

Answer Sheet

“Worksheet: Price Ceilings and Price Floors”

1. A store sells cheddar cheese by the pound. The chart reflects the quantity demanded and the quantity supplied for the different prices the cheese could be sold.

Price	Quantity Demanded	Quantity Supplied
\$6.00	220	400
5.50	240	360
5.00	260	320
4.50	280	280
4.00	300	240
3.50	320	200
3.00	340	160

2. On a separate piece of graph paper, use the data to plot demand and supply curves.
3. Answer the following question:
- What is the market price? **\$4.50**
 - What is the quantity demanded at the market price? **280**
 - What is the quantity supplied at the market price? **280**
4. On your graph, draw a line across your graph at the price of \$4.00.
- If the government were to set a price no higher than \$4.00, this would be called a **Price Ceiling**
 - Use your answer in (a) to label the line on your graph at the price of \$4.00.
 - At a price of \$4.00, the quantity demanded would be **300**
 - At a price of \$4.00, the quantity supplied would be **240**
 - Is there a surplus or shortage of cheese? **shortage**
5. On your graph, draw a line across your graph at the price of \$5.50.
- If the government were to set a price no lower than \$5.50, this would be called a **Price Floor**
 - Use your answer in (a) to label the line on your graph at the price of \$5.50.
 - At a price of \$5.50, the quantity demanded would be **240**
 - At a price of \$5.50, the quantity supplied would be **360**
 - Is there a surplus or shortage of cheese? **Surplus**

