Price Clues

Read how businesses use supply, demand, costs, and prices.

3.6 "Economics. The student understands the concept of the free enterprise system and how businesses operate in the U.S. free enterprise system. The student is expected to: explain how supply and demand affect the price of a good or service..."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline clues about supply and demand, circle the sentence that defines scarcity, box facts about costs and profit, and number the two entrepreneurs 1 and 2.

Rosa's Fruit Stand

1 At Rosa's fruit stand, shoppers wanted many strawberries on a hot Saturday. Rosa had only a few boxes because rain had harmed the crop. Strawberries were scarce, which means there were not enough for everyone who wanted them. When demand is high and supply is low, a seller may raise the price. If many boxes arrive later, supply grows and the price may fall.

2 Rosa pays farmers for strawberries, buys baskets, and pays for a stand space. These are costs of production, the money used to make or prepare a good for sale. Her selling price is the amount shoppers pay. Profit is money left after costs are paid. If Rosa sells a basket for more than it costs her, she earns a profit. A lower price can mean less profit.

3 People who start businesses are entrepreneurs. Henry Ford started the Ford Motor Company and helped make cars using an assembly line. This method helped produce many cars at lower cost. Sam Walton opened a small discount store that grew into Walmart. Today, people still start businesses, such as a lawn-care service or a bakery. Entrepreneurs decide what to sell, watch costs, and set prices that shoppers will pay.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why might Rosa raise the price of strawberries on Saturday?

2. What does scarce mean in the passage?

3. How does selling a basket for more than it costs Rosa help her business?

4. Name the two entrepreneurs in the passage and tell what business each started.

3 YOUR TURN

Your own words

Invent a business. Write 3 sentences that name the entrepreneur and business, describe a high-demand or low-supply situation and its price effect, and tell one cost, a selling price, and whether the business makes a profit.

Price Clues

PART 1 · READ AND MARK

Underline clues about supply and demand, circle the sentence that defines scarcity, box facts about costs and profit, and number the two entrepreneurs 1 and 2. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why might Rosa raise the price of strawberries on Saturday?	**Many shoppers wanted strawberries, but Rosa had only a few boxes. Demand was high and supply was low.**
2	What does scarce mean in the passage?	**Scarce means there are not enough of something for everyone who wants it.**
3	How does selling a basket for more than it costs Rosa help her business?	**She earns a profit because money is left after her costs are paid.**
4	Name the two entrepreneurs in the passage and tell what business each started.	**Henry Ford started the Ford Motor Company. Sam Walton opened a small discount store that grew into Walmart.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Jalen starts a popcorn cart. At the school fair, many customers want popcorn, but Jalen has only a few bags, so he raises the price from $1 to $2. Each bag costs him $1 to make, so selling it for $2 gives him a $1 profit.

Accept equivalent explanations using the passage's ideas about high demand, low supply, costs, selling price, and profit. For the open response, accept any sensible business example that includes all requested parts and correctly shows that selling above cost earns profit.