GAC BUSINESS • EXERCISE SHEET

1.2 Business economics and pricing

Name: ____________ Class: ________ Date: __________ **Total: 13 marks**

KEY WORDS scarcity 稀缺性 • opportunity cost 机会成本 • demand 需求 • supply 供给 • equilibrium price 均衡价格

Objective

Use **scarcity 稀缺性**, **opportunity cost 机会成本**, demand, supply, and equilibrium to explain a business pricing choice.

You must be able to:

- define opportunity cost using a next-best alternative
- distinguish demand from supply
- explain a shortage or surplus using price and quantity

1 Worked examples

Opportunity cost

A café buys a delivery bicycle instead of a second oven. The opportunity cost is the **second oven**: the next best option it gave up, not the bicycle's price.

Finding a useful price

At 3 yuan, 120 students want sandwiches but the café has 80. At 4 yuan, about 80 want one. The 4-yuan price matches quantity demanded with quantity supplied, so it is an **equilibrium price 均衡价格**.

2 Practice

2.1 Define opportunity cost. [2]

2.2 At a price of 2 yuan, 100 drinks are demanded but only 70 are supplied. State whether this is a shortage or surplus. [1]

2.3 Explain why a price rise may make supply more attractive to a firm. [2]

3 Exam-style questions

3.1 A café has 80 sandwiches. At 3 yuan, 120 are demanded; at 5 yuan, 50 are demanded; at 4 yuan, 80 are demanded. Recommend a price and justify your answer. [4]

3.2 A small business spends its savings on a delivery bicycle rather than a second oven. Explain the opportunity cost and one possible advantage of the bicycle. [4]

Solutions

2.1

- A choice means another option is given up.
- **Opportunity cost is the next best alternative given up.**

2.2

- Demand exceeds supply by 30 drinks.
- **Shortage**

2.3

- A higher selling price can increase revenue per unit.
- The firm may expect production to be more worthwhile.

3.1

- At 4 yuan, quantity demanded is 80 and the café supplies 80.
- At 3 yuan, demand exceeds supply and customers may leave disappointed.
- At 5 yuan, stock may remain unsold.
- **Recommendation:** choose 4 yuan because it matches today's supply and demand. (E1)

3.2

- The opportunity cost is the **second oven**, the next best alternative not bought.
- The bicycle may allow deliveries to customers who cannot visit the café.
- This may increase sales or convenience.