
3.3

Managing Resources

Demand and Supply

Learning Outcome Notes

LO 3.3 - Evaluate how changes in the supply and demand of goods and services in different markets can affect prices

CHAPTER QUESTIONS

1. Explain what a market is?
2. Define the term demand?
3. Describe the relationship between demand and the price?
4. List the factors other than price that can affect the level of demand?
5. Distinguish between normal and inferior goods?
6. Define the term supply?
7. Describe the relationship between supply and the price?
8. List the factors other than price that can affect the level of supply?
9. Explain the concept of market equilibrium?
10. Outline how the interaction of supply and demand has on the equilibrium position?
11. Evaluate how changes in supply and demand can affect price?

WHAT IS A MARKET

Market ^{Def} This is a place where goods and service are bought and sold (Final Market)

Markets include the following -

Final market ^{Def} This is a market - it is the last place where goods and services can be bought.

Factor Market ^{Def} This is where the factors of production can be bought and sold - Property.

Commodities ^{Def} This is a market for the sale of raw materials used in production of goods can be bought and sold - Gold, Silver, Copper

CONSUMER BEHAVIOUR

Economist (People who study the economy) make the following assumptions about consumers -

1. Consumers will choose the cheaper option of two products.
2. Consumers have to make a choice to get the best from the factors of production.
3. Consumers will try to get the most out of their purchase.
4. The satisfaction that a consumer gets from a product or service will decrease over time.

Law of Diminishing Demand ^{Def} This is the satisfaction that a consumer gets from a product or service will decrease over time.

DEMAND

Demand ^{Def} This is the quantity of a product that consumer will buy at the. It is the price they will buy.

Price is the most Important factor that affect the demand of a product or service. This is the Amount of money paid for a product or service. The lower the price of a product or service the higher the demand for the product or service. This is because the product is more attractive to the buyer.

NOTE - Demand will increase when the price is reduced, Demand will decrease when the price increase

Inflation ^{Def} This is the increase in the price of goods and service over a period of time. It is measured by the Consumer Price Index (CPI)

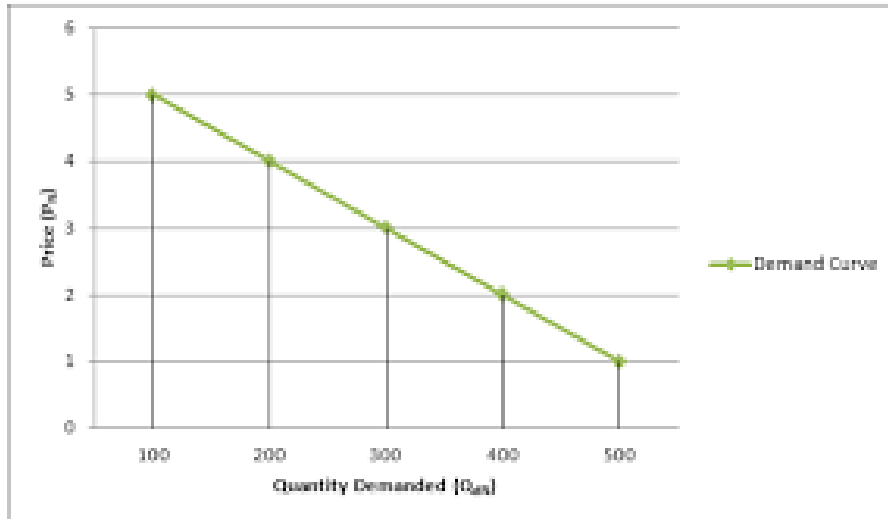
DEMAND SECHEDULE

Demand Schedule ^{Def} This shows the number of goods demanded by the consumer at different prices.

Price	Quantity demand
1	500
2	400
3	300
4	200
5	100

DEMAND CURVE

Demand Curve ^{Def} This is the curve you get when you plot the information form the demand schedule. It illustrates the expected demand for a product at various levels.



OTHER FACTORS AFFECTING DEMAND

1. Price of substitute products
2. Price of complementary goods
3. Fads and Fashion
4. Advertising
5. Change in market size
6. Seasonal factors
7. Price expectation of buyers
8. Income Levels

Remember you might be asked to explain these - so be able to write two sentence about each one

NOTE - If there is a fall in demand the demand curve will move the left . If there is an increase in demand the demand curve will move to the right

SUPPLY

Supply ^{Def} This is the quantity of a product that producers will sell at. It is the price they will sell.

NOTE - Supply will increase when the price is increased. Supply will decrease when the price Decreases.

SUPPLY SECHEDULE

Supply Schedule

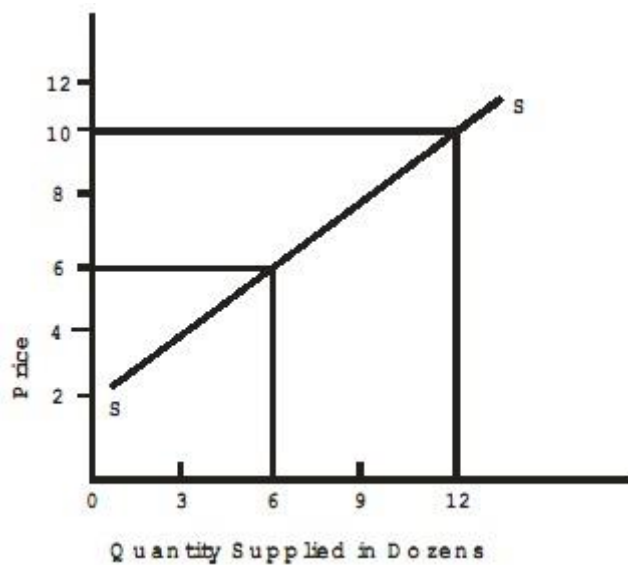
Def This shows how much the firm is willing to supply at particular prices

Price	Quantity demand
3	3
6	6
8	9
10	12

SUPPLY CURVE

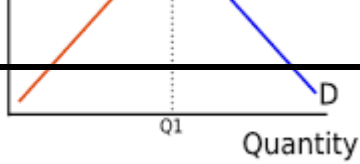
Supply Curve

Def This is the curve you get when you plot the information form the Supply schedule. It illustrates the quantity of a product that a seller is willing to supply at different prices.



OTHER FACTORS AFFECTING SUPPLY

1. Environment factors.
2. The Price of Related Goods.
3. Production and development costs.
4. Technology.
5. The number of Suppliers.



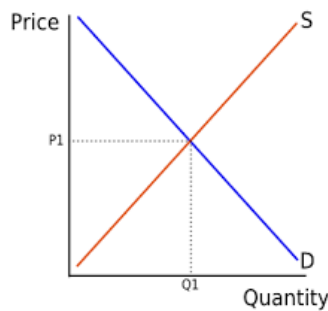
- 6. Expected sellers.
- 7. Government Intervention.

Commodity *Def* this refers to a raw material or agricultural product that can be bought and sold.

Quota *Def* This is a limit on the number of goods made available for sale - The number of fish you can catch.

EQUILIBRIUM

Equilibrium *Def* This is the balance between the demand and supply curve. It is the point at which the supply and demand intersect. Both are the same price.



Where this S line and the D line intersect - this is the equilibrium. It is at the point where both the consumer is happy with the price to buy the product and the supplier is happy with the price to sell the product.

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Managing Resources

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Past Exam Questions and Answers

NOTE - Very Important

It is very important when answering exams question that you use the following steps -

1. That you know the information for the learning outcome
2. That you understand the information form the learning outcome
3. That you can apply the information form the learning outcome to the question
4. Be able to give at least two full sentences for your answer (Fill up the space)

Questions are changing from rote learning to applying the knowledge to the Question

QUESTIONS

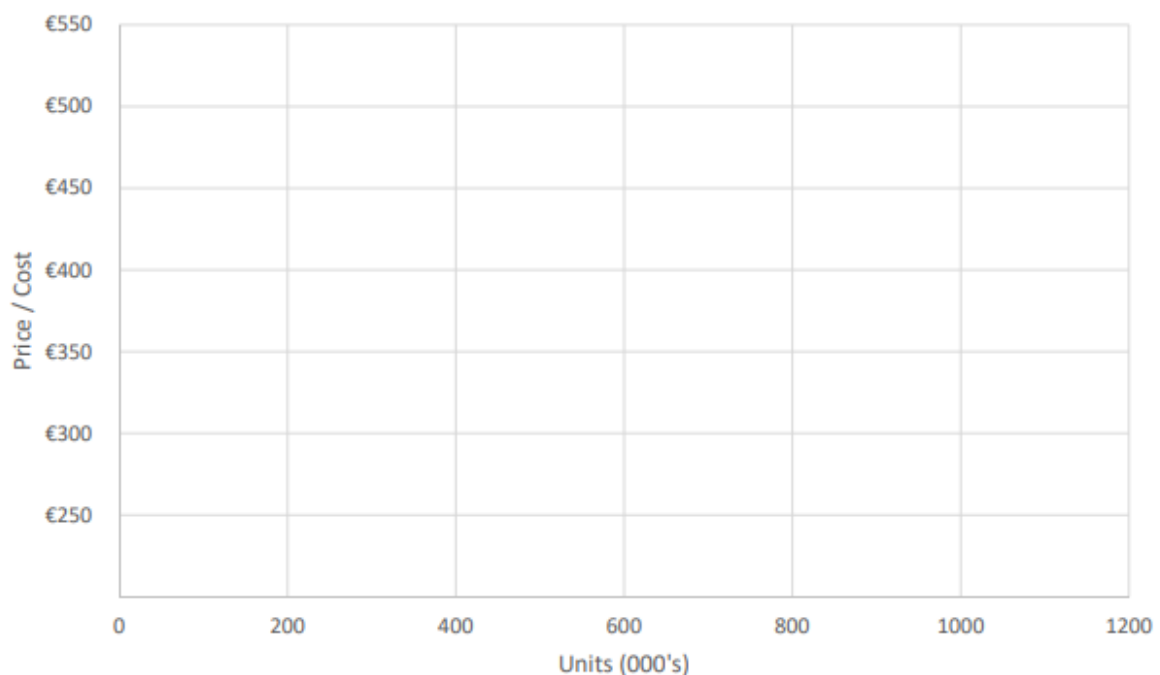
2022 - Question 16

(c) Sam, a former Lohan Ltd employee secured a job as a buyer of electrical goods for resale for an electrical retailer. As a buyer of stock for resale, they need to project demand for various products to ensure that the store has the correct quantity to meet consumer demand.

- (i) Use the information in the table below to draw the demand and supply curves for the Play-station 5 (PS5).

Price	Quantity Demanded (000's units)	Quantity Supplied (000's units)
€300	1,000	200
€350	800	400
€400	600	600
€450	400	800
€500	200	1,00

Demand and Supply Curves
Playststion 5 (PS5)



- (ii) Use your diagram to identify the equilibrium price and equilibrium quantity. Write your answers in the table below.

Equilibrium Price of the PS5	
Equilibrium Quantity of the PS5	

- (iii) The price of substitute goods and complementary goods are factors that affect the level of demand for a product. Indicate whether the following items are substitutes for or complimentary to a PS5 by placing a tick (✓) in the correct box.

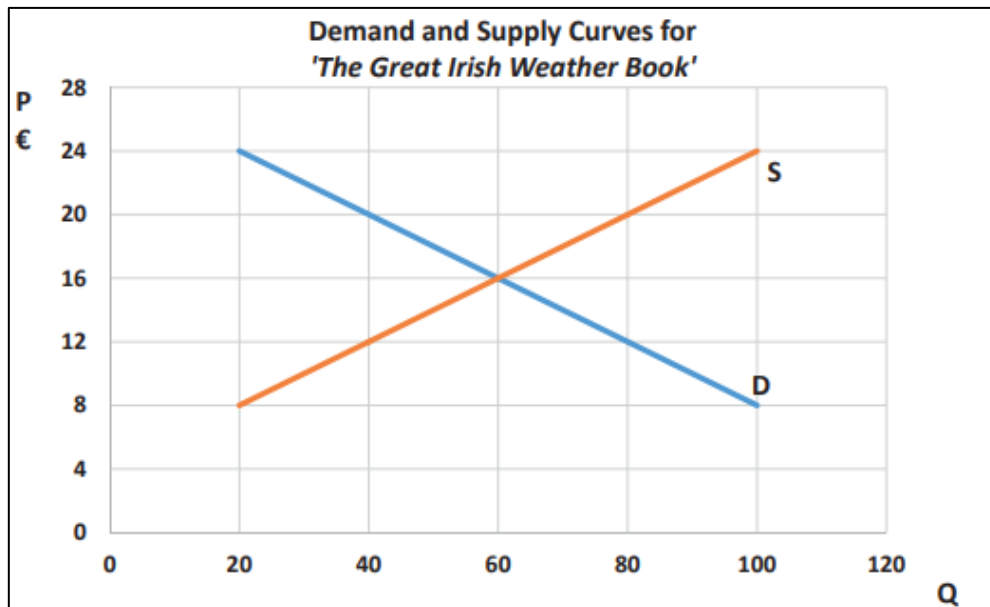
	Substitute	Complimentary
Xbox		
PS5 Controller		
Headset		
Gaming chair		

- (iv) When demand for a product remains high despite limited supply, consumers often turn to the black market, also known as the shadow economy. Indicate which of the following statements are true or false by placing a tick (✓) in the correct box.

Statement	True	False
Participation in the black market is illegal		
The black market is beneficial for businesses in Ireland		

2019 - Question 16

- (a) New Chapter is an award-winning traditional bookshop located in Tinahely, Co Wicklow. The demand and supply curves for one of its books 'The Great Irish Weather Book' are shown in the diagram below.



Use the diagram to answer each of the following questions.

Write your answer in the space provided.

- (i) Indicate the quantity supplied of 'The Great Irish Weather Book' at €20.

- (ii) Indicate the quantity demanded of 'The Great Irish Weather Book' at €8.

- (iii) Indicate the equilibrium price of 'The Great Irish Weather Book'.

- (iv) What impact would the following have on the demand for books in New Chapter? Place a tick (✓) in the correct box.

	Increased demand for books in New Chapter	Decreased demand for books in New Chapter
A reduction in the price of books	1,000	200
An increase in taxes (VAT)	800	400
Roll out of broadband to all areas in Wicklow	600	600
An Eason's store opening in the town	400	800

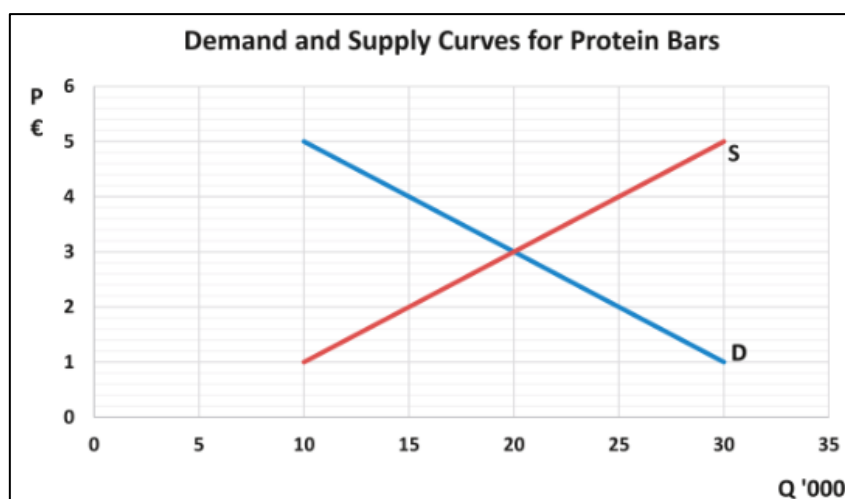
2019 - SEC - Question 18

(b) The demand and supply curve for the Pure Confectionary Company's protein bar are shown in the diagram below

(i) On the diagram below show the equilibrium price and quantity of the protein bars. Write your answer in the spaces provided below.

Equilibrium price

Equilibrium Quantity



(ii) Use the above diagram to identify the price at which the Pure Confectionary Company would be prepared to supply 25,000 protein bars.

Write your answer in the space provided below.

Price

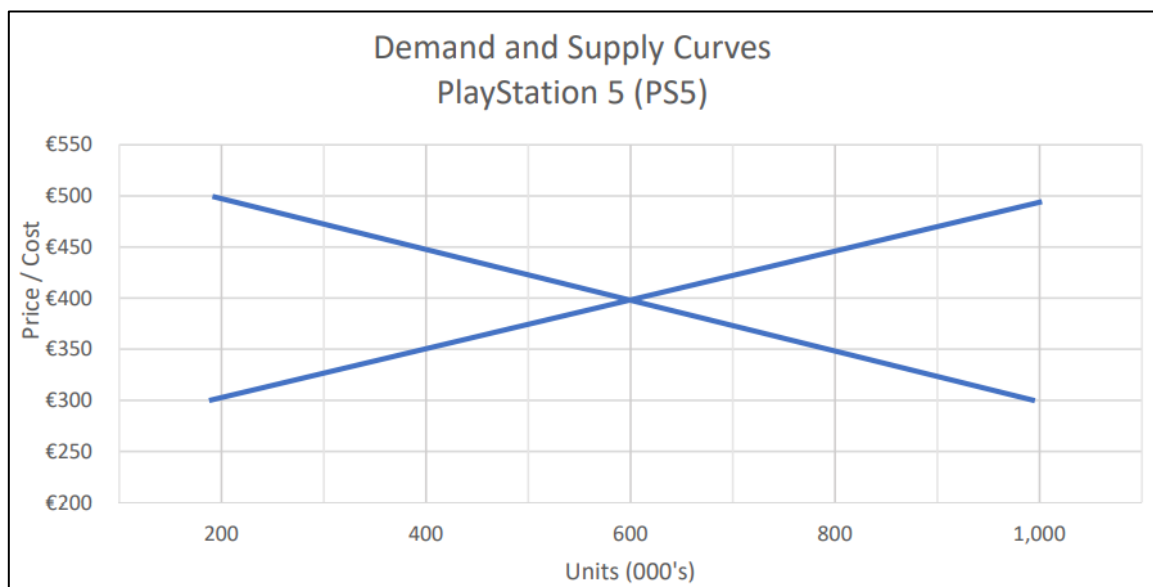
SUGGESTED SOLUTIONS

2022 - Question 16

(c) Sam, a former Lohan Ltd employee secured a job as a buyer of electrical goods for resale for an electrical retailer. As a buyer of stock for resale, they need to project demand for various products to ensure that the store has the correct quantity to meet consumer demand.

- (ii) Use the information in the table below to draw the demand and supply curves for the Play-station 5 (PS5).

Price	Quantity Demanded (000's units)	Quantity Supplied (000's units)
€300	1,000	200
€350	800	400
€400	600	600
€450	400	800
€500	200	1,00



- (ii) Use your diagram to identify the equilibrium price and equilibrium quantity. Write your answers in the table below.

Equilibrium Price of the PS5	€400
Equilibrium Quantity of the PS5	600,000 Units

- (iii) The price of substitute goods and complementary goods are factors that affect the level of demand for a product. Indicate whether the following items are substitutes for or complimentary to a PS5 by placing a tick (✓) in the correct box.

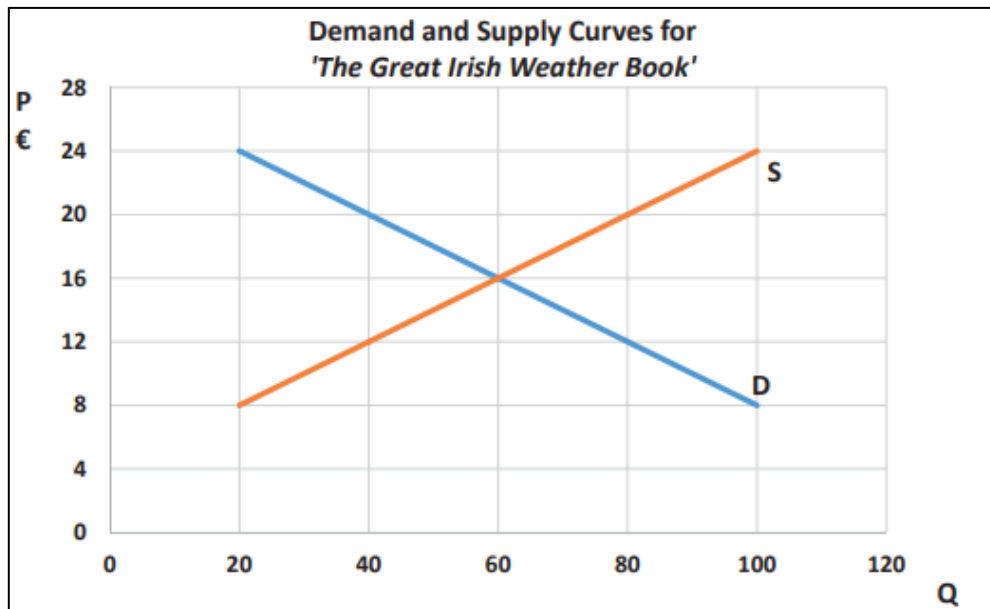
	Substitute	Complimentary
Xbox	✓	
PS5 Controller		✓
Headset		✓
Gaming chair		✓

- (iv) When demand for a product remains high despite limited supply, consumers often turn to the black market, also known as the shadow economy. Indicate which of the following statements are true or false by placing a tick (✓) in the correct box.

Statement	True	False
Participation in the black market is illegal	✓	
The black market is beneficial for businesses in Ireland		✓

2019 - Question 16

- (a) New Chapter is an award-winning traditional bookshop located in Tinahely, Co Wicklow. The demand and supply curves for one of its books 'The Great Irish Weather Book' are shown in the diagram below.



Use the diagram to answer each of the following questions.

Write your answer in the space provided.

- (i) Indicate the quantity supplied of 'The Great Irish Weather Book' at €20.

- (ii) Indicate the quantity demanded of 'The Great Irish Weather Book' at €8.

- (iii) Indicate the equilibrium price of 'The Great Irish Weather Book'.

(iv) What impact would the following have on the demand for books in New Chapter? Place a tick (✓) in the correct box.

	Increased demand for books in New Chapter	Decreased demand for books in New Chapter
A reduction in the price of books	✓	
An increase in taxes (VAT)		✓
Roll out of broadband to all areas in Wicklow		✓
An Eason's store opening in the town		✓

2019 - SEC - Question 18

(b) The demand and supply curve for the Pure Confectionary Company's protein bar are shown in the diagram below

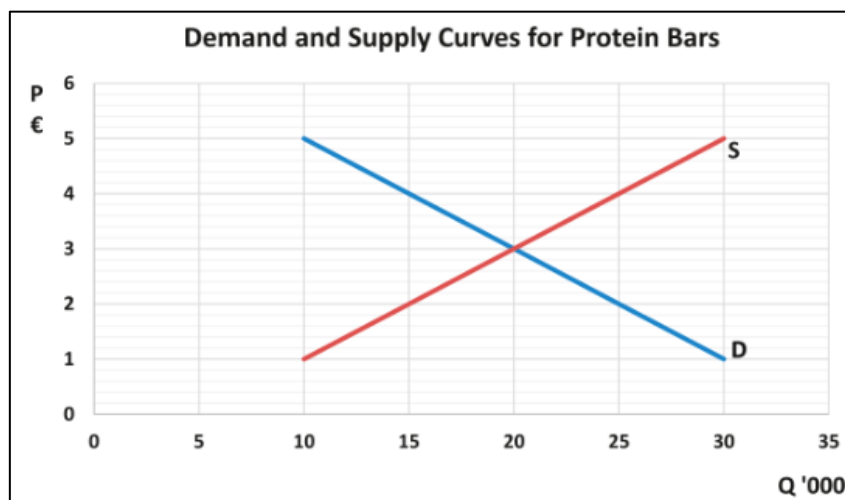
(ii) On the diagram below show the equilibrium price and quantity of the protein bars. Write your answer in the spaces provided below.

Equilibrium price

€3

Equilibrium Quantity

20



- (ii) Use the above diagram to identify the price at which the Pure Confectionary Company would be prepared to supply 25,000 protein bars.

Write your answer in the space provided below.

Price