

Grade 7 EMS Worksheet

Assessment Task: Market Prices

The link between prices and the economic problem (Individual activity)

Read the economic report below and answer the questions that follow.

Limited fuel supplies have caused an increase in the price of fuel. The increase in fuel prices and other production costs has forced supermarkets to increase the prices of basic foodstuffs. This has had a negative impact on business performance and consumers. Supermarkets have been experiencing a drop in sales, since consumers can no longer afford to buy as many foodstuffs as before. This has forced supermarkets to reduce the stock of foodstuffs on their shelves.

- a) What caused the increase in food prices? [2marks]
- b) What effect did the increase in food prices have on the demand? [1mark]
- c) How did the lower demand affect the supply? [2marks]
- d) Explain in your own words how the scenario in the economic report illustrates the economic problem (satisfying unlimited needs and wants by means of limited resources). [5marks]

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Suggested Solutions

| Question number | Possible marks | Solution |
|-----------------|----------------|--|
| 1 | 10 | <p>a) The increase in fuel prices ✓ and other production costs ✓ has forced supermarkets to increase the prices of basic foodstuffs. [2 marks]</p> <p>b) The demand for food has decreased. ✓ [1 mark]</p> <p>c) The lower demand has caused a decrease in the supply of foodstuffs, ✓ because the consumers cannot afford to buy as much as before. ✓ [2 marks]</p> <p>d) The first limited resource in this scenario is the limited fuel supply. ✓ People need fuel for transport, ✓ and the limited fuel led to an increase in the price of fuel. ✓ This creates a problem or adds to the economic problem, for people have limited resources of money. ✓ They have a need for certain foodstuffs, ✓ but if the prices go up too much, they cannot satisfy this need. ✓ [5 marks]</p> |