**RWS#2: Basic Price Toolkit (Demand and Supply Curves)**

**Due for: Monday 14th October 2019**

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| **GENERAL INSTRUCTIONS:**  *Please complete a revision worksheet summarizing the work from the last two weeks. The work should be taking you* ***up to 2.25 hours*** *to complete and should consist of a 1 A4 double paged summary based on the questions below. Please print out a double sided version to be handed in and marked on the date above (emails will not be accepted so make sure you are printing off your sheet before the lesson).*  *Remember to use all of the space over your two sides of A4 and make sure the ‘margins’ in Word are put as ‘narrow’. Feel free to reduce the size of the font if you are running out of space but nothing less than size 10. A better way to reduce would be to reread what you have written and try to be more succinct; it must fit onto two sides of A4 only!*  *You should be reading and using all the compulsory resources below (remember you will have already read an awful lot of these for homework and in class but there are a few extras I want you to read.*  *This revision worksheet should be taking you 2.25 hours…I suggest you spend 45 minutes writing up all your notes from class into a rough draft. Then, spend the next hour reading any extra information or clarifying concepts if you do not understand them. Then use the final 30 minutes to edit the work, make it look pretty and print it off.*  *REMEMBER THAT IF YOU DO NOT HAVE A PRINTER AT HOME YOU MUST FIND TIME BEFORE THE LESSON TO PRINT IT OFF AT COLLEGE*  *ALSO MAKE SURE THAT AS WELL AS STORING A COPY ON A MEMORY STICK, YOU ALSO EMAIL YOURSELF SO THERE CAN BE NO COMPUTER ISSUES WHEN IT COMES TO PRINTING OFF YOUR WORK* |
| **SOURCES**  **COMPULSORY (YOU MUST USE)**   * Notes you have taken in class * PREP homework – notes we reviewed in class which you prepared at home * Course textbook – pages 20-23 (ignore normal and inferior goods for the moment); 30-32 (ignore extension material – see below); 38-44 * Course textbook – pp48 (the case study 2.7 on OPEC); Pp50-52 (the housing market)   **EXTENSION (IF YOU HAVE TIME, TRY TO READ THESE)**   * Course textbook – pp 32-33 (ignore price elasticity of supply)   **ALL OF THESE RESOURCES CAN BE FOUND ON GODALMING ONLINE – ANY ISSUES, EMAIL OLLY on** [**ods@godalming.ac.uk**](mailto:ods@godalming.ac.uk) |

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| **SPECIFIC INSTRUCTIONS:**  **TITLE: RWS2 - Basic Price Toolkit (Demand and Supply Curves)**  **Introduction to Markets (1/5 of 20 % of a side of A4)**   * What is a market? * Who are the two main agents interacting in the market? Define these two agents and explain what their motives are.   **Demand Curve (2/5 or 40% of a side of A4)**   * Draw a demand curve and demonstrate the ‘Law of Demand’ (also called ‘Law of Price). Remember to include titles, co-ordinates and labels. * Draw a demand curve to demonstrate an ‘INCREASE’ and ‘DECREASE’ in demand (if prices stay constant or ‘the same’). Remember to include titles, co-ordinates and labels. * P I T OF POG (use this acronym to describe what might move along the demand curve and what might shift the demand curve). Remember to refer to the inter-relationships between markets (POG) which are joint demand (complements), competitive demand (substitutes) and derived demand for the demand curve.   **Supply Curve (2/5 or 40% of a side of A4)**   * Draw a supply curve and demonstrate the ‘Law of Supply’ (also called ‘Law of Price). Remember to include titles, co-ordinates and labels. * Draw a supply curve to demonstrate an ‘INCREASE’ and ‘DECREASE’ in demand (if prices stay constant or ‘the same’). Remember to include titles, co-ordinates and labels. * P COP OF POG (use this acronym to describe what might move along the supply curve and what might shift the supply curve). Remember to refer to the inter-relationships between markets (POG) which are composite demand and joint supply for the supply curve.   **Price Determination (Changes in Equilibrium) (1 or 100% of a side of A4)**   * Draw a supply and demand diagram in ‘price equilibrium’ and explain what ‘equilibrium’ means in the market for goods and services? What does price represent in the market to consumers? * What is price disequilibrium? Explain for both excess demand and excess supply. Also explain why the price does not stay in disequilibrium * Draw four diagrams to represent four different markets and for each diagram, you must draw a supply and demand curve with a price equilibrium as a starting point. The four diagrams should be then showing (i) An increase in demand (ii) a decrease in demand (iii) an increase in supply and (iv) a decrease in supply. (Remember this is different from the instructions above as you are including BOTH supply and demand curves on the same diagram. * For each diagram, use a ‘real life example’ that you have researched in the News (there are examples you can use in your textbook too – see compulsory resources) to explain why (for example), the demand curve has shifted to the right. * For each diagram, once you have established the initial shift of the curve, explain what happens to the price and then the movement along the other curve. For example, if you are showing an increase in demand, the demand curve would shift to the right….this would push up the price of the product…the increased price would act as an incentive for firms to produce more because they can make more profit. Try and relate your example in the above bullet point to this explanation. |