**Chapter 4, Section 1 Guided Questions**

1. What two conditions must exist in order to have demand?
2. What does the “law of demand” say about the relationship between price and the amount of a good purchased?
3. How does the substitution effect impact demand?
4. How does the income effect impact demand?
5. How would a business use a market demand schedule?
6. Label the horizontal and vertical axis on the demand curve graph below for Diet Cokes, starting with a quantity of 2 up to 10, and price from $0.50 to $2 per can?
7. You and the other members of your group are preparing to start a new business selling
two products: an apple-strawberry fruit juice and a lemon-lime sports drink. These two
tables provide the minimum and maximum price and quantity demanded for each good
per day. *Given what you have learned about the relationship between price and quantity*
*demanded, fill in the remaining values.*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Price of Fruit Juice** | **QuantityDemanded/Day** |  | **Price of Sports Drink** | **QuantityDemanded/Day** |
| $1.00 | 35 |  | $1.00 | 70 |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| $4.00 | 5 |  | $4.00 | 10 |

Use the two completed demand schedules to draw the demand curve for each product below. Label the horizontal axes with the quantities demanded and the vertical axes with the prices.