

Name: _____

Chapter 4 Homework- Weiss

Section 1- Understanding Demand

For questions #1-3 give an example of each of the following terms (try to create your own example):

1. Law of Demand:
2. Income Effect:
3. Substitution Effect:
4. Explain the difference between a market demand schedule and an individual demand schedule.
5. Draw and label a demand curve for peanut butter.
6. Under what condition is a demand curve accurate?

Section 2 – Shift of the Demand Curve

1. What is meant by “Ceteris Paribus”?
2. What happens to a demand curve when the price of the object changes?
3. What happens to the demand curve when there is a change in factors other than price that affect consumers’ decisions about purchasing a good?
4. How does a rise in income effect the demand for
 - a. Normal Goods:
 - b. Inferior Goods:
5. How does consumer expectation affect the demand of certain goods?
6. Explain how the baby boom generation affected demand for certain goods at various stages of their lives.

7. How are consumer tastes and advertising related?

8. Explain and give an example of:
 - a. Complements:

 - b. Substitutes:

9. How can a change in quantity demanded peanut butter affect the demand for:
 - a. Jelly:

 - b. Fluff:

Section 3 – Elasticity of Demand

1. Define Elasticity of demand:

2. What does it mean if a good has elastic demand?

3. Give examples of 3 goods with inelastic demand:

4. State the elasticity ratio (formula):

$E =$

5. Fill in the chart below: What does it mean if the elasticity value is:

Value	Response
$E < 1$	
$E > 1$	
$E = 1$	

6. Identify three (3) factors that affect elasticity and explain how these factors affect a good's elasticity:

7. How can elasticity of demand change over time?

8. How does a company determine its total revenue:

9. Explain how price changes can affect total revenue for goods with:
 - a. Elastic Demand:

 - b. Inelastic Demand: