

Section 2: Guided Reading and Review

Shifts of the Demand Curve



A. As You Read

As you read Section 2, answer the following questions in the space provided.

1. What condition must exist to make a demand curve accurate? _____

2. What happens to a demand curve when there is a change in factors (other than price) that can affect consumers' decisions about purchasing the good? _____

3. How does consumer income affect the demand for normal and inferior goods? _____

4. How does consumer expectation affect demand for certain goods? _____

5. Explain how the baby boom generation affected demand for certain goods. _____

6. How are consumer tastes and advertising related? _____

7. Explain how demand for a good can affect demand for a related good. _____

8. Give an example of a substitute good. _____

B. Reviewing Key Terms

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- ____ 9. all other things held constant
- ____ 10. goods whose demand increases as consumer income increases
- ____ 11. goods whose demand falls as consumer income increases
- ____ 12. goods that are bought and used together
- ____ 13. goods that are used in place of one another

Column II

- a. normal goods
- b. substitutes
- c. *ceteris paribus*
- d. inferior goods
- e. complements



Section 3: Guided Reading and Review

Elasticity of Demand

A. As You Read

As you read Section 3, supply the missing information in the spaces provided.

Calculating Elasticity (Provide a formula or numerical value.)

1. Computation of elasticity of demand: _____

2. Elastic demand: _____

3. Inelastic demand: _____

4. Unitary elastic demand: _____

Factors Affecting Elasticity (How does each affect elasticity?)

5. Substitutes: _____

6. Necessities vs. luxuries: _____

7. Changes over time: _____

Elasticity and Revenue (Define and explain.)

8. Total revenue: _____

9. How elasticity affects a company's pricing: _____

B. Reviewing Key Terms

Briefly define or identify each of the following.

10. elasticity of demand _____
11. inelastic _____
12. elastic _____
13. unitary elastic _____