

Name _____

Date _____

Supply & Demand - Answer Key

Use the text to answer each question below.

1. An economy is the system of producing, buying, and selling goods in a country. Goods are things that people make or grow. Action figures and apples are examples of goods. A service is work that people do for other people. Cleaning houses, teaching and running a restaurant are examples of services. Producers make or grow goods or provide services. Consumers buy these goods and services. In an economy, the prices of goods and services go up and down. The changes in price are related to how many goods and services are available and how many of them people want.

According to the passage, what is the relationship between consumers and producers in an economy?

- A. Consumers make the prices of goods and services go up. Consumers make the prices go down.
- B. Producers make the prices of goods and services go up. Consumers make the prices go down.
- C. Consumers buy the goods and services that producers make, grow, and provide.
- D. Producers buy the goods and services that consumers make, grow, and provide.



The text states, "An economy is the system of producing, buying, and selling goods in a place...Producers make or grow goods or provide services. Consumers buy these goods and services."

2. Supply is the amount of a good or service that's available to buy. If there are 70 birthday cakes available for sale, the supply is 70. When there's a lot of a good or service available, we say the supply is high. When there's not much available, we say the supply is low. Demand is how much of a good or service people want to buy. If 50 people each want to buy a birthday cake, the demand is 50. Demand is high when many people want to buy a good or service. It is low when not many people want to buy the good or service.

A bookstore has 100 copies of ***Harry Potter and the Sorcerer's Stone***. 65 people want to buy one copy each. Based on the passage above, what is the demand for ***Harry Potter and the Sorcerer's Stone***?

A. 100



B.

65

*According to the passage, "Demand is how much of a good or service people want to buy. If 50 people each want to buy a birthday cake, the demand is 50." So, if 65 people want to buy a good, like a copy of *Harry Potter and the Sorcerer's Stone*, the demand for that good is 65.*

C. 35

D. 165

3. Nature and the environment can affect the supply of a good or service. For example, almonds need a lot of water to grow. If there's a drought, a long period of time with little or no rain, it can become harder to grow almonds. The cost of producing a good or service can also affect its supply. Imagine a new toy is very expensive to make. To save money, producers may not supply as many of the toy.

Sometimes, people are not able to buy all the goods and services they want because the goods and services are not available. People cannot find the goods or services or have trouble finding them. This is called scarcity. The good or service that is in very low supply is scarce.

What does "available" mean in the passage above?



A.

Easy or possible to get

The passage states, "Sometimes, people are not able to buy all the goods and services they want because the goods and services are not available. People cannot find the goods or services or have trouble finding them." The detail "cannot find the good or services or have trouble finding them" shows that here, "available" means the opposite: "easy or possible to get."

B. Hard to find

C. Needing water to grow

D. Costing a lot of money

4. When a lot of people want to buy something, but it's hard to find, the price often goes up. Imagine that a lot of people want to buy almonds because they're healthy and are used in many recipes. Demand for almonds would be high. But if there's a drought, almonds may be hard to find. When almonds are scarce, people may be willing to pay more for them. The almond producers can raise the price.

How does the author of this passage show that the price of something often goes up when a lot of people want to buy it, but it's hard to find?

A. By explaining the results of a science experiment



B.

By describing a situation that could happen in real life

This passage begins by stating, "When a lot of people want to buy something, but it's hard to find, the price often goes up." All the following sentences then describe a situation that could happen in real life involving the price of almonds. In this situation, the price of almonds could go up because the demand for them is high, and the supply is low.

C. By using quotes from an expert in supply and demand

D. By describing conversations he had with consumers

5. Imagine a scientific study comes out saying that almonds are not actually that healthy. Fewer people might want to buy almonds. Demand for almonds would go down. Almonds pile up because not many people are buying them. To encourage people to buy almonds, the producers may lower the price. The change in price of a good or service often follows the change in demand. When demand goes down, price goes down. When demand goes up, price goes up.

Which of the following statements would the producers mentioned in the passage likely agree with?

A. Lowering the price of almonds will make almonds seem less healthy.

B. Scientific studies don't affect how much people want to buy a good.

C. The demand for almonds will never go up again.



D.

Lowering the price of almonds will make more people want to buy them.

According to the passage, when the supply of almonds is high, "to encourage people to buy almonds, the producers may lower the price." So, the producers would likely agree with the fact that "lowering the price of almonds will make more people want to buy them."

6. We've seen how price changes as a result of supply and demand. Well, the supply of something and the demand for it can also change as a result of the price! When the price of something is high, producers want to supply more of it for people to buy. They want to make more money by selling more of the product at a higher price. This is called the Law of Supply. On the other hand, when the price of something is high, the demand for it often goes down. Consumers want to save money. So, the more expensive something is, the less they want to buy it. This is called the Law of Demand.

What is the main idea of this passage?

- A. If something is more expensive, consumers usually don't want to buy it.
- B. When the price of something is higher, producers want to supply more of it.
- C. People like making money more than they like spending money. ✓
- D. The price of something can affect the supply of it and the demand for it.

The passage states, "Well, the supply of something and the demand for it can also change as a result of the price!" The following details in the passage show how the price of something can affect the supply of it and the demand for it. The passage uses the Law of Supply and Law of Demand to support this claim.

7. For any good or service, there's a price where the supply is exactly the same as the demand. Producers are willing to supply a certain amount of the good or service at that price. And consumers are willing to buy the same amount of the good or service at that price. This is called the equilibrium point. It's also called the market-clearing price. When supply and demand become equal like this, people say "the market has cleared."

Based on the passage, when would someone say "the potato market has cleared"?

- A. When the supply of potatoes is much lower than the demand for potatoes ✓
- B. When the supply of potatoes is equal to the demand for potatoes

According to the passage, "For any good or service, there's a price where the supply is exactly the same as the demand...When supply and demand become equal like this, people say 'the market has cleared.'" So, someone would say "the potato market has cleared" when the supply of potatoes equals the demand for them.

- C. When nobody wants potatoes, but there are many of them for sale
- D. When producers stop growing potatoes even though everyone wants them

