

# Exploring price changes

Students review scenarios involving an imaginary toy store to explore how supply and demand affect prices that people pay.

## Learning goals

### Big idea

Prices are determined by supply and demand.

### Essential questions

- What factors influence the price of an item?
- How might supply and demand affect my buying choices?

### Objectives

- Learn how supply and demand affect the price of goods and services
- Analyze scenarios for an imaginary toy store to determine how prices may change based on supply and demand

## What students will do

- Review scenarios about supply and demand at an imaginary toy store.
- Based on the scenarios, determine what the store owner is likely to do with the toy prices and why.


### NOTE

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Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

### KEY INFORMATION

#### Building block:

-  Financial knowledge and decision-making skills

**Grade level:** Elementary school (4–5), Middle school (6–8)

**Age range:** 9–11, 11–14

**Topic:** Spend (Buying things)

**School subject:** English or language arts, Math

**Teaching strategy:** Simulation

**Bloom's Taxonomy level:** Apply, Evaluate

**Activity duration:** 45–60 minutes

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### National Standards for Personal Financial Education, 2021

Spending: Standard 8-2; 12-2, 12-4

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

## Preparing for this activity

- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Secure a computer and a projector or a large monitor to display the supply and demand graphic in this guide.
  - You can also print a copy to post on the board.

### What you'll need

#### THIS TEACHER GUIDE

- Exploring price changes (guide)  
[cfpb\\_building\\_block\\_activities\\_exploring-price-changes\\_guide.pdf](#)
- Graphic on supply and demand (in this guide)

#### STUDENT MATERIALS

- Exploring price changes (worksheet)  
[cfpb\\_building\\_block\\_activities\\_exploring-price-changes\\_worksheet.pdf](#)

## Exploring key financial concepts

Businesses want to sell things that you want to buy. That's how they make money. Supply and demand are two factors business owners think about when they decide what to sell and how much to charge. Supply is how much of a product is available for people to buy. Demand refers to how many consumers want to buy that product.

If something is popular, then demand is high and people will usually pay full price. If no one is buying a product, then demand is low and the price may be lower. So most of the time, high demand leads to higher prices and low demand leads to lower prices. On the other hand, high supply (when there's a lot of a product available) usually means lower prices. Low supply (when there's not enough) usually means higher prices.

#### TIP

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Because products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

Prices aren't determined by supply and demand alone. How much it costs to make the product, where the product is sold, and even the weather can affect prices. But stores can only charge as much as their customers are willing to pay, so one of the biggest factors in determining the price is you – the consumer.

## Teaching this activity

### Whole-class introduction

- Explain to students that they'll learn about supply and demand and how they can affect the prices we pay.
- Ask students what they think "supply" and "demand" mean.
- Display the supply and demand graphic and explain what the terms mean and how they affect prices. You can use the "Exploring key financial concepts" section for this.
- Be sure students understand key vocabulary:
  - **Demand:** A measure of how popular or necessary an item is and how many consumers want to buy it.
  - **Supply:** How much of a product is available to buy at any given time.

#### TIP

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Visit CFPB's financial education glossary at [consumerfinance.gov/financial-education-glossary/](https://consumerfinance.gov/financial-education-glossary/).

### Individual or group work

- Distribute the "Exploring price changes" worksheet to students.
- Ask students to read the scenarios in the worksheet and answer the questions.

#### A tip for differentiating instruction

- If you want to use this activity to assess students' understanding of supply and demand, have students work individually to complete this worksheet.
- If assessment isn't your goal, students can work in pairs or small groups.
- If you don't have time for students to address all scenarios, or you're working with English language learners or students working below grade level, different groups can focus on different scenarios and share their findings with the whole class.

## Wrap-up

- Bring the students together to review the worksheet as a class.
- Go over the answers for the scenarios, using the answer guide.
- Address any questions that arise.
- Ask for volunteers to share their responses to the reflection questions and discuss their answers.

## Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of spending, including buying things. One suggested activity is [“Explaining how inflation works.”](#)

## Measuring student learning

Students’ responses on the worksheet and during discussion can give you a sense of their understanding.

This answer guide provides possible responses for the “Exploring price changes” worksheet.

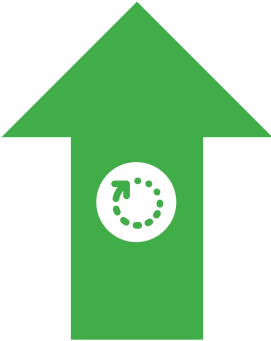
**Keep in mind that students’ answers may vary.** The important thing is for students to have reasonable justification for their answers.

## Scoring rubric

Scenario	What the store owner might do	Explanation
1	Raise prices	Supply is low and demand is high
2	Lower prices	Supply is high and demand is low
3	Raise prices	Supply is low and demand is high
4	Lower prices	Supply is high and demand is low

# How supply and demand can affect the prices we pay

**Supply**



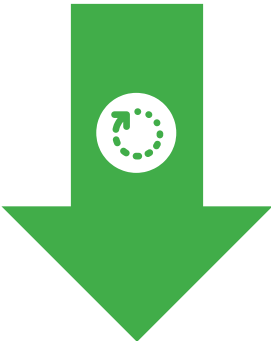
**Demand**



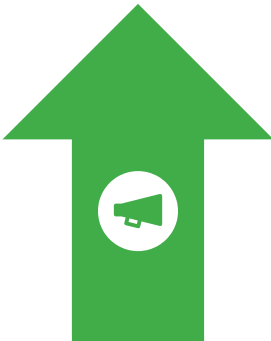
**Price**



**Supply**



**Demand**



**Price**

