AP MICROECONOMICS • EXERCISE SHEET

2.1 Demand

Name: ____________ Class: ________ Date: __________ **Total: 9 marks**

KEY WORDS demand 需求 • income effect 收入效应 • substitution effect 替代效应 • law of demand 需求定律 • supply 供给

Objective

Build the skills to answer exam questions on **demand**.

You must be able to:

- state the **law of demand 需求定律** and the inverse price-quantity relationship
- explain the downward slope with the **substitution effect 替代效应** and **income effect 收入效应**
- distinguish a movement **along** demand from a **shift**
- derive **market demand** by horizontally summing individual demand

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ The law of demand

As price rises, quantity demanded falls — the demand curve slopes **downward**.

■ Why it slopes down

- **Substitution effect** — the good becomes dearer relative to others, so buyers switch away.
- **Income effect** — a higher price lowers real purchasing power.

■ Movement vs shift; market demand

A change in the good's **own price** is a movement along the curve; a determinant change **shifts** it. **Market demand** is the horizontal sum of all individual demand curves.

2 Practice

2.1 State the law of demand. [1]

2.2 Name the two effects that explain the downward slope of demand. [2]

2.3 State how market demand is derived from individual demand curves. [1]

3 Exam-style questions

3.1 The demand curve slopes downward because of the substitution effect and the [1]

A income effect
B supply effect
C tax effect
D scale effect

3.2 A change in a good's own price causes a [1]

A shift of the demand curve
B movement along the demand curve
C shift of the supply curve
D no change at all

3.3 The price of a good falls.

(a) State the effect on the quantity demanded. [1]

(b) State whether this is a movement along or a shift of the curve. [1]

(c) Name one determinant that would instead shift demand. [1]