

Grade 7 EMS Worksheet

Assessment Task: Influence of Prices on Supply and Demand

How prices are determined; how prices influence demand and supply (Individual activity)

Read the information and the two case studies below and answer the questions that follow.

The prices of the inputs of production (the factors of production) influence the prices of goods. There are also other factors that determine prices.

1.

It is a very hot day at the rugby and the refrigerators are out of order. There are no cold soda drinks available. Jock and Selwyn decide to make a plan. They buy 24 cans of warm soda drinks from the tuck shop at R5 per can and put them in tubs with water and dry ice. They carry the tubs around and announce to the spectators that they have 24 ice-cold soda drinks available. The spectators are so eager for cold soda drinks that they start offering them more than the R10 per can they are charging. They sell the last two cans for R15 each and many of the spectators have to be turned away.

- Was the demand for the cold soda drinks high or low on the hot day at the rugby?
- Only Jock and Selwyn could supply cold soda drinks. What role did they play in economic terms?
- Why were Jock and Selwyn able to increase the price of their soda drinks?
- Explain why demand and supply determine prices.
- Do you think Jock and Selwyn could keep putting up their prices as they like? [5marks]

2.

Jock and Selwyn were so successful at selling their cold soda drinks that they decided to do it every week at the rugby game. They buy more of the soda drinks at the tuck shop and come prepared the next week with their tubs of ice and a placard that reads: "Ice-cold soda drinks: R15 each". However, when they get to the rugby match, they find that the refrigerators have been repaired and the spectators are buying soda drinks at the tuck shop again at R8 each. Nobody buys from Jock and Selwyn.

- What happened to prevent Jock and Selwyn from selling their ice-cold soda drinks at the next rugby match?
- The tuck shop was competition for Jock and Selwyn. Explain what that means.
- Why were the spectators not willing to pay Jock and Selwyn's prices that week?
- What would happen if the tuck shop put up their prices to R17 per can?
- Explain how prices influence demand and supply. [5marks]

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Suggested Solutions

Question number	Possible marks	Solution
1	5	<ul style="list-style-type: none"> a) High. b) They played the role of suppliers (producers) of the goods. c) Their sodas were in demand, everybody wanted it and the spectators were willing to pay more to satisfy their thirst. d) Demand and supply are market forces. The higher the demand, the more people are willing to pay for the goods. e) They would not be able to keep putting up their prices. At some stage the spectators would decide that they could not afford the high prices and would stop buying.
2	5	<ul style="list-style-type: none"> a) The tuck shop's refrigerator got fixed, so the tuck shop could also supply cold soda drinks. The spectators did not buy from Jock and Selwyn. b) It means that both the tuck shop and Jock and Selwyn supplied the same product to the same market. c) Jock and Selwyn's prices were much higher than the tuck shop's prices. The spectators could buy the same product from the tuck shop for cheaper. d) The spectators would rather buy from Jock and Selwyn, because their prices would then be the lowest. e) When prices are high, the demand for the goods would drop and supply would drop as a result. When prices are low the demand will increase and the supply would also have to increase.