**Exercise 1. Read and comprehend the following text:**

**Part II. DEMAND AND SUPPLY**

**Text 6. Economics Basics: Demand and Supply**

Supply and demand is perhaps one of the most fundamental concepts of economics and it is the backbone of a market economy. Demand refers to how much (quantity) of a product or service is desired by buyers. The quantity demanded is the amount of a product people are willing to buy at a certain price; the relationship between price and quantity demanded is known as the demand relationship. Supply represents how much the market can offer. The quantity supplied refers to the amount of a certain good producers are willing to supply when receiving a certain price. The correlation between price and how much of a good or service is supplied to the market is known as the supply relationship. Price, therefore, is a reflection of supply and demand.

The relationship between demand and supply underlie the forces behind the allocation of resources. In market economy theories, demand and supply theory will allocate resources in the most efficient way possible. How? Let us take a closer look at the law of demand and the law of supply.

**The Law of Demand**

The law of demand states that, if all other factors remain equal, the higher the price of a good, the less people will demand that good. In other words, the higher the price, the lower the quantity demanded. The amount of a good that buyers purchase at a higher price is less because as the price of a good goes up, so does the opportunity cost of buying that good. As a result, people will naturally avoid buying a product that will force them to forgo the consumption of something else they value more.

**The Law of Supply**

Like the law of demand, the law of supply demonstrates the quantities that will be sold at a certain price. But unlike the law of demand, the supply relationship shows an upward slope. This means that the higher the price, the higher the quantity supplied. Producers supply more at a higher price because selling a higher quantity at a higher price increases revenue.

**Time and Supply**

Unlike the demand relationship, however, the supply relationship is a factor of time. Time is important to supply because suppliers must, but cannot always, react quickly to a change in demand or price. So it is important to try and determine whether a price change that is caused by demand will be temporary or permanent.

Let's say there's a sudden increase in the demand and price for umbrellas in an unexpected rainy season; suppliers may simply accommodate demand by using their production equipment more intensively. If, however, there is a climate change, and the population will need umbrellas year-round, the change in demand and price will be expected to be long-term; suppliers will have to change their equipment and production facilities in order to meet the long-term levels of demand.

**Vocabulary of hard-to-remember words in the text above**

|  |  |  |
| --- | --- | --- |
| accommodate | |əˈkɑːmədeɪt| | *uyğunlaşdırmaq, tə'min etmək, təchiz etmək* |
| slope | |sləʊp| | *yol, yamac, dağ döşü, dağ ətəyi* |
| facility | |fəˈsɪlɪtɪ| | *avadanlıq, müəssisə* |

# **Exercise 2. Choose the correct variant:**

1) What do you do for a living?

I … portraits of famous people.

1. am painting
2. paints
3. paint

2) Did you find Tom?

Yes. He … in his study when I found him.

1. worked
2. was working
3. works

3) Where … when you went to London?

In a small family hotel.

1. were you staying
2. did you stay
3. do you stay

4) Did you speak to Kate on the phone last night?

Yes, but I … for ages before I finally got through.

1. am trying
2. have been trying
3. had been trying

5) Could you take the rubbish outside for me, please?

I … it.

1. have already done
2. already do
3. had already done

6) Where is your brother?

He … in the garden, I think.

1. is playing
2. plays
3. played

7) Do you see Catherine very often?

We … for lunch twice a month.

1. have met
2. meet
3. are meeting

8) What are you doing?

I ... for the recipe I want to use tonight.

1. looked
2. look
3. am looking

9) Why is Linda so tired?

She … very hard recently.

1. works
2. is working
3. has been working

10) You're very late. Where have you been?'

Well, I … home from work when the car broke down.

1. was driving
2. am driving
3. drove

11) Have you got your exam results yet?

Yes. I … all of them.

1. am passing
2. passed
3. pass

12) … your homework yet?

No, I'm still busy doing it.

1. Have you finished
2. Are you finishing
3. Do you finish

13) Sorry I'm late. … very long?

No, only five minutes.

1. Are you waiting
2. Do you wait
3. Have you been waiting

**Correct Variants:**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| C | B | B | C | A | A | B | C | C | A | B | A | C |