What is Supply and Demand?

Worksheet

Supply and demand states that price adjusts until the quantity supplied equals the quantity demanded at market equilibrium. Higher demand or lower supply pushes price up.

Questions

1. Movie tickets cost 10 and 1000 are sold weekly. Theater doubles ticket prices to20. What likely happens?
A) More tickets sold
B) Fewer tickets sold
C) Same tickets sold
D) Cannot determine

2. A new iPhone is released. Demand surges but supply is limited. What happens to price?
A) Falls
B) Rises
C) Stays same
D) Cannot predict

3. What causes a surplus in a market?
A) High demand
B) Low supply
C) Price too high or demand too low
D) Taxes increase

4. If farmers produce more wheat and demand stays the same, what happens?
A) Price rises, quantity rises
B) Price rises, quantity falls
C) Price falls, quantity rises
D) Price falls, quantity falls

5. Coffee prices rise when frost damages the coffee crop (reducing supply). Explain why using supply and demand.

6. During a pandemic, remote work tools like Zoom see surging demand. What happens to price and quantity?

7. A farmer grows tomatoes. If supermarkets suddenly want fewer tomatoes (demand falls), what happens?

8. Define: What is the law of supply and demand?

9. Define: When does price rise?

10. Define: When does price fall?

Answer Key

1. B) Fewer tickets sold — Higher price reduces quantity demanded. Buyers want fewer tickets at 20 than at10.

2. B) Rises — High demand + low supply = shortage. Price rises as buyers compete to get the phone.

3. C) Price too high or demand too low — Surplus means supply > demand, which happens when price is too high for buyers.

4. C) Price falls, quantity rises — More supply with same demand = surplus. Price falls to clear the market.

5. Frost → supply of coffee decreases With same demand but less supply, shortage forms Price rises until demand falls to match the lower supply New equilibrium: lower quantity, higher price

6. Pandemic → demand for remote tools increases Supply cannot immediately increase Shortage forms (demand > supply) Price rises, quantity increases, until new equilibrium New equilibrium: higher price and higher quantity

7. Supermarket demand decreases (buyers want fewer) Supply stays the same initially (tomatoes already grown) Surplus forms (supply > demand) Price falls until buyers want more New equilibrium: lower price and lower quantity

8. Price adjusts so that the quantity supplied equals quantity demanded. If demand rises or supply falls, price goes up.

9. When demand increases or supply decreases (shortage forms, bidding prices up).

10. When demand decreases or supply increases (surplus forms, sellers lower prices to sell).