

ECONOMIC AND MANAGEMENT SCIENCE
 LESSON PLAN AND ACTIVITIES
 GRADE 9 CAPS
 TERM 2

Topic: The Economy: Price theory	Week: 1 – 2 Duration: 4 periods
Prior content knowledge: The circular flow	Link with next lesson: Sectors of the economy
Content: Law of demand, demand schedule and graphical illustration of the demand curve; law of supply, supply schedule and graphical illustration of the supply curve; equilibrium price and quantity; change in quantity demanded; change in quantity supplied; increase and decrease in demand; increase and decrease in supply; graphical illustration in the change in demand and the change in supply	Important words: Definition of demand and supply; law of demand and supply; variable that influence demand and supply; equilibrium
Aims and Objectives of the lesson: By the end of the lesson learners will be able to: Identify the difference between demand and supply and the variables that influences demand and supply. Know the law of demand and supply Represent the information of demand and supply on a graph Indicate equilibrium; determine the equilibrium price and quantity	
Teaching Methods: Telling/explanation method Question and answer method Debate Discussion	Differentiation: Addressing barriers: Represent the information on graphs. Factors that influence demand and supply
ASSESSMENT STRATEGY: Formal / Informal <input type="checkbox"/> <input checked="" type="checkbox"/> Form of Assessment: Classwork, homework, worksheet Assessment tool: Memorandum Evidence of Assessment: Teacher: Activities are marked, corrected and dated. Learners: Activities are completed in their exercise books	
TEACHER'S ACTIVITIES: WEEK 1 PERIOD 1: The teacher will briefly explain demand, the law	LEARNERS' ACTIVITIES: WEEK 1 PERIOD 1: In their workbooks the learners will make a

<p>of demand and the variables that influence demand. Graphical illustration of the demand graph</p> <p>WEEK 1 PERIOD 2: The teacher will briefly explain supply, the law of supply and the variables that influence supply. Graphical illustration of the supply graph</p> <p>WEEK 2 PERIOD 1: Explain equilibrium price and quantity and draw a graph with demand and supply information</p> <p>WEEK 2 PERIOD 2: Explain increase and decrease in demand and supply and the graphical illustration</p>	<p>summary of the definition of demand, the law of demand and the variables of demand Draw a demand graph with information given to them</p> <p>WEEK 1 PERIOD 2: In their workbooks the learners will make a summary of the definition of supply, the law of supply and the variables of supply Draw a supply graph with information given to them</p> <p>WEEK 2 PERIOD 1: The learners draw the graphs on equilibrium</p> <p>WEEK 2 PERIOD 2: Draw graphs to explain increase and decrease in demand and supply</p>
<p>RESOURCES:</p> <p>Approved textbooks, magazines, newspapers, chalkboard, flip chart, interactive white board and overhead projector.</p>	
<p>Teacher's comments/reflection:</p>	
<p>HOD input: monitoring and support:</p>	

TOPIC: PRICE THEORY

DEMAND

DEFINITION

A business needs to assess what consumers need and want, but also what consumers are willing to pay.

THE LAW OF DEMAND

When the price of a product increases, the demand for the product will decrease.
 When the price of a product decreases, the demand for the product will increase.

DEMAND SCHEDULE

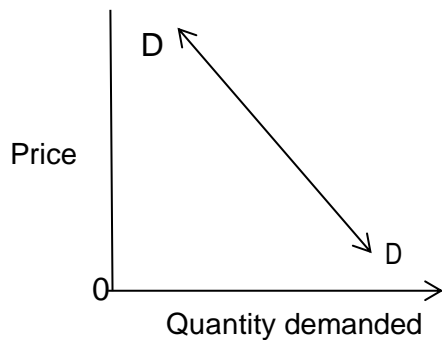
To show what the wants and needs of consumers are at specific prices.

DEMAND CURVE

It is a graphical illustration of the information found in the demand schedule.

The Y – axis = the price

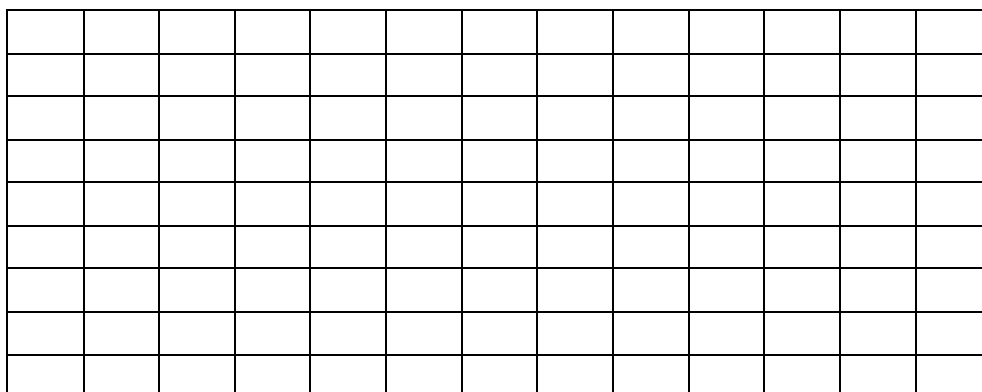
The X – axis = the quantity demanded



Use the following demand schedule to complete the graph to show Peter’s demand for cold drinks.

Price	Quantity demanded
6	6
5	8
4	10
3	12
2	14

Demand graph



CHANGE (a shift) IN QUANTITY DEMANDED

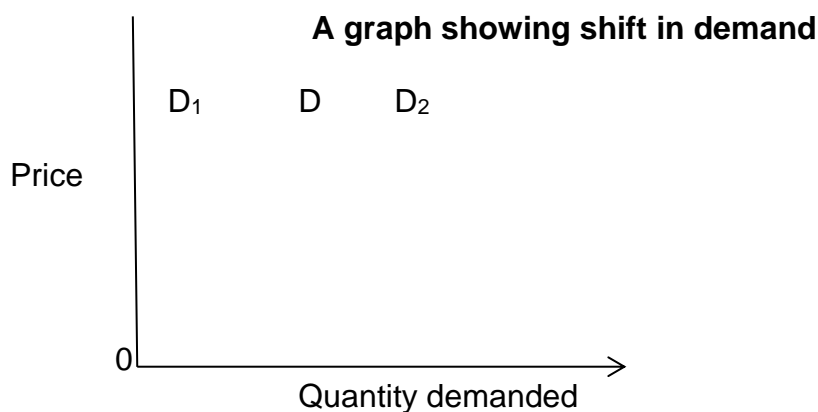
Changes in demand can occur when there are changes in the market conditions.

Factors influencing the demand:

- **Price of a product:**
If the price of a product increases the consumers will buy less.
If the price of a product decreases the consumer will buy more.
- **The amount of money consumers have:**
If a consumer's income is high, they buy more.
If a consumer's income is low they buy less.
- **Advertising:**
If a product is advertised effectively, consumers will buy more of the product.
- **Weather conditions/seasons:**
In summer people buy very few rain coats and rain boots.
In winter the demand for swimwear is very low.
- **Competition:**
What competitors are producing, be it better quality or better prices, will affect the demand a consumer has for products.
- **The price of other products – complementary items / substitute items:**
The price of complementary products increases, consumers will buy less.
Example: if the fuel price increases, the demand for cars will decrease.
The price of substitute products can affect the demand for certain items.
Example: if the price of "pure butter" increases the demand for "margarine" will increase as people prefer the cheaper substitute.
- **Fashion trends:**
When products are out of fashion, consumers do not want to purchase them.
When items are fashionable there will be a high demand.

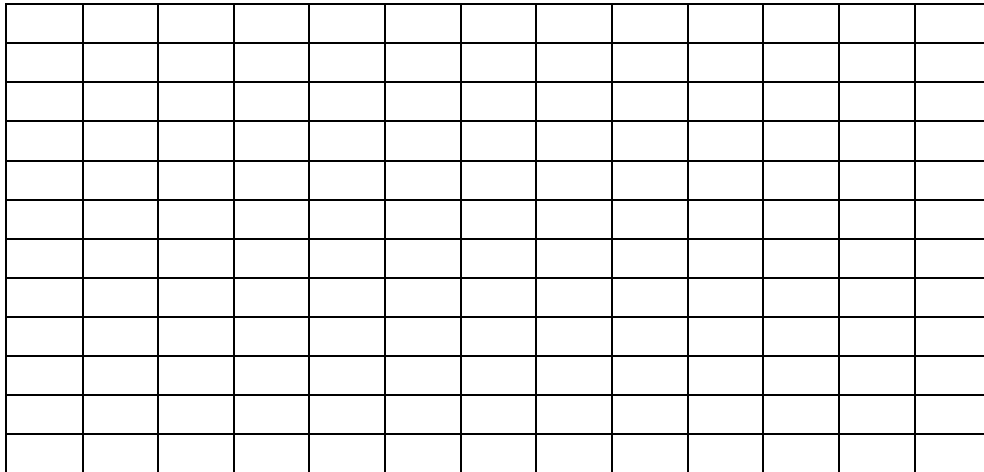
A SHIFT IN DEMAND

- If the income or taste of customers changes, it will cause the demand to change.
- **Anything other than the price causes demand to change.**
- A new curve has to be drawn to the **RIGHT** or **LEFT**.
- This is called a shift in demand.
- Example: if the cold weather causes a **decrease in the demand** for ice cream at every price level, the curve will shift to the **left** and label it **D₁**.
- Hot weather will cause an **increase in the demand** for ice cream and the curve will shift **to the right** and label it **D₂**.



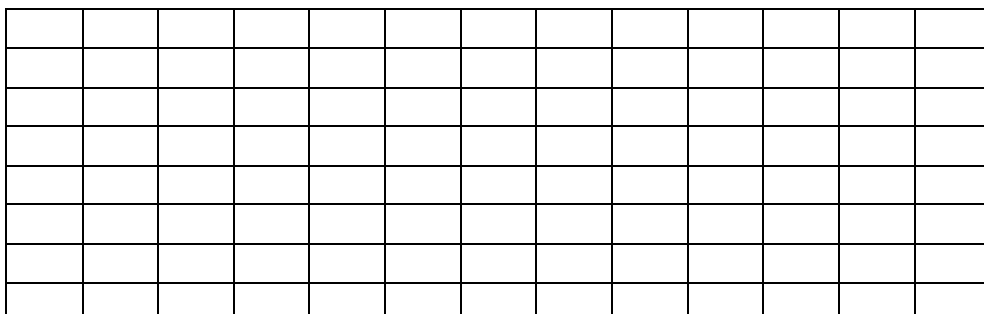
Draw a demand graph to illustrate the shift in demand for chicken pieces.

Price	Quantity demanded	Quantity demanded after an <u>increase</u> in income
5	4	8
4	8	12
3	12	16
2	16	20
1	20	24



Draw a demand graph to illustrate the shift in demand for chicken pieces.

Price	Quantity demanded	Quantity demanded after a <u>decrease</u> in income
5	4	2
4	8	6
3	12	8
2	16	10
1	20	12



INCREASE / DECREASE IN DEMAND

When demand **increases**, the demand curve shifts to the **right**.

When demand **decreases**, the demand curve shifts to the **left**.

SUPPLY

DEFINITION

The unit's producers are willing to provide at specific prices.

Businesses need to determine the quantity of a product they are willing to supply at different prices.

Businesses will need to assess the capabilities of the business and the production department on what they are able to produce, how much it would cost and how much they expect consumers to pay.

THE LAW OF SUPPLY

When the price of a product increases, the supply of the product will increase.

When the price of a product decreases, the supply of the product will decrease.

SUPPLY SCHEDULE

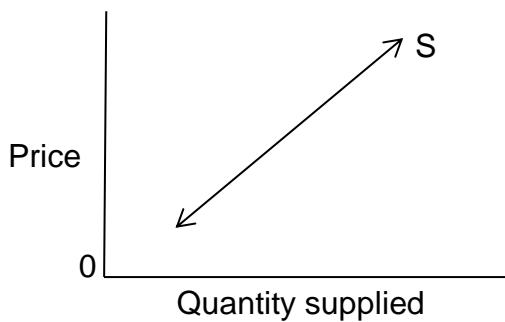
The supply schedule shows in a table the amount of goods that can be supplied at specific prices.

SUPPLY CURVE

It is a graphical illustration of the information found in the supply schedule.

The Y – axis = the price

The X – axis = the quantity supplied.



Use the following supply schedule to draw a graph to show the supply of cold drinks by Coco Drinks.

Price	Quantity supplied
6	14
5	12
4	10
3	8
2	6

Supply graph

CHANGE (a shift) IN QUANTITY SUPPLIED

Changes in supplied can occur when there are changes in the market conditions.

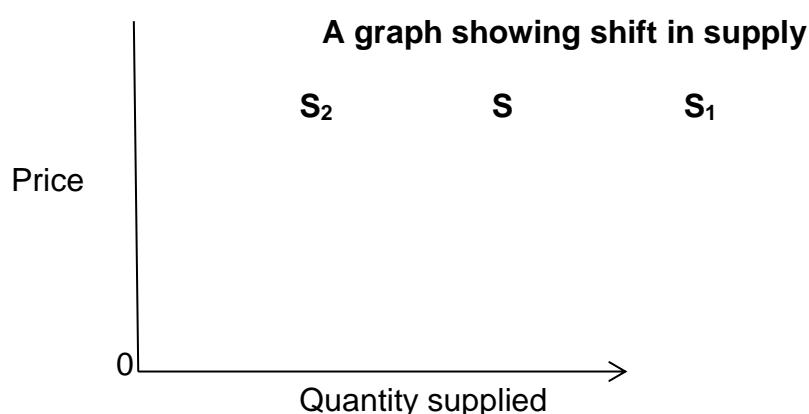
Factors influencing the supply:

- **The price of the product:**
If the price of a product is high, the supplier will supply more of the products.
When the price is low, they will decrease their supply and find more profitable products to produce.
- **The cost of production:**
If the product is cheap to produce, suppliers will supply a greater quantity of the product.
If the cost of production is high, they will supply less of the item.
- **The method of production:**
If there is a technological innovation which allows a product to be produced faster, there will be an increase in supply.
Example: manufacturing sweets using machines is quicker than making them by hand.
- **The number of producers:**
If there are a large number of businesses producing a particular product/service, there will be large supply.
If some businesses close down and stop producing the supply of the product will decrease.

SHIFT IN SUPPLY

- Changes in the cost of production, technology or weather conditions can cause the supply curve to shift to the **LEFT** or **RIGHT**.
- **A shift to the left** shows a **decrease** in supply and we label it **S₂**.
- **A shift to the right** shows an **increase** in supply and we label it **S₁**.
The supply curve is heavily influenced by the firm's ability to produce the article concerned and the cost of production.

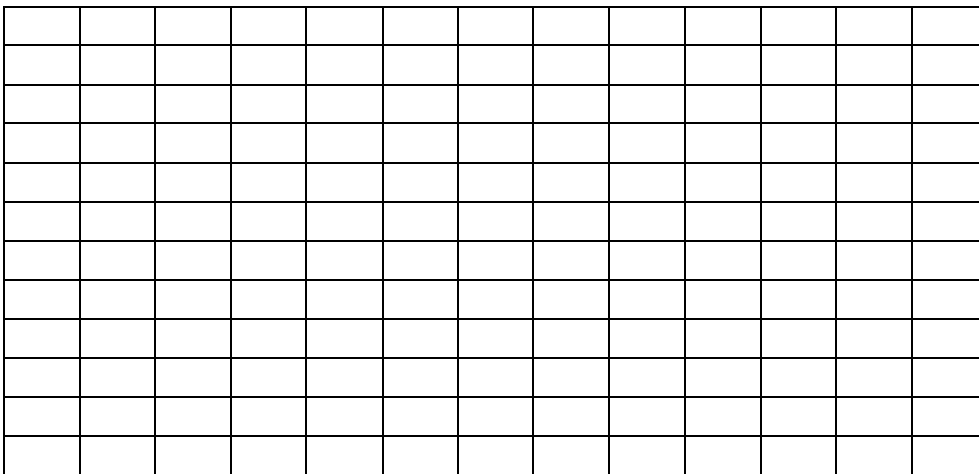
A graph showing how a shift to the left shows a decrease in supply and a shift to the right indicate an increase in supply.



Draw a supply graph to illustrate the shift in supply for chicken pieces.

Price	Quantity supplied	Quantity supplied after an <u>increase</u> in the production costs
5	20	18
4	16	14
3	12	10
2	8	6
1	4	2

Shift in supply graph



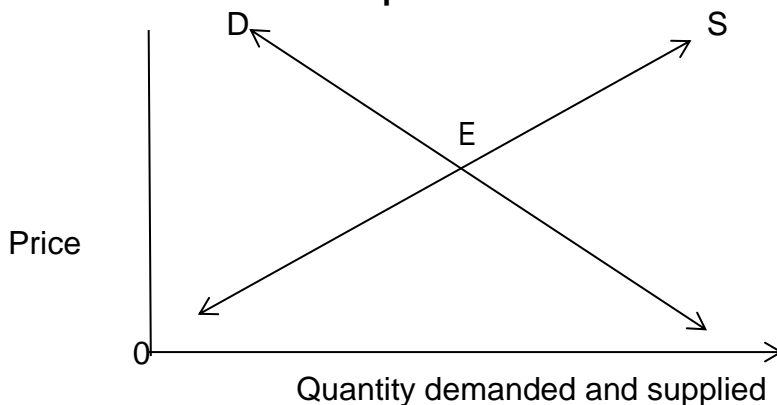
INCREASE / DECREASE IN SUPPLY

When supply **increases**, the supply curve shifts to the **right**.
 When supply **decreases**, the supply curve shifts to the **left**.

EQUILIBRIUM PRICE AND QUANTITY

Market equilibrium is the point at which **demand and supply are the same**.
 Example: at a price of R4, 00 the tuck shop supplies 50 muffins and the consumer demanded 50 muffins. Market equilibrium price is the price at which the quantity supplied and demanded is exactly the same. Market equilibrium quantity is the quantity at which the demand and supply curves intersect and demand = supply. In reality a market is very seldom in perfect equilibrium. There is often a surplus or shortage of goods and services.

The point where demand and supply is equal



Draw the demand and supply graphs for leather shoes based on the information in the table.

Price	Quantity demanded	Quantity supplied
50	400	50
150	300	100
250	200	200
350	100	300
450	50	400

Equilibrium graph

EQUILIBRIUM PRICE AND QUANTITY

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POINT E – Equilibrium

Point E is market equilibrium. Here demand equals supply at a price of R5, 00 and a quantity of 5 000 loaves of bread.

POINT A – B – The surplus

If the price of bread were to increase to a price of R8, 00 the market would be in disequilibrium. At a price of R8, 00 the quantity supplied will exceed the demand and there will be a **surplus** of bread.

POINT C – D – The shortage

If the price of bread were to decrease to a price of R2, 00 the market would be in disequilibrium. At a price of R2, 00 the quantity demanded will exceed the supply and there will be a **shortage** of bread

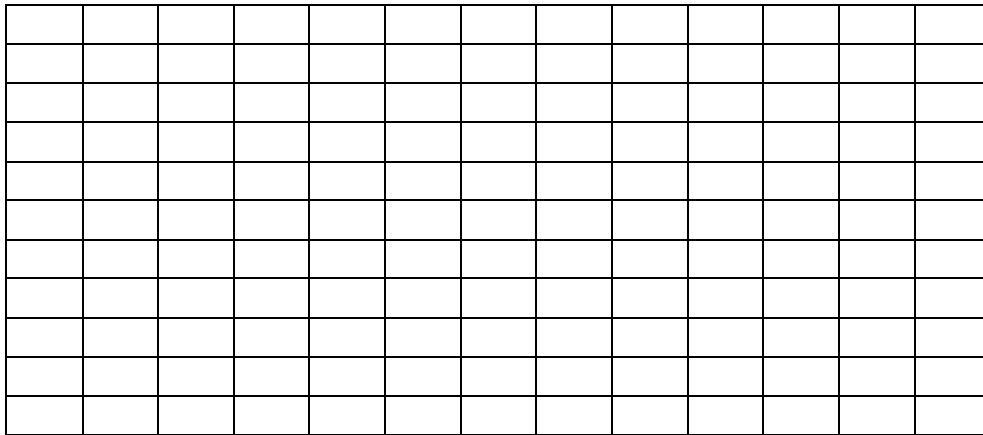
PRICE THEORY – ACTIVITY

1. Define demand. (2)
 2. What is the law of demand? (4)
 3. Define supply. (2)
 4. What is the law of supply? (4)
 5. Explain your understanding of market equilibrium. (2)
 6. Name seven (7) factors that will influence the demand of a product. (7)
 7. Give an example of complementary products. (2)
 8. Give an example of a substitute product. (2)
 9. Name four (4) factors that will influence the supply of a product. (4)
10. The following table shows the demand for tennis shoes. Illustrate the information on a graph provided.

Price	Quantity demanded
100	3 000
200	2 500
300	2 000
400	1 500
500	1 000
600	500

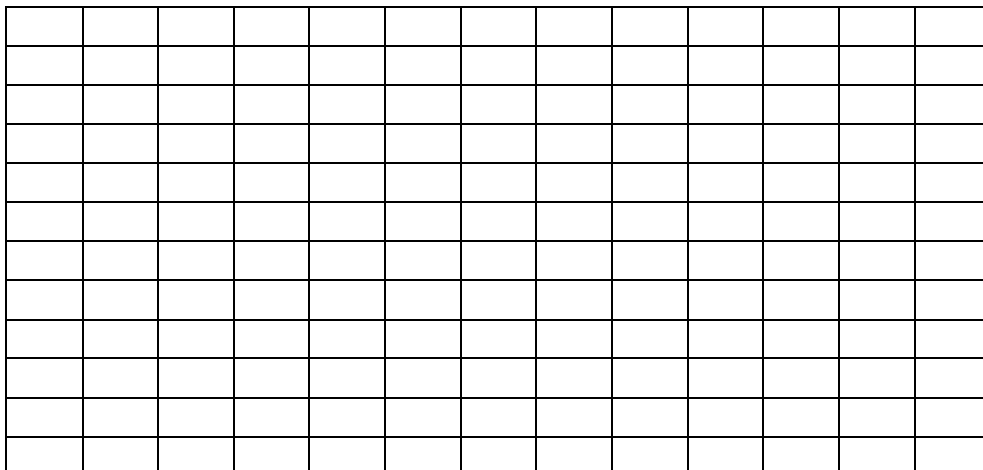
11. The following table shows the demand for digital cameras. Illustrate the information on a graph.

Price	Quantity demanded
200	900
400	750
600	600
800	450
1 000	300
1 200	150



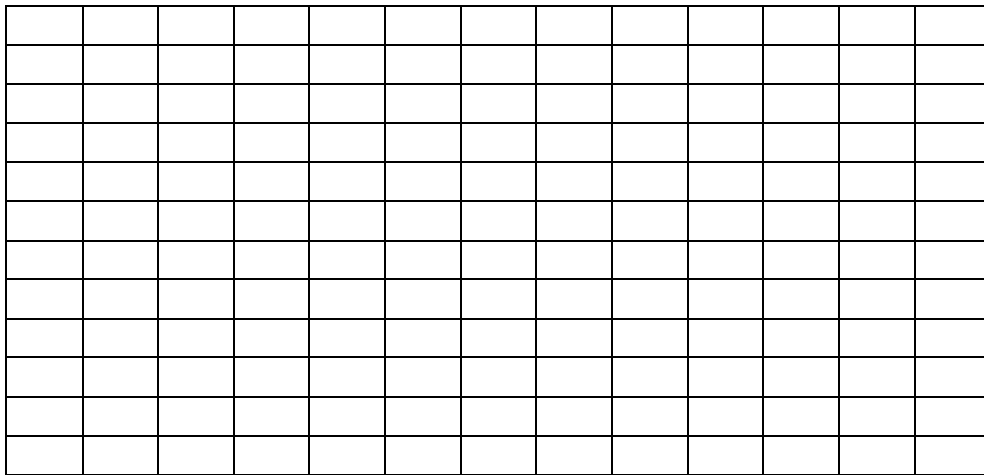
12. The following table shows the supply for watches. Illustrate the information on a graph.

Price	Quantity supplied
250	5
500	10
1000	15
1500	20
2000	25



13. The following table shows the supply for pizza. Illustrate the information on a graph.

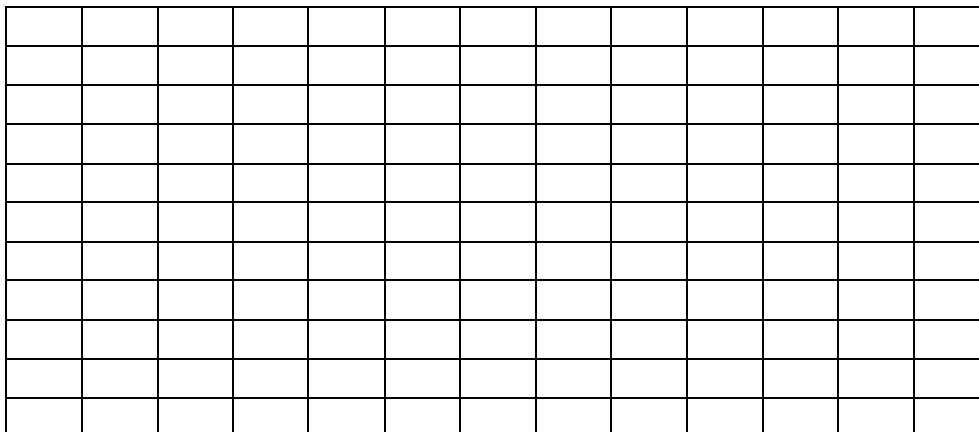
Price	Quantity supplied
5	10
10	20
15	30
20	40
25	50



14. The following table shows the demand and supply for DVD'S.

Price	Quantity demanded	Quantity supplied
30	200	40
40	150	60
45	120	100
50	100	120
55	60	160
60	40	200

a) Illustrate the information on a graph.



b) How many DVDs will be demanded if the price is R40?

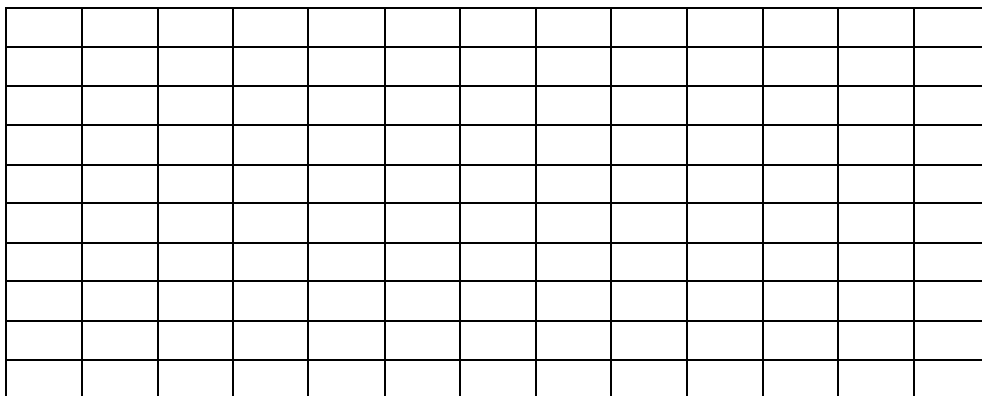
c) What is the equilibrium quantity for DVDs?

d) What is the equilibrium price for DVDs?

15. The following table shows the demand and supply for tomatoes

Price	Quantity demanded	Quantity supplied
12	15	40
10	20	35
8	25	30
6	30	25
4	35	20
2	40	15

a) Illustrate the information on a graph.



b) What are the quantity demanded at R12, R6 and R2?
 R12 _____ R6 _____ R2 _____

c) What are the quantity supplied at R10, R8 and R4?
 R10 _____ R8 _____ R4 _____

d) What is the equilibrium quantity for tomatoes?

e) What is the equilibrium price for tomatoes?
