

The influence of supply and demand on price.

Assessment Task

How demand and supply influence price (Class and individual activity) (LO1 AS3)

Read the information about auction skills below as well as the auction instructions and rules and do the activities that follow.

Auction skills:

1. Make sure you know which product is up for auction.
2. Decide whether this is a product that you would want to have.
3. Decide beforehand how much you would be willing to buy the product for.
4. Don't bid more than you are willing to pay.
5. Don't bid for more than the amount of tokens you have.
6. Don't try to outbid someone else just to prevent the other person from winning the bid if you are not really interested in the item.
7. Study the auction list to make sure what you would really like to bid on.

Auction instructions:

Hold a class auction. Before you start your auction, make money tokens. You can make tokens with the following values: R10, R20, R50, R100 and R200. Make enough tokens so that each learner has about R1000 worth of tokens. Auction the items listed in the table below. Remember that you cannot bid more for an item than the amount of tokens you have. The auction will take place in two rounds.

Auction rules:

1. The lot will be sold to the highest bidder.
2. Once you have won the lot, you must pay in tokens immediately.
3. You can bid on more than one item.
4. You can buy more than one item, provided you have enough tokens.
5. Once the bidding closes, the person with the highest bid must buy the product.

1. Hold a class auction as instructed and complete the auction list below as your auction progresses.

Product to be auctioned	Price achieved: Round 1	Sold to	Price achieved: Round 2	Sold to
Lot 1 Latest cell phone				
Lot 2 My favourite CD				
Lot 3 A week-long holiday for one family at the coast				
Lot 4 80Gig Apple iPod with pouch				
Lot 5 MP4 player pre-loaded with hit music and three latest-release movies				

2. Discuss the questions below in class and answer them in your workbook.

a) Which round of the auction achieved the highest prices for the products? Why is that?

b) Who determined the price of the products? How did they do that?

c) In relation to the auction, explain how the supply affected the price achieved.

d) When was there a greater demand for the products, during the first round or the second round?

Why?

e) Explain the relationship between the price agreed to and the demand for and supply of the product.

