Activity 3: Calculate Prices and Quantities

Demand tells us how much consumers are willing and able to buy of a product at various prices during some time period. The **quantity demanded** is the amount of a product people are willing to buy at a specific price. If the price increases, the quantity demanded will decrease and as the price decreases, the quantity demanded increases. This relationship can be illustrated by an equation such as: $P = a – bQ$

Supply is how much producers are willing and able to supply at various prices during some time period. The **quantity supplied** is the amount of a certain good producers are willing to supply at a specific price. As the price increases, the quantity supplied increases. And as the price decreases, the quantity supplied decreases. This relationship can be illustrated by an equation such as: $P = a + b Q$

1. If the equation of demand equation for lemonade is $P = 5 – 2Q$
    *   Calculate the price if 1 glass of lemonade is sold.

    *   Calculate the number of glasses that will be sold if the price is $.50 per glass.

2. The equation of supply for beef burgers is $P = 2 + 1.5(Q)$
    How many burgers will the producer be willing to produce at a price of
    * $10

    * $12