

SUPPLY, DEMAND, EQUILIBRIUM, SHORTAGE AND SURPLUS

Name: _____

Date: _____

1. Draw a supply and demand schedule and label the necessary parts. Be sure to properly label the locations of price quantity, supply, demand, equilibrium price, surplus and shortage.



Choose the *best* answer.

2. Why does the supply line slope up and to the right?
- As the price rises the quantity supplied by producers will fall.
 - As the price falls the quantity supplied by producers will rise.
 - As the price rises the quantity supplied by producers will rise.
3. Why does the demand line slope down and to the right?
- As the price falls the quantity demanded by consumers will fall.
 - As the price rises the quantity demanded by consumers will fall.
 - As the price rises the quantity demanded by consumers will rise.
4. If the quantity supplied exceeds the quantity demanded then there is a _____ in the market.
- Surplus
 - Shortage
 - Supply
5. If the quantity demanded exceeds the quantity supplied then there is a _____ in the market.
- Supply
 - Shortage
 - Demand
6. *Why does a business owner lower the price of products that are not selling quickly?*
7. *When would a business owner have the incentive to raise prices?*
8. *What does a higher price than before for a good or service communicate to consumers about the demand for that product?*