

3. DEMAND

Name _____ Date _____

Questions for Understanding

1. The table shows that Johnny's personal value of the first apple is \$1.00, and his personal value of a second apple is \$.80. This means his total value of both apples is \$1.80. Use the first table to answer these questions.

a. What is Johnny's personal value of a fourth apple? .30

b. What is his total value of having four apples? $\$1.00 + .80 + .50 + .30 = \2.60

2. Suppose the price of apples is \$.30 each. Using the graph, what is the maximum number of apples Johnny would buy each day? Why wouldn't he want to buy more than this quantity?

~~$\$2.60 / .30 = 8.6$~~ ~~Day 1 = $\$1.00 / .30 = 3$ Apples Max~~
~~Day 2 = $\$1.80 / .30 = 6$ "~~
~~Day 3 = $\$2.30 / .30 = 7.6$ "~~
~~Day 4 = $\$2.90 / .30 = 9.6$ "~~
~~He would not buy~~
 ~~$\$1.00 + .8 + .5 + .3 + .2 + .1 = \2.90~~
 ~~$\$2.90 / .3 = 9.6$ Apples Max~~
 I'm obviously not awake!!

3. Explain how the graph shows the price effect as it relates to demand.

As the price of a product falls, consumers become more willing to buy higher quantities.

4. Describe an instance in which you bought a CD, a movie ticket, a pizza, or some other product. What price did you pay, and what quantity did you buy? Assuming you had the money, why didn't you buy more of the product at that price?

Answers vary

Challenge Question

5. Johnny can eat apples or give them away. He can use them to make applesauce, apple juice, apple crisp, apple fritters, or apple pie.

a. Do you think apples have the same value to Johnny in all these possible uses? Explain.

Answers vary.

b. Suppose the price of apples is \$.90 each. Does the price cause Johnny to exclude using apples for all uses he values less than the price?

Most likely — b/c his demand schedule is built around the assumption that his personal usefulness (utility) for apples = the price he's willing to pay.