Exercise walk-through

Demand ▪ 1.4

eXercise

You must be able to

- state the **law of demand 需求定律** and explain the inverse price-quantity relationship
- distinguish a change in **quantity demanded** (movement) from a change in **demand** (shift)
- identify the **determinants of demand 需求的决定因素**
- classify goods as **normal 正常品** or **inferior 低档品**, **substitutes 替代品** or **complements 互补品**

Method — The law of demand

As price **rises**, quantity demanded **falls** (an inverse relationship), so the demand curve slopes **downward**.

Method — Movement vs shift

A change in the good's **own price** is a **movement along** the curve (a change in quantity demanded). A change in a **determinant** shifts the whole curve (a change in demand).

Method — Determinants of demand

Income, tastes, prices of related goods (substitutes and complements), expectations, and the number of buyers. A rise in income raises demand for a **normal** good and lowers it for an **inferior** good.

Practice 2.1 ▪ 1 mark

State the law of demand.

Solution 2.1

Worked steps

as the price of a good rises, the quantity demanded falls (other things equal) B1.

Practice 2.2 ▪ 1 mark

State whether a change in the good's own price causes a movement along or a shift of the demand curve.

Solution 2.2

Method: Movement vs shift

Worked steps

a movement along the demand curve **B1**.

Practice 2.3 ▪ 2 marks

List three non-price determinants of demand.

Solution 2.3

Worked steps

any three of: income, tastes, prices of related goods, expectations, number of buyers

B1 **B1** *for two; for three.*

Exam-style 3.1 ▪ 1 mark

The demand curve slopes

A upward

B downward

C vertically

D horizontally

Solution 3.1

Method: The law of demand

A upward

B downward ✓

C vertically

D horizontally

Worked steps

B.

Exam-style 3.2 ▪ 1 mark

A rise in income raises the demand for a

A normal good

B inferior good

C substitute only

D complement only

Solution 3.2

Method: Determinants of demand

A normal good ✓

B inferior good

C substitute only

D complement only

Worked steps

A.

Exam-style 3.3 ▪ 1 mark

The price of coffee rises sharply.

(a) State the effect on the quantity of coffee demanded.

(b) State the effect on the demand for tea.

(c) State what type of good tea is to coffee.

Solution 3.3

Worked steps

(a) it falls (a movement up the demand curve) **B1**. (b) demand for tea rises **B1**. (c) a substitute **B1**.