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**DEMAND! Practice 101**

***Directions***: Using what you just learned about **demand** & its associated principles complete each of the following.

1. **Demand** is defined as both the ***willingness*** and ***ability*** to pay for a good or service at a given price. You may ***want*** something but may be ***unwilling OR unable*** to pay for it (\*or you simply cannot afford it based on your budget/income). Based on that definition, evaluate your personal ***demand*** for each of the following:

**Mercedes SLS Gullwing sedan ($250,000)-**

**Lamborghini Countach ($300,000)-**

**Kia Spectra ($11,000)-**

**Volkswagon Golf ($18,380)-**

**Pontillo’s medium cheese pizza ($10.80)-**

**Dinner at Black & Blue in Pittsford ($125)-**

**A movie at “Movies 10”-**

**A deluxe European vacation ($12,000)-**

**An Armani suit or Vera Wang dress ($2000)-**

**Converse “All Star” sneakers-**

1. Create ***both*** a **demand schedule** and a **demand curve** for pizzas using the following concept determining demand: “As **prices rise**, ***quantity*** demanded will **fall,** and as **prices fall** ***quantity*** demanded will **rise”**

|  |  |
| --- | --- |
| Price per pizza | Quantity demanded |
|  |  |
|  |  |
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1. Using the idea of the law of **diminishing marginal utility** explain what you would do in the following situation: You have just run a marathon & crossed the finish line. A vendor has a table with cold bottled water lined up on it & a special going where the first bottle costs you $3, the second $2.75, the third $2.50, etc. with each additional bottle you purchase costing you $.25 less. How many bottles of water would you purchase? Why? How does this fit in with the marginal utility law?
2. If you go to Old Navy expecting to buy a pair of jeans for $25 & find that jeans are on sale for $10/pair & you have $50, what would you likely do? Is this an example of the ***income effect*** or ***the substitution effect?***

**5 Factors of Demand: Income, Market Size, Complements/Substitutes, Consumer tastes, & Consumer Expectations**

1. Evaluate the concept of ***shifting demand*** using the **5 factors of demand** & each of the examples below. Which of the 5 factors causes a shift in demand in the case of each of the following examples? Identify which direction demand would shift & which factor(s) is involved.

**The i-phone 6 comes out-**

**The price of gas is expected to rise due to ISIS terrorism-**

**A new formula of Coca-Cola comes out-**

**You receive a raise at your job-**

**Henrietta experiences rapid demographic shifting to New Mexico-**