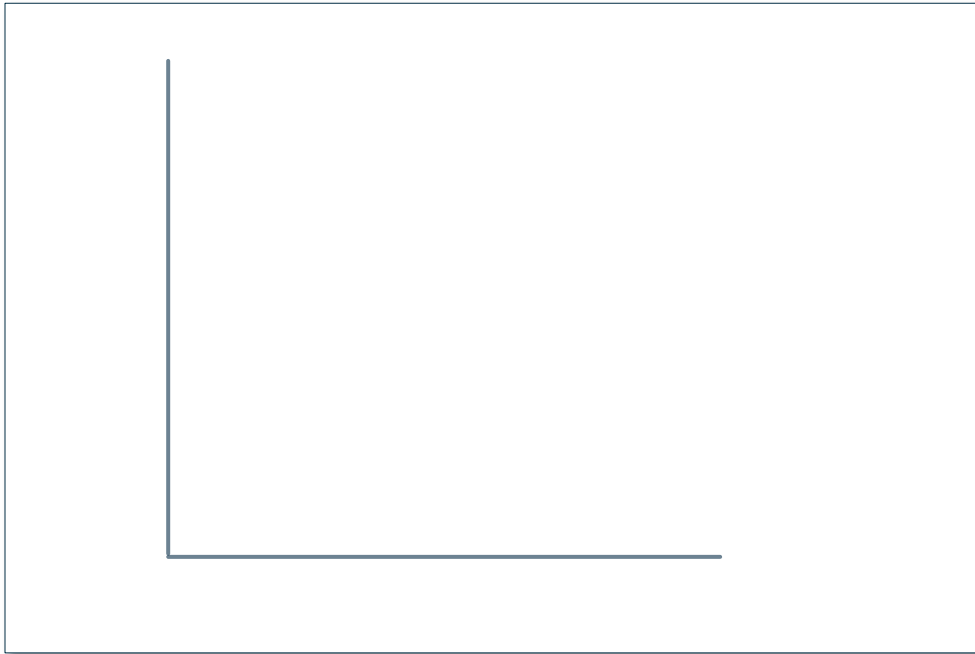


iv. The price of substitute good B decreases



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v. The price of complement good C increases



vi. Better product marketing means good A is becoming more preferred.



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6. Illustrate the change indicated by the title of each graph; label the changes fully. **[12 marks]**

