

Name: _____

BLIZZARD BAG

Period: _____

ECONOMICS TAKE-HOME ASSIGNMENT

Supply & Demand Lemonade Stand

You have been learning a lot about supply and demand, and may be wondering what it all has to do with you. This activity will put you in the position of a business owner where you can experience first-hand the joys and sorrows of the effects of supply and demand fluctuations in the market... for lemonade! The game is deceptively simple to play. For each day, you decide how many pitchers of lemonade to make and what to charge per cup (each pitcher makes 10 cups). The higher the difficulty setting, though, the more variables are involved. As you play through the game and record your progress, be thinking about the essential question: **How do supply and demand affect every-day business operations?**

NOTE: Failure to complete this assignment will not only result in a zero, but also in two unexcused absences, since its purpose is to help make up for missed days of school.

Start Here: <http://www.oms.edu/exhibits/moneyville/activities/lemonade/lemonadestand.htm>

Round 1: "Easy" Difficulty Setting

- For this round, you will be trying to figure out the **equilibrium price and quantity** in an ideal market (where other variables remain constant, including weather and cost-per-pitcher). You will have seven days to figure out the best price to charge and the right number of pitchers to prepare in order to make the most profit. Remember – you don't want to run out before the demand runs out (shortage), nor do you want to have too much leftover lemonade and waste money (surplus). You may want to play around a bit before you actually begin to experiment and log your results. When you are ready, record your progress for this round below:

Day	Price per Cup	# Pitchers Made	# Cups Sold	# Unsold Cups (or SOLD OUT)	Profit or Loss
1					
2					
3					
4					
5					
6					
7					
Total Profit or Loss:					

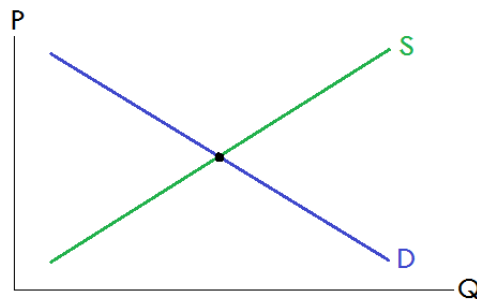
- For Round 1, the **equilibrium price**-per-cup was approximately _____.
- For Round 1, the **equilibrium quantity** of cups was approximately _____.
- Explain your strategy for trying to find the equilibrium price and quantity:

Round 2: "Medium" Difficulty Setting

- On this difficulty setting, the weather will change and events in the news will have an impact on demand. Make sure you pay attention to both so you can adjust your price and number of pitchers accordingly. Remember – your goal is still to make as much profit as you can. Play a full round of 7 days, and track your progress below:

Day	Price per Cup	# Pitchers Made	# Cups Sold	# Unsold Cups (or SOLD OUT)	Profit or Loss	<i>NEW!</i> <i>Condition(s)/Event(s) that Impacted Demand, and How</i>
1						
2						
3						
4						
5						
6						
7						
Total Profit or Loss:						

- Briefly summarize the sorts of conditions/events that seemed to decrease demand:
- Briefly summarize the sorts of conditions/events that seemed to increase demand:
- Choose one of these conditions/events and explain which of the various demand shifters it represents:
- Finally, sketch what happens to the graph for the lemonade market in response to the above shifter:

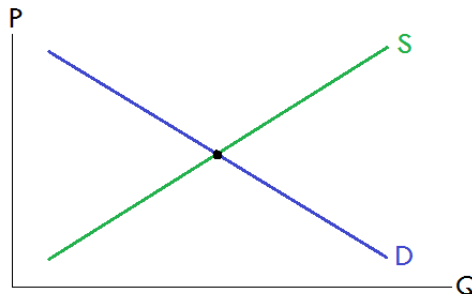


Round 3: “Hard” Difficulty Setting

- This round works just like “Medium,” with the added complication of a fluctuation in the lemon market. This means that in addition to changes in weather and news, you will have to deal with a changing cost-per-pitcher.

Day	Price per Cup	# Pitchers Made	# Cups Sold	# Unsold Cups (or SOLD OUT)	<i>NEW!</i> Cost per Pitcher	Profit or Loss	Condition(s)/Event(s) that Impacted Demand, and How
1							
2							
3							
4							
5							
6							
7							
Total Profit or Loss:							

- How did the changing cost per pitcher impact your decision making about what price to charge per cup and/or how many pitchers to make?
- You are essentially a “supplier” of lemonade in this game. Which supply shifter that we studied could explain your response above?
- As you know, supply and demand often both move around at the same time. Choose a day from the Round 3 table and sketch what happens to the market for lemonade when both the supply and demand curve move:



See back of this page for final question → → →

- In at least a solid paragraph, explain what would happen to the equilibrium point in this case, and why. Then explain how a business would react to these changes in supply and demand.