

NAME: _____

BC Economics 12 · Unit 2: Consumer Choice, Demand, Supply & Markets

Guided Notes — Sections 5 to 11

How to use this handout:

Open the lesson on your device — go to danaguest.com, log in, and click on Economics 12, Unit 2, and the matching section. Read the notes and try the interactive activities as you go. Then complete the exercises in this handout. Part A and B build your vocabulary. Part C checks your reading. Part D applies what you learned. Finish each section with your own reflection.

SECTION 5 DEMAND & THE LAW OF DEMAND

Date: _____

Why do buyers buy more when prices fall?

PART A — VOCABULARY: MATCHING

Match each word with its correct definition (A–F). Write the letter on the line.

Word	Definition
1. <i>demand</i> _____	A. A downward-sloping line on a price–quantity graph showing how much buyers will purchase at every price.
2. <i>law of demand</i> _____	B. The specific amount buyers will purchase at one particular price — a change in price moves you along the curve.
3. <i>quantity demanded</i> _____	C. The whole relationship between price and the quantities buyers are willing and able to purchase at each price, all else equal.
4. <i>demand curve</i> _____	D. A table listing the quantities buyers would purchase at a series of different prices.
5. <i>demand schedule</i> _____	E. As price rises, quantity demanded falls; as price falls, quantity demanded rises. Price and quantity move in opposite directions.
6. <i>non-price determinants</i> _____	F. Factors OTHER than price that shift the entire demand curve: income, tastes, prices of related goods, number of buyers, expectations.

PART B — VOCABULARY: GAP FILL

WORD BANK *demand · law of demand · quantity demanded · demand curve · demand schedule · non-price determinants*

Complete each sentence. Use one word or phrase from the Word Bank above.

1. When the price of bubble tea in Guangzhou rises from ¥18 to ¥28, students buy less. The _____ falls.
2. The whole relationship between price and how much buyers want to buy is called _____.
3. A table showing how many cups of milk tea students would buy at prices from ¥10 to ¥40 is a _____.
4. The graph line that slopes downward from top-left to bottom-right is the _____.

5. The rule that says "as price goes up, quantity demanded goes down" is the _____.
6. A rise in student incomes or a new food trend on Douyin are examples of _____ that shift the whole curve.

PART C — READING CHECK: FILL IN THE BLANKS

1. The Law of Demand says that price and quantity demanded move in _____ directions.
2. A change in the PRICE of milk tea moves you ALONG the demand curve — it does NOT _____ the curve.
3. A change in a NON-PRICE factor (like income or tastes) causes the demand curve to _____.
4. When a movie becomes viral and everyone wants tickets, the demand curve shifts to the _____.

PART D — CONCEPT CHECK

1. A new night market opens in Foshan selling cheap bubble tea. Explain what happens to the demand curve for HEYTEA (a more expensive brand). Is it a shift or a movement along the curve? Draw a properly labeled demand curve.

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2. The price of iPhones drops by ¥1,000. Explain what happens to the quantity demanded, and whether the demand curve itself moves. Draw a properly labeled demand curve.

MY REFLECTION

Think of one product you bought less of last year because the price went up. Describe the item and how you responded — did you switch to a substitute? What does this show about the Law of Demand in your own life?

SECTION 6 SUPPLY & THE LAW OF SUPPLY

Date: _____

Why are producers willing to sell more when prices rise?

PART A — VOCABULARY: MATCHING

Match each word with its correct definition (A–F). Write the letter on the line.

Word	Definition
1. <i>supply</i> _____	A. An upward-sloping line on a price–quantity graph showing how the quantity producers offer rises as price rises.
2. <i>law of supply</i> _____	B. The specific amount producers will sell at one particular price — a price change moves you along the supply curve.
3. <i>quantity supplied</i> _____	C. The whole relationship between price and the quantities producers are willing and able to sell at each price, all else equal.
4. <i>supply curve</i> _____	D. The cost of resources used in production: labour, raw materials, energy. When these rise, supply falls.
5. <i>non-price determinants (supply)</i> _____	E. As price rises, quantity supplied rises; as price falls, quantity supplied falls. Price and quantity move in the SAME direction.
6. <i>input costs</i> _____	F. Factors OTHER than price that shift the entire supply curve: input costs, technology, number of sellers, government policies, expectations.

PART B — VOCABULARY: GAP FILL

WORD BANK *supply · law of supply · quantity supplied · supply curve · non-price determinants (supply) · input costs*

Complete each sentence. Use one word or phrase from the Word Bank above.

1. When the market price of pork rises, farmers in Guangdong raise more pigs. This is the _____ in action.
2. The whole relationship between price and how much producers offer for sale is called _____.
3. The line that slopes upward from bottom-left to top-right on a graph is the _____.
4. The specific amount producers will sell at exactly ¥30 per kilogram is the _____.
5. A rise in the cost of chicken feed increases _____ for KFC suppliers, decreasing supply.
6. A new government subsidy for electric-vehicle producers is one of the _____ that shifts the supply curve outward.

PART C — READING CHECK: FILL IN THE BLANKS

1. The Law of Supply says price and quantity supplied move in the _____ direction.
2. A change in the PRICE of a good moves you along the supply curve; a change in a non-price factor makes the whole curve _____.
3. When technology improves and factories can produce more cheaply, the supply curve shifts to the _____.

4. When input costs go up, the supply curve shifts to the _____.

PART D — CONCEPT CHECK

1. A new automated dumpling-making machine cuts a Foshan factory's labour cost in half. Explain what happens to that factory's supply curve. Is it a shift or a movement? Draw a properly labeled supply curve.

2. The price of steel rises sharply worldwide. Explain what happens to the supply curve for Chinese car manufacturers and which way the curve moves. Draw a properly labeled supply curve.

MY REFLECTION

Imagine you and a classmate start selling homemade snacks at school. What are TWO input costs you would face? If one of those costs went up, how would that change how many snacks you would want to sell each day?

SECTION 7 MARKET EQUILIBRIUM

Date: _____

How do buyers and sellers meet in the middle?

PART A — VOCABULARY: MATCHING

Match each word with its correct definition (A–F). Write the letter on the line.

Word	Definition
1. <i>equilibrium</i> _____	A. The quantity bought and sold at the equilibrium price.
2. <i>equilibrium price</i> _____	B. The point where quantity demanded equals quantity supplied. There is no pressure for the price to change.
3. <i>equilibrium quantity</i> _____	C. When quantity demanded exceeds quantity supplied ($Q_d > Q_s$). Happens when price is BELOW equilibrium.
4. <i>shortage</i> _____	D. The price at which $Q_d = Q_s$. Also called the market-clearing price — every unit offered finds a buyer.
5. <i>surplus</i> _____	E. When the market reaches equilibrium and all goods offered are sold — no shortage or surplus remains.
6. <i>market clearing</i> _____	F. When quantity supplied exceeds quantity demanded ($Q_s > Q_d$). Happens when price is ABOVE equilibrium.

PART B — VOCABULARY: GAP FILL

WORD BANK *equilibrium · equilibrium price · equilibrium quantity · shortage · surplus · market clearing*

Complete each sentence. Use one word or phrase from the Word Bank above.

1. The point on the graph where the demand and supply curves cross is called _____.
2. If a restaurant charges too little for its meals and long queues form every night, the market has a _____.
3. If a shop overstocks Mid-Autumn mooncakes and cannot sell them all, it has a _____.
4. The price at which $Q_d = Q_s$ is the _____.
5. The amount actually bought and sold when $Q_d = Q_s$ is the _____.
6. When every unit offered finds a buyer and none are left unsold, we say the market has achieved _____.

PART C — READING CHECK: FILL IN THE BLANKS

1. When $Q_d > Q_s$, there is a _____, and price will tend to go _____.
2. When $Q_s > Q_d$, there is a _____, and price will tend to go _____.
3. At equilibrium, quantity demanded _____ quantity supplied.
4. The equilibrium price is also called the market-_____ price.

PART D — CONCEPT CHECK

1. A new brand of Chinese milk tea is priced at ¥40 per cup, but demand is much lower than supply. Explain what will happen next to the price, using the words "surplus" and "equilibrium". Draw properly labeled demand and supply curves.

2. Draw and describe how the equilibrium changes when (a) demand rises and supply stays the same, and (b) supply rises and demand stays the same.

MY REFLECTION

Think of a product you saw recently that had a long queue OR sat unsold for weeks. Was it priced above or below its likely equilibrium? What do you think should have happened to the price? Draw a properly labeled graph.

SECTION 8 PRICE CONTROLS

Date: _____

What happens when the government sets the price?

PART A — VOCABULARY: MATCHING

Match each word with its correct definition (A–F). Write the letter on the line.

Word	Definition
1. <i>price control</i> _____	A. A minimum price set by law. If set ABOVE equilibrium, it creates a surplus. Example: minimum wage.
2. <i>price ceiling</i> _____	B. A government-imposed limit on the price of a good — either a maximum (ceiling) or a minimum (floor).
3. <i>price floor</i> _____	C. A price control changes market outcomes only if it is set on the "wrong" side of equilibrium — a ceiling below P^* , a floor above P^* .
4. <i>binding vs. non-binding</i> _____	D. A maximum price set by law. If set BELOW equilibrium, it creates a shortage. Example: rent control.
5. <i>deadweight loss</i> _____	E. Illegal trade that develops when binding price controls prevent the market from clearing. Prices usually exceed the ceiling.
6. <i>black market</i> _____	F. The lost value of trades that WOULD have happened at equilibrium but do NOT happen because of the price control. A measure of inefficiency.

PART B — VOCABULARY: GAP FILL

WORD BANK *price control · price ceiling · price floor · binding vs. non-binding · deadweight loss · black market*

Complete each sentence. Use one word or phrase from the Word Bank above.

1. The government sets a maximum rent of ¥1,500 for city apartments — this is a _____.
2. A minimum wage of ¥25 per hour set above the market wage is a _____.
3. Any government rule that limits the price of a good is a _____.
4. A price ceiling set BELOW equilibrium is _____; a ceiling set ABOVE equilibrium is non-binding.
5. When a shortage forms because of a binding price ceiling, illegal traders may create a _____.
6. The triangle of lost trades on a supply-and-demand graph after a price control is called _____.

PART C — READING CHECK: FILL IN THE BLANKS

1. A price ceiling is BINDING only when it is set _____ the equilibrium price.
2. A price floor is BINDING only when it is set _____ the equilibrium price.
3. A binding price ceiling causes a _____ ($Q_d > Q_s$).
4. A binding price floor causes a _____ ($Q_s > Q_d$).
5. Any binding price control creates _____ loss because some mutually beneficial trades no longer happen.

PART D — CONCEPT CHECK

1. The government sets a ¥2 maximum price on face masks during a health crisis, while the equilibrium price would be ¥8. Explain what happens to (a) quantity supplied, (b) quantity demanded, and (c) the risk of a black market. Draw a properly labeled graph.
2. A local government sets a minimum price for rice above equilibrium to protect farmers' incomes. Explain who benefits, who is hurt, and what happens to the leftover rice. Draw a properly labeled graph.

MY REFLECTION

Do you think price controls are usually a good idea? Give ONE situation where you think a price ceiling or floor would help people, and ONE where you think it would hurt more than it helps.

SECTION 9 CONSUMER & PRODUCER SURPLUS

Date: _____

How do we measure the gains from trade?

PART A — VOCABULARY: MATCHING

Match each word with its correct definition (A–F). Write the letter on the line.

Word	Definition
1. <i>willingness to pay</i> _____	A. The benefit sellers receive above their minimum acceptable price. Shown as the area ABOVE the supply curve and BELOW the price line.
2. <i>consumer surplus</i> _____	B. The maximum price a buyer is willing to pay for a unit — the height of the demand curve at that quantity.
3. <i>producer surplus</i> _____	C. The benefit buyers receive beyond what they actually pay: CS = Willingness to Pay – Actual Price. Area below demand and above price.
4. <i>total surplus</i> _____	D. A situation where total surplus is maximised — all mutually beneficial trades occur and no deadweight loss exists.
5. <i>market efficiency</i> _____	E. The reduction in total surplus caused by price controls, taxes, or other distortions that block some mutually beneficial trades.
6. <i>deadweight loss</i> _____	F. CS + PS. The total gain from all trades in the market — maximised at equilibrium.

PART B — VOCABULARY: GAP FILL

WORD BANK *willingness to pay · consumer surplus · producer surplus · total surplus · market efficiency · deadweight loss*

Complete each sentence. Use one word or phrase from the Word Bank above.

1. You would have paid ¥30 for a cup of milk tea but only paid ¥18. Your _____ is ¥12.
2. The most you are willing to pay for one item is your _____.
3. The benefit a seller gets when the price they receive is greater than their minimum acceptable price is _____.
4. CS + PS = _____.
5. When the market reaches equilibrium and no trades are missing, we say it has _____.
6. When a binding price control blocks some trades from happening, the triangle of lost trades is the _____.

PART C — READING CHECK: FILL IN THE BLANKS

1. Consumer surplus is shown as the area BELOW the _____ curve and ABOVE the price line.
2. Producer surplus is shown as the area ABOVE the _____ curve and BELOW the price line.
3. Total surplus is maximised when the market is at _____.

4. When a price ceiling or floor prevents some trades, total surplus _____ and deadweight loss appears.

PART D — CONCEPT CHECK

1. A student would pay a maximum of ¥45 for a KFC family bucket, but pays ¥32. What is their consumer surplus? Explain in words and show on a graph what this ¥13 represents.

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2. Explain in your own words why deadweight loss is called a "measure of inefficiency". Draw and describe the DWL triangle from a price ceiling.

MY REFLECTION

Describe ONE recent purchase where you paid FAR less than you would have been willing to pay. Estimate your consumer surplus in yuan and explain what it says about the "gain from trade" for you.

SECTION 10 PRICE ELASTICITY OF DEMAND

Date: _____

How much do buyers respond to a price change?

PART A — VOCABULARY: MATCHING

Match each word with its correct definition (A–G). Write the letter on the line.

Word	Definition
1. <i>elasticity</i> _____	A. A general measure of how much one variable responds to a change in another.
2. <i>price elasticity of demand</i> _____	B. $ PED > 1$ — buyers respond STRONGLY to price changes. A 1% price rise causes MORE than 1% fall in Qd. Curve is relatively flat.
3. <i>elastic demand</i> _____	C. The percentage change in quantity demanded caused by a 1% change in price. Formula: $PED = (\% \Delta Qd) \div (\% \Delta P)$.
4. <i>inelastic demand</i> _____	D. $ PED = 1$ — the percentage change in Qd exactly equals the percentage change in price.
5. <i>unit elastic</i> _____	E. $ PED < 1$ — buyers respond WEAKLY to price changes. A 1% price rise causes LESS than 1% fall in Qd. Curve is relatively steep.
6. <i>perfectly elastic</i> _____	F. $ PED = 0$ — quantity demanded does NOT change at all when price changes. Curve is vertical. Example: life-saving medication.
7. <i>perfectly inelastic</i> _____	G. $ PED = \infty$ — buyers will pay only one price. Any increase drives Qd to zero. Curve is horizontal.

PART B — VOCABULARY: GAP FILL

WORD BANK *elasticity · price elasticity of demand (PED) · elastic demand · inelastic demand · unit elastic · perfectly elastic · perfectly inelastic*

Complete each sentence. Use one word or phrase from the Word Bank above.

1. The general idea of measuring how sensitive one thing is to another is _____.
2. The specific formula $PED = \% \Delta Qd \div \% \Delta P$ measures _____.
3. HEYTEA raises its price by 10% and its sales drop by 25%. Demand is _____.
4. The Guangzhou water bill rises by 20% but people use almost the same amount of water. Demand is _____.
5. A 5% price rise causes exactly a 5% fall in Qd — demand is _____.
6. A life-saving heart medicine with no substitute is close to _____.
7. A single small farmer selling wheat on the world market faces a _____ demand curve.

PART C — READING CHECK: FILL IN THE BLANKS

1. The formula for PED is: $PED = \% \Delta Qd \div \% \Delta$ _____.
2. If $|PED|$ is greater than 1, demand is _____.
3. If $|PED|$ is less than 1, demand is _____.

4. A perfectly elastic demand curve is drawn as a _____ line; a perfectly inelastic demand curve is drawn as a _____ line.
5. PED is always _____ (because of the Law of Demand), but we use the _____ value.

PART D — CONCEPT CHECK

1. The price of an iPhone rises 5%, and iPhone sales fall 15%. Calculate the $|PED|$. Is demand elastic, inelastic, or unit elastic? Explain in one sentence WHY iPhone demand might behave this way. Draw a properly labeled demand curve to illustrate.
2. The price of salt rises 10% but Chinese households buy almost the same amount. Calculate the approximate $|PED|$ and explain WHY salt demand is likely to look this way. Draw a properly labeled demand curve to illustrate.

MY REFLECTION

Think of ONE product you personally buy that you would keep buying even if the price doubled, and ONE product you would give up quickly if the price rose 20%. What does this tell you about YOUR own elasticity for these two goods?

SECTION 11 DETERMINANTS OF PED & TOTAL REVENUE TEST

Date: _____

What makes demand elastic — and how does that affect a business's revenue?

PART A — VOCABULARY: MATCHING

Match each word with its correct definition (A–I). Write the letter on the line.

Word	Definition
1. <i>normal good</i> _____	A. Goods that can replace each other. The more (and better) substitutes a good has, the more elastic its demand.
2. <i>inferior good</i> _____	B. A good for which demand INCREASES when consumer income rises (most goods are normal).
3. <i>determinants of PED</i> _____	C. A good for which demand DECREASES when consumer income rises — people switch to better alternatives (e.g. instant noodles).
4. <i>substitutes</i> _____	D. The main factors that decide whether demand is elastic or inelastic: substitutes, necessity vs luxury, proportion of income, time.
5. <i>necessity vs luxury</i> _____	E. Over time, demand becomes MORE elastic — consumers find substitutes and change habits.
6. <i>proportion of income</i> _____	F. Necessities (rice, water) tend to have inelastic demand; luxuries (designer bags, entertainment) tend to be elastic.
7. <i>time horizon</i> _____	G. Goods that take a LARGE share of income tend to have MORE elastic demand; goods that take a tiny share tend to be inelastic.
8. <i>total revenue</i> _____	H. A method: if price rises and TR falls → elastic; if price rises and TR rises → inelastic; if TR is unchanged → unit elastic.
9. <i>total revenue test</i> _____	I. The total income a seller receives: $TR = \text{Price} \times \text{Quantity}$.

PART B — VOCABULARY: GAP FILL

WORD BANK *normal good · inferior good · determinants of PED · substitutes · necessity vs luxury · proportion of income · time horizon · total revenue · total revenue test*

Complete each sentence. Use one word or phrase from the Word Bank above.

1. When incomes rise in China and families eat more restaurant meals, restaurant meals act as a _____.
2. When incomes rise and families buy fewer packets of instant noodles, instant noodles act as an _____.
3. The four main factors that decide whether demand is elastic or inelastic are called the _____.
4. HEYTEA has many other bubble-tea brands nearby — this gives it lots of _____, so its demand is more elastic.
5. Rice and clean water are _____ for daily life, so demand is inelastic; new sneakers are a luxury, so demand is more elastic.
6. A car takes a big share of your income, so demand for cars is elastic. This is the _____ determinant.

7. In the short run, gasoline demand is inelastic; over years, families buy EVs — this shows the effect of _____.
8. $TR = \text{Price} \times \text{Quantity}$ is the formula for _____.
9. Raising a price and finding that revenue actually falls is the result of the _____ — it tells you demand is elastic.

PART C — READING CHECK: FILL IN THE BLANKS

1. For a NORMAL good, an increase in income leads to a(n) _____ in demand.
2. For an INFERIOR good, an increase in income leads to a(n) _____ in demand.
3. If price rises and total revenue falls, demand is _____.
4. If price rises and total revenue rises, demand is _____.
5. If price rises and total revenue stays the same, demand is _____ elastic.

PART D — CONCEPT CHECK

1. A milk-tea shop in Foshan raises its price from ¥18 to ¥22 (a 22% rise). Sales fall from 500 to 350 cups per day (a 30% fall). Calculate the $|PED|$. Is demand elastic? Use the Total Revenue Test to check. Draw properly labeled graph to illustrate.

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2. Classify each as a NORMAL good, an INFERIOR good, a NECESSITY, or a LUXURY (a good can be more than one):
(a) rice, (b) a new Xiaomi phone, (c) bus tickets in a rich neighbourhood, (d) branded designer handbags, (e) salt.

MY REFLECTION

Think of ONE product a shop near you recently raised the price on. Did you (and your friends) keep buying it, or switch to something else? What does this tell you about the elasticity of that good AND about whether raising the price was a smart move for the shop?
