

Name: _____ Date: _____ Period: _____

I can explain how supply, demand, and competition interact to determine price.
 I can explain how individuals compare price and quality when selecting goods and services.

What's the Price?

Directions: Read each statement in the cause column. Predict what will happen to the price and explain why.

Cause	Effect
Today is the day before the 4 th of July holiday and the fireworks stand is almost out of fireworks. What will happen to the price of fireworks?	The price will INCREASE because the demand will increase. People will want to get their fireworks and would be willing to pay a little more.
There are lots of holiday ornaments still on store shelves the day after Christmas. What will happen to the price of the ornaments?	The price will DECREASE because the demand will decrease. The store would be willing to lower the price in order to sell the remaining ornaments.
An oil well explosion reduces the amount of oil available to make a gasoline for cars and trucks. What will happen to the price of gas?	The price will INCREASE because since the supply is low, and everybody needs it, demand is still high. People would pay the cost b/c they need gas.
A car dealer has too many cars of last year's model still on his lot left to sell. The new models will be delivered next week. What will happen to the price of last year's model cars?	The price will DECREASE because the demand for last year's model will go down (since there is something new). Dealers would lower the price to get the old cars off the lot and make room for the new models.
A bakery accidentally bakes too many cupcakes on morning. Instead of 30 cupcakes, they now have 300. What will happen to the price of the cupcakes?	The price will DECREASE because the bakery needs to "move" (sell) those cupcakes, otherwise they would lose money (something is better than nothing). Though demand for these cupcakes may be low, people might buy them at a lower price.

PRIS\$E FOLLOWS DEMAND!