

The demand curve

- Explain that a demand curve represents the relationship between the price and the quantity demanded of a product, *ceteris paribus*.

The demand curve represents the relationship between the price and the quantity demanded since it has a negative slope, increasing the quantity demanded while decreasing the price.

- Draw a demand curve.

The non-price determinants of demand (factors that change demand or shift the demand curve)

- Explain how factors including changes in income (in the cases of normal and inferior goods), preferences, prices of related goods (in the cases of substitutes and complements) and demographic changes may change demand.

Non-price determinants of demand:

1. tastes and fashion
2. price of related goods: substitutes/complementary goods
3. advertising
4. Income: inferior goods/normal goods
5. Government policies: intervention
6. future expectations: future prices, future income
7. seasonal
8. changes in demographics: gender balance, age groups

Movements along and shifts of the demand curve

- Distinguish between movements along the demand curve and shifts of the demand curve.

Movements along the demand curve means that there was a change in, and shifts of the demand curve mean that there were non-price determinants of demand such as income and substitutes.

- Draw diagrams to show the difference between movements along the demand curve and shifts of the demand curve

Linear demand functions (equations), demand schedules and graphs

- Explain a demand function (equation) of the form $Q_d = a - bP$.

Q_d is quantity demanded: x-axis

a is the quantity that would be demanded if the price was zero: y-intercept

b is the slope of the curve.

P is the price: y - axis

- Plot a demand curve from a linear function (eg. $Q_d = 60 - 5P$).
- Identify the slope of the demand curve as the slope of the demand function $Q_d = a - bP$, that is $-b$ (the coefficient of P).
- Outline why, if the " a " term changes, there will be a shift of the demand curve.
- Outline how a change in " b " affects the steepness of the demand curve.