Why does the newest Ipad model cost almost $700 dollars but in six month they will cost only $400? The price of an Ipad is determined by how many are made available (the supply) by the company as well as the amount demanded for the product by the consumer (the demand). It is this combination of supply and demand that determines the price of all goods or services.

The Law of Demand

The process for determining the price of a good starts with the consumer’s (people that buy goods and services) demand for a good. Demand is simply the amount of a good or service that consumers are willing to buy. The law of the demand says that consumers are willing to buy more of something (a good and service) when prices go down. For instance, more people are willing to buy an Ipad when the price for the Ipad drops. When a good becomes cheaper, people see it as a deal and will want or demand more. The more the price drops, the bigger the demand for the good. The opposite is true when the price of something goes up; people see it as expensive and are less likely to buy it.

Answer each question with a complete sentence on a separate piece of paper.

1. How is the price for an Ipad or any good determined?
2. Who are consumers?
3. What does demand mean?
4. What does the law of demand say?
5. If the price of a good or services increases what will happens to the demand for it?
Interestingly, the law of demand can be shown with a chart and a graph. Below is a demand schedule chart for Ipads, which shows what the demand for the good would be at a certain price.

### Demand Schedule for Ipads

<table>
<thead>
<tr>
<th>Price for One Ipad</th>
<th>Demand for Ipads</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1000</td>
<td>5 people would demand it</td>
</tr>
<tr>
<td>$800</td>
<td>10</td>
</tr>
<tr>
<td>$600</td>
<td>15</td>
</tr>
<tr>
<td>$400</td>
<td>20</td>
</tr>
</tbody>
</table>

If you look at the demand schedule, you can see that as the price of Ipads decrease, demand for them increases. This demand for the Ipad can be graphed and seen in a demand curve below.

![Demand Curve for Ipads](image)

This is the demand curve, which shows the demand for the good at different prices.
When you look at the demand curve graph for Ipads, you will see that if Ipads cost $1000 then people well only demand 5 Ipads. If prices of the Ipad decreases to $400 then 20 people will demand an Ipad. Therefore, in this trend, one can see the law of demand taking place, “as prices decrease, demand increases.”

6. In which two ways can the law of demand be shown?
7. What does a demand schedule chart show?
8. If Ipads cost $600 each, how many would be demanded by consumers?
9. As the price of Ipads decrease, what occurs with the amount demanded?
Factors that can Cause Demand to Change
We have learned that the price of a good will affect the demand for it. However, besides price, there are several other things that can affect how much of a good will be demanded by consumers.

A Change in Income
A change in people’s income can change demand. The more money people make, the more goods they are able buy. An increase in people’s income will often lead to an increase in demand. However, if people’s income goes down, they will buy less, which will lead to a decrease in demand.

Tastes of the Consumers
Another important factor that affects the amount demanded for a good is people’s tastes or likes. If a good is popular or considered fashionable then the demand for the good will increase. When the newest Ipad first comes out, they are considered cool and fashionable, thus demand for them are high. If something is no longer popular or liked then the demand for the good will decrease.

Population
Population can also affect the demand for a good. If there is an increase in number of people, then there will likely be an increase in demand.

Answer each question with a complete sentence on a separate sheet of paper.
1. Besides price, what three other factors can cause a change in demand?
2. When it comes to income, what happens with demand for a good when people’s income rises?
3. If a good becomes popular or fashionable, what will happen to demand?
4. What if people no longer like a good, what will happen with demand?
5. In which way would an increase in population affect demand?
Complementary Goods
Complementary goods are goods that are used together. For example, peanut butter is often used with jelly. Another example would be ink cartridges are used with printers. If the demand for peanut butter decreases for some reason, then the demand for jelly will also decrease. If the demand for peanut butter increase, then the demand for jelly will also increase.

Substitute Goods
A substitute good is a good that can take the place of another good. For instance, people who drink a hot beverage like coffee can substitute it for tea if they need to. Or people who drink 7-Up can substitute it with Sprite. If the price of coffee goes up, people will begin to switch to drinking more tea, which increases the demand for tea and leads to a decrease in demand for coffee.
These Factors can Shift the Demand Curve
All of these factors can have an effect on the amount of a good demanded. Any change in the demand from these factors can be shown on a demand curve graph. A change in demand will cause the demand curve to shift either to the right or left. A shift to the left means there would be a decrease in demand, while a shift to the right would mean an increase in demand. The graph above shows the shift in demand.

6. What is a substitute good?
7. If the price for Sprite increases, what will happen with the demand for a substitute good like 7-UP?
8. What are complementary goods?
9. If demand for one complementary good like a printer decreases, what would happened for the demand of ink cartridges?
10. A change in what, will cause the demand curve to shift to the left or right?
11. When the demand curve shifts to the right, what occurs with demand?
12. When the demand curve shifts to the left what happens with demand?
Graphing a Demand Curve
Famous Jak’s Donuts

Directions: Using the demand schedule below, graph a demand curve for Famous Jak’s Donuts in the blank graph and answer the related questions.

Demand Schedule for Famous Jak’s Donuts

<table>
<thead>
<tr>
<th>Price for One of Jak’s Donuts</th>
<th>Demand for Jak’s Donuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the price of one donut is</td>
<td></td>
</tr>
<tr>
<td>$5</td>
<td>5 people would demand it</td>
</tr>
<tr>
<td>$4</td>
<td>10</td>
</tr>
<tr>
<td>$3</td>
<td>15</td>
</tr>
<tr>
<td>$2</td>
<td>20</td>
</tr>
<tr>
<td>$1</td>
<td>40</td>
</tr>
</tbody>
</table>
Graphing a Demand Curve
Famous Jak’s Donuts

1. If the price for a Famous Jak’s donut is $4.00, what will be the amount of donuts demanded by consumers?

2. What if the price for a donut is $1.00, how many will be demanded?

3. As the price for a donut decreases, what happens with the amount demanded?

4. As the price for a donut increases, what happens with the amount demanded?

5. What do you think would happened with demand, if the price of a donut was $10?
Little John’s Burgers
Create a Demand Curve Graph

Directions: Using the following demand schedule, create a demand curve graph. Make sure to label all parts of the graph and answer related questions.

<table>
<thead>
<tr>
<th>Price for One of Little John’s Burgers</th>
<th>Demand for Little John’s Burgers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12</td>
<td>10</td>
</tr>
<tr>
<td>$10</td>
<td>15</td>
</tr>
<tr>
<td>$8</td>
<td>25</td>
</tr>
<tr>
<td>$6</td>
<td>30</td>
</tr>
<tr>
<td>$4</td>
<td>40</td>
</tr>
</tbody>
</table>
Little John’s Burgers
Create a Demand Curve Graph

1. As the price of John’s burgers increases, what happens with the demand for them?

2. What happens with the demand for the burgers, if the price drops?

3. If people’s income increases, what would happen with the demand for John’s Burgers?
   a. Would this cause the demand curve to shift to the right or left?

4. What would happen if people’s taste changed and people preferred to each healthier, what would happened with the demand for John’s Burgers?
   a. Would this cause the demand curve to shift to the right or left?

5. What if there was a large increase in the population around John’s restaurant, what would happen with the demand for his burgers?
   a. Would this cause the demand curve to shift to the right or left?
Fill in the demand curve graph below, using the following clues.

<table>
<thead>
<tr>
<th>Price for Each Shoe</th>
<th>Demand Curve: Z Shoes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity Demanded for Z Shoes</td>
<td>Increase in Demand</td>
</tr>
<tr>
<td>Demand Curve Shifts to the Right</td>
<td>Decrease in Demand</td>
</tr>
<tr>
<td>Demand increase as Price Decrease</td>
<td>Demand Curve Shifts to the Left.</td>
</tr>
</tbody>
</table>

Assessment

The Law of Demand = 8.__________________________
<table>
<thead>
<tr>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
</table>
| 1. What determines the price of a good or service? | a. Demand only  
  b. Supply only  
  c. Supply and Demand  
  d. None of the Above |
| 2. Consumer are | a. people that sell goods and service.  
  b. people that buy goods and services.  
  c. People that consume food.  
  d. None of the Above |
| 3. Demand means | a. the amount of a good or service that consumers are willing to buy.  
  b. is the amount of a good or service produced.  
  c. is the price that is demanded by consumers.  
  d. None of the Above |
| 4. What does the law of demand say | a. consumers will buy less of something when price go down.  
  b. consumers will buy more of something when price increase.  
  c. consumers will buy more of something when prices go down.  
  d. None of the above. |
| 5. If the price of a good or service increases what will happen to the demand for it? | a. increase.  
  b. decrease.  
  c. stay the same.  
  d. nobody knows. |
| 6. In what way can demand be shown | a. demand schedule chart.  
  b. demand curve graph.  
  c. by using the formula D + E =DE  
  d. A and B. |
| 7. A factor that can change the amount demanded for a good would be | a. Income  
  b. Population  
  c. Tastes  
  d. All of the Above |
| 8. If a good becomes popular or fashionable, what will happen with the demand for the good? | a. Decrease  
  b. Stay the same  
  c. Increase  
  d. None of the above. |
9. When is comes to substitute goods, if the price of Sprite increases, what will happen with the demand for a substitute good like 7-UP?
   a. Increase
   b. Decrease
   c. Stay the same
   d. None of the Above

10. If demand for one complementary good like a printer decreases what would happened with the demand for ink cartridges?
   a. Increase
   b. Decrease
   c. Stay the same
   d. None of the Above

**Select the best term for each:**

<table>
<thead>
<tr>
<th>substitute good</th>
<th>demand</th>
<th>complementary goods</th>
<th>consumer</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. _____________ the amount of a good or service that consumers are willing to buy.</td>
<td>demand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. _____________ is a good that can take the place of another good</td>
<td>substitute good</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. _____________ are goods that are used together.</td>
<td>complementary goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. _____________ people that buy goods and services.</td>
<td>consumer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**True and False**

15. ___________ When a good becomes cheaper, people often see it as a deal and will demand more.

16. ___________ When the price for a good increases, then people will demand more of it.

17. ___________ Besides price, there are others factors such as income, taste, and substitute goods that can change demand for a good or service.

18. ___________ The demand curve can only shift in one direction.
**Directions:** Using the following demand schedule, create a demand curve graph. Make sure to label all parts of the graph and answer related questions.

### Demand Schedule for Jane’s Cookies

<table>
<thead>
<tr>
<th>Price for One of Jane’s Cookies</th>
<th>Demand for Jane’s Cookies</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 2.50</td>
<td>10</td>
</tr>
<tr>
<td>$ 2.00</td>
<td>20</td>
</tr>
<tr>
<td>$ 1.50</td>
<td>40</td>
</tr>
<tr>
<td>$ 1.00</td>
<td>60</td>
</tr>
<tr>
<td>$ .50</td>
<td>100</td>
</tr>
</tbody>
</table>

19.
Assessment

The Law of Demand
Supply and Demand

Complete all missing areas of both chart below.

How 1. __________ Goods Work

An Increase in demand for one Good

Leads to an increase in demand for a complementary Good.

How a 2. ________ Good Changes Demand

If the price goes up for 7up

3. __________

Which will cause an

4. __________
## Answer Key

### Assessment

<table>
<thead>
<tr>
<th>The Law of Demand</th>
<th>Supply and Demand</th>
</tr>
</thead>
</table>
| 11. demand  
12. substitute good  
13. complementary goods  
14. consumer  
15. T  
16. F  
17. T  
18. F |
The Law of Demand

How is the price for a good or service determined?

A. Combination of Supply and Demand
   1. The Supply = How much is made available by the company (producer)
   2. The Demand = How much is demanded by the consumer
What is DEMAND?

A. the amount of a good or service that consumers are willing to buy.

What is the Law of Demand?

= says that consumers are willing to buy (demand) more of a good or service when prices go down.
= consumers will buy (demand) less when prices increase.

*Way is this True?:* When a good becomes cheaper, people see it as a deal and will want or demand more of it.

The opposite is true when the price of something goes up; people see it as expensive and are less likely to buy it.
How Demand Works

If the price of a good goes up (Increases) Then Demand for the good will decrease.

If the price of a good goes down (Decreases) Then Demand for the good will increase.

What does Demand Look Like on a Chart?

a. Demand can be shown on Demand Schedule Chart.

<table>
<thead>
<tr>
<th>Demand Schedule for Ipad</th>
<th>Price for One Ipad</th>
<th>Demand for Ipad</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If the price of an Ipad is $1000</td>
<td>5 people would demand it</td>
</tr>
<tr>
<td></td>
<td>$800</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>$600</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>$400</td>
<td>20</td>
</tr>
</tbody>
</table>
How can demand be shown on a graph?

<table>
<thead>
<tr>
<th>Demand Schedule for iPads</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Price for one iPad</td>
<td>Demand for iPads</td>
</tr>
<tr>
<td>If the price of an iPad is $1000</td>
<td>5 people would demand it</td>
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<tr>
<td>$800</td>
<td>10</td>
</tr>
<tr>
<td>$600</td>
<td>25</td>
</tr>
<tr>
<td>$400</td>
<td>20</td>
</tr>
</tbody>
</table>

This is the demand curve, which shows the demand for the good at different prices.

Quantity Demanded
These are the number of iPads demanded by consumers when iPads are at a certain price.

What are five factors that can change demand?

A. Besides price, other things can change the demand for goods.

C. Complementary Goods
T. Tastes
I. Income
P. Population
S. Substitute Goods

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How does INCOME change demand?

I. The more money people make, the more goods they are able to buy.
   A. Higher incomes increase the demand
   B. Lower incomes decrease in demand

How does consumers’ taste change demand?

A. If a good is popular or considered fashionable then the demand for the good will increase.

B. If a good is unpopular or disliked there is a decrease in the demand for it.
How does POPULATION change demand?

A. an increase in the number of people, means more people are able to buy a good.

  a. Increase in population $\Rightarrow$ increase in demand.
  
  b. Decrease in population $\Rightarrow$ decrease in demand.

How does complementary goods change demand?

A. Complementary goods are goods that are used together.

For example; peanut butter is often used with jelly.

a. If the demand for peanut butter decreases for some reason, then the demand for jelly will also decrease

b. If the demand for peanut butter increase, then the demand for jelly will also increase.
What is a SUBSTITUTE GOOD?

A. Substitute good is a good that can take the place or be replaced for another good.

For example: If people want to they can substitute the drink Sprite for a 7up.
How a Substitute Good Changes Demand

If the price goes up for 7up

People will switch to Sprite

Which will cause an increase in the demand for Sprite

What is a Demand Curve Shift?

The five (CTIPS) factors that change demand will cause the demand curve line in a graph to shift either to the right or left.

Left Shift = occurs when one of these factors decreases demand.

Right Shift = occurs when one of these factors increases demand.
Demand Curve Shift

The shifts occur from one of the five CTPS factors.

Increase in Demand
Demand Curve Shifts to the right

Decrease in Demand
Demand Curve Shifts to the left

Quantity Demanded
These are the number of ipads demanded by consumers when ipads are at a certain price.