2.1: Demand



IB Economics: lBeconomics.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]



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]

4.	Explain the role of the substitution effect and the income effect of a change in pric the law of demand.	e in explaining [6 marks]
5.	Use examples to distinguish between a change in demand and a change in quantit	y demanded. [4 marks]
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6. Use diagrams to contrast a movement along a demand curve and a shift of the de	mand curve. [6 marks]

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 c	quantity demanded. [6 marks]

service:	mples to explain how the following factors may change the demand for a good or a [10 marks]
i.	Changes in income (for normal and inferior goods)
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ii.	Changes in preferences	
iii.	Demographic changes (decrease	ed number of consumers)
iii.	Demographic changes (decrease	ed number of consumers)
iii.	Demographic changes (decrease	ed number of consumers)
iii.	Demographic changes (decrease	ed number of consumers)
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i	٧.	Prices of related goods (for complements and substitutes)

٧.	Expectations of future price changes (increasing prices and decreasing prices)

consumption.	nship between units of consumption and total and marginal [4 marks]
 As additional units of a good are context. Explain this apparent contradiction. 	nsumed, marginal utility decreases yet total utility increases. [4 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]

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

[4 marks]

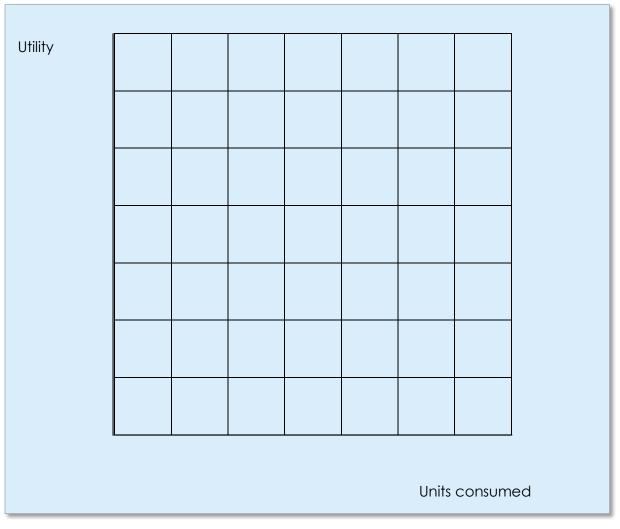


Figure 1: Total and marginal utility of consumption

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			

17. Explain why utils, as a measure of consumer benefit, are an entirely subjective in consu [4	nsumer choice. [4 marks]	
18. Complete the following:		
A decrease in the amount of a good purchased would total utility, a	ınd marginal	
utility will As more of a product is purchased, the marginal utility		

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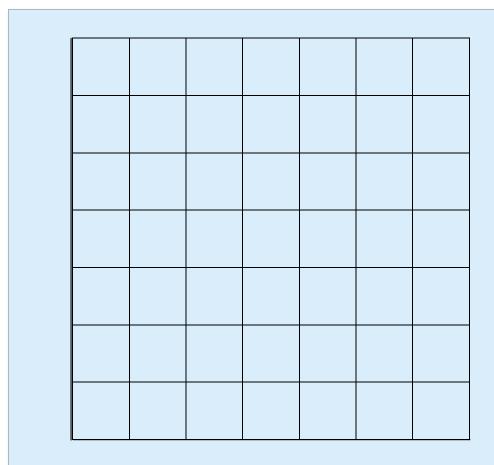
3. DEMAND SCHEDULES AND DEMAND CURVES

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]

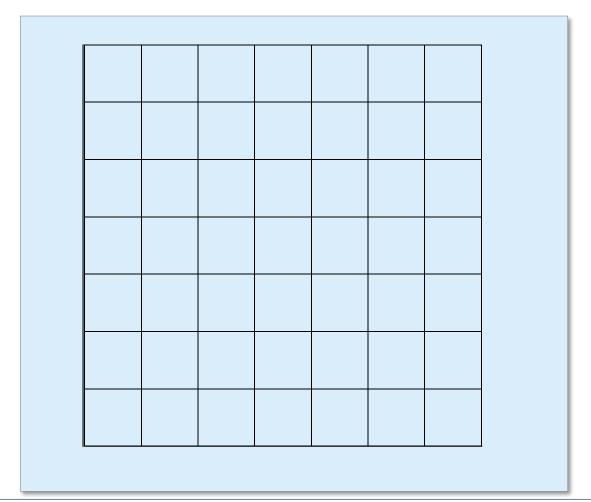


3. Use the following information in table 2 to sketch the market demand for the following good.

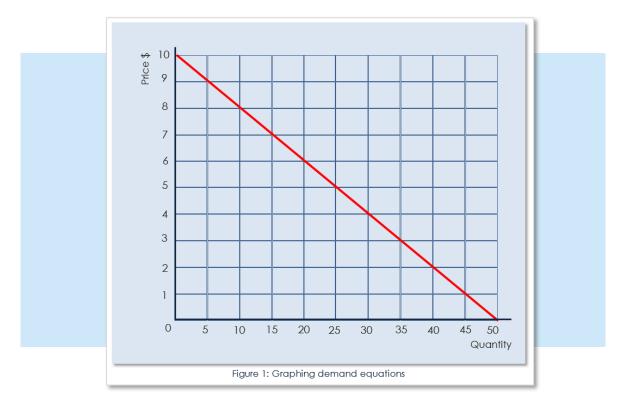
[4 marks]

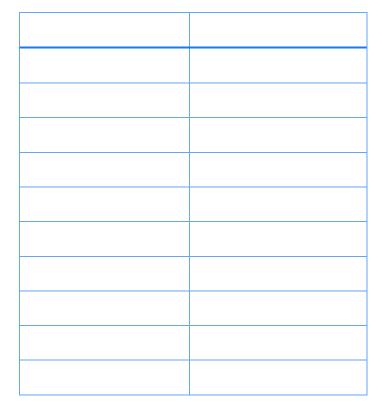
Table 2: Individual consumer demand for good A.

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

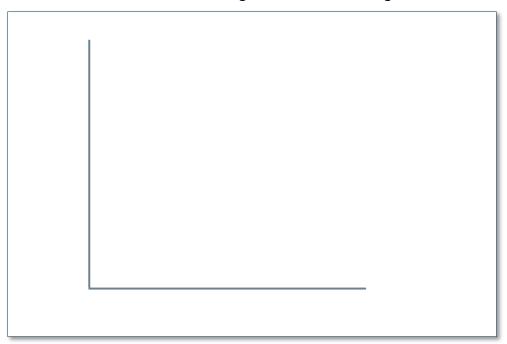


4. Construct a demand schedule using the information in the demand curve below. [4 marks]





- 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

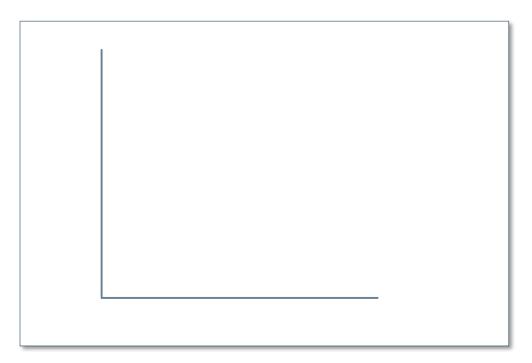


iv. The price of substitute good B decreases



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v. The price of complement good C increases



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



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

