

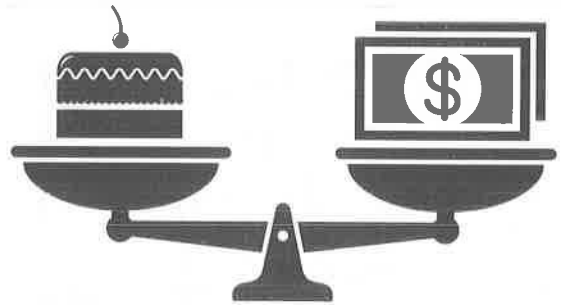
Name: \_\_\_\_\_ Date: \_\_\_\_\_

**Directions:** Read the text, and study the image. Answer the questions.

## Economics

A seller needs to know how much money to ask for a product. Here is an example.

Mrs. Bing's bakery has developed a new product: chocolate mango cakes. Mrs. Bing needs to set the price of her cakes. If the price is too high, few cakes will sell. If the price is too low, people will buy many cakes. But Mrs. Bing may not have enough supply. She will not be able to make enough cakes. Mrs. Bing also needs to make enough money to cover the cost of making the cakes.



The price that Mrs. Bing wants to charge for the cakes needs to be the right price. It needs to be the price that buyers will want to pay. And it needs to help her make a profit.

1. What will happen to Mrs. Bing's cakes if the price is too high?
  - a. There will not be enough money.
  - b. There will not be enough cakes.
  - c. Too many cakes will sell.
  - d. Not enough cakes will sell.
2. Why is it hard to set a price for a product?
  - a. The price needs to be right for the seller.
  - b. The price needs to be right for the buyer.
  - c. The price needs to be too high for the seller or the buyer.
  - d. The price needs to be right for the buyer and the seller.