

## STUDY GUIDE

### Unit 2 Assessment: Supply, Demand, and Equilibrium

#### --Chapter 4 Demand

What is the Law of Demand?

What does a demand schedule show?

What way does a demand curve slope? Why?

What are the types of elasticity?

How would you be able to identify something that is Unit Elastic?

What does elasticity indicate?

What are the three questions to determine elasticity?

*Refer to page 120, figure 4.15*

-which items are elastic, and which ones are inelastic?

\*\*\*\*\*

#### --Chapter 5 Supply

What is the Law of Supply?

What way does a supply curve slope? Why?

How does the theory of production-how does it relate to production schedules

What are the three stages of production (returns) and how are they evident in a production schedule?

*Refer to p.139, figure 5.7*

#### Cost

*Refer to p.140*

What are the four types of production costs?

What are examples of fixed costs? Variable costs?

What is profit-maximizing output and how does a business know when it has reached that point?

A. Marginal cost is determined by what formula?

B. Using the formula above, go to Figure 5.8, p.141:

**What is the marginal cost for the increase from 6 to 7 workers?**

**Provide a written description for the solution, using the numerical answer and then the steps you used to solve the problem.**

### **Chapter 6 Equilibrium**

**What is equilibrium price?**

**How does disequilibrium occur—and how would it be indicated on a graph?**

**What are some undesirable consequences of rent control for a landlord as well as the public?**

**Why do producers raise their prices in a shortage?**