

Make It Right

Directions: There is at least one error in each of the following sentences. Find the error(s) cross them out and write the correction below the sentence. When you have finished, ask your instructor for a copy of the answer guide.

1. The amount of money that is paid for a good, service, or resource is known as relative price.
2. If a pound of white onions is 45¢ and a pound of purple onions is 90¢, their relative price ratio is 1 to 3.
3. When prices go up and down, relative prices change if the ratio remains the same.
4. To decide what to produce, producers will provide goods and services that are least profitable—prices are relatively low.
5. To decide how to produce, a producer combines resources to produce at the highest cost possible.
6. In our economy, the government gets the goods or services that have been produced.
7. Relative prices do not help consumers determine what to buy.
8. Relative prices are only useful to producers.
9. In our economy, costs are the incentives which keep producers constantly changing and reallocating their resources.
10. Prices are the market's way of rationing unlimited resources, goods, and services to those people who cannot pay for them.
11. The interaction of prices and demand largely determines the type and quantity of goods, services, and resources provided.

12. Supply reflects the quantities that consumers are willing and able to buy at various prices during the same time period.
13. The higher the price of an item, the less of it that will be offered for sale.
14. As the price of a good decreases, consumers will demand less of it.
15. The point at which the quantity of a good that buyers want to buy equals the quantity that sellers are willing to sell at a certain price is referred to as excess supply.
16. Excess demand exists when the amount of a good demanded is less than that which will be supplied.
17. Excess supply exists when the amount of a good that will be supplied is less than that which will be demanded.
18. Changes in relative prices cause resource owners to substitute the purchase of one product for another.
19. The actual price that prevails in a market at any particular moment is the market-clearing price.
20. Factors that affect supply and demand have no effect on price.

What Effect on Price?

Directions: Read the following situations. Write whether the price will increase or decrease. Explain your answers. When you have finished, ask your instructor for a copy of the answer guide.

1. There are 1,000 concert tickets available for a popular singer; 1,500 people want to buy the tickets.
2. There are 40,000 seats available at the local stadium. The team has had a losing season for the past five years. Only 20,000 seats are demanded for the current football season.
3. A late freeze destroyed most of the citrus fruit in Florida.
4. There is an excess supply of computers.
5. There is excess demand for computer software.
6. A local supermarket has 300 watermelons in stock for \$3.00 each; 300 customers want to purchase the watermelons.
7. Your professional organization has a large supply of candles left from a recent fund-raising project. They cannot be returned.
8. The College Bookstore has 100 computer books to sell that were published five years ago.
9. National magazines have proclaimed catfish to be a very healthy food.
10. A recent report by the Food and Drug Administration stated that aspirin may be harmful for children.