Practice Questions Week 2 Day 1

Multiple Choice

1. When individuals come together to buy and sell goods and services, they form a(n)
   a. economy
   b. market
   c. production possibilities frontier
   d. supply curve
   e. demand curve

2. In a perfectly competitive market,
   a. there can be few or many buyers and sellers
   b. the price is driven upward when suppliers hold back on goods and services
   c. each participant is too small to affect the market price
   d. government intervention is needed to ensure that prices are fair for consumers
   e. resources are allocated by a central authority

3. In analyzing the market for a particular good, the most appropriate size of the market to consider
   a. is the global market
   b. is a local market
   c. is a national market
   d. is a state-wide market
   e. depends on the purpose of the analysis

4. In a market system, prices are determined by
   a. corporate executives
   b. government bureaucrats
   c. supply and demand
   d. total market demand
   e. production costs

5. When households and businesses interact in resource markets money
   a. is not exchanged
   b. is flowing toward businesses
   c. is flowing toward households
   d. is not used at all
   e. is flowing to both businesses and households

6. The amount of a good or service that buyers would be willing and able to purchase at a specific price is known as
   a. quantity demanded
   b. demand
   c. supply
   d. quantity supplied
   e. opportunity cost

7. Because price and quantity demanded are inversely related,
   a. the demand curve is usually upward-sloping
   b. buyers purchase more of the good as the price rises
   c. the supply curve must be rising
   d. price and quantity supplied must be positively related
   e. the demand curve is usually downward-sloping
8. According to the law of demand,
   a. there is a positive relationship between quantity demanded and price
   b. as the price rises, demand will shift to the left
   c. there is a negative relationship between quantity demanded and price
   d. as the price rises, demand will shift to the right
   e. as the price rises, consumers switch their purchases to substitute goods

9. Each point along the market demand curve shows
   a. the quantity of the good that firms would be willing and able to supply at a specific price
   b. the relationship between the price of the good and total quantity demanded at a series of prices
   c. the opportunity cost of supplying a given quantity of goods to the market
   d. the quantity of the good that consumers would be willing and able to purchase at a specific price
   e. how population changes affect the quantity demanded at a specific price

<table>
<thead>
<tr>
<th>Price per CD</th>
<th>Quantity Demanded</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>5.0 Million</td>
</tr>
<tr>
<td>$11</td>
<td>3.5 Million</td>
</tr>
<tr>
<td>$12</td>
<td>2.8 Million</td>
</tr>
<tr>
<td>$13</td>
<td>2.3 Million</td>
</tr>
<tr>
<td>$14</td>
<td>2.0 Million</td>
</tr>
</tbody>
</table>

10. **Figure 3-1** shows the market demand schedule for compact disks. If the price per disk rises from $10 to $12, the
    a. demand will decrease by 2.2 million disks
    b. quantity demanded will decrease by 2.2 million disks
    c. supply will rise by 2.8 million disks
    d. quantity demanded will decrease by 3.5 million disks
    e. demand curve will shift to the left
Practice Questions Week 2 Day 1
Answer Section

MULTIPLE CHOICE

1. B
2. C
3. E
4. C
5. C
6. A
7. E
8. C
9. D
10. B
Practice Questions Week 2 Day 2

Multiple Choice
Identify the choice that best completes the statement or answers the question.

1. Which of the following statements about demand is correct?
   a. A change in the price of bicycles will not lead to a shift of the demand curve for bicycles.
   b. A change in the price of automobiles will lead to a shift of the demand curve for motorcycles.
   c. A change in demand is equivalent to a movement along a given demand curve.
   d. When price falls, so does the quantity demanded.
   e. When the demand curve shifts to the right, so will the supply curve.

2. A decrease in the price of a particular good, with all other variables constant, causes
   a. a shift to a different demand schedule with higher quantities demanded
   b. a shift to a different demand schedule with lower quantities demanded
   c. a movement along a given demand curve to a lower quantity demanded
   d. a movement along a given demand curve to a higher quantity demanded
   e. no movement along a given demand curve unless supply also changes

3. Which of the following could explain a movement from point F to point G in Figure 3-2? Assume that the good represented is an inferior good.
   a. all of the following are correct
   b. an increase in buyers' incomes
   c. a decrease in the expected future price of the good
   d. an increase in the price of the good
   e. an increase in the price of a complement
4. Which of the following would *not* cause the demand curve for college football tickets to shift?
   a. an increase in the price of professional football tickets
   b. a decrease in the price of college basketball tickets
   c. an increase in the price of college football tickets
   d. a drop in student incomes
   e. an increase in student preferences for college football tickets

5. An increase in the population will lead to
   a. a rightward shift in every individual's demand curve
   b. no shift in the market demand curve
   c. a rightward shift in the market demand curve
   d. a rightward movement along every individual's demand curve
   e. a rightward movement along the market demand curve

6. If the price of ground beef falls, the demand for hamburger buns will
   a. increase because the two goods are substitutes
   b. decrease because the two goods are complements
   c. decrease because the two goods are substitutes
   d. increase because the two goods are complements
   e. not change unless the price of hamburger buns also changes

7. An increase in buyers' incomes
   a. increases the quantity demanded of a good
   b. decreases the quantity demanded of a good
   c. increases the demand for a normal good
   d. increases the demand for an inferior good
   e. decreases the quantity demanded of a normal good

8. Which of the following would increase the amount of an inferior good that buyers would like to purchase?
   a. an increase in buyers' incomes
   b. an increase in the price of a complement
   c. a decrease in the price of a substitute
   d. a decrease in buyers' incomes
   e. a decrease in its expected future price

9. Which of the following is assumed constant along the demand curve for gasoline?
   a. the price of gasoline and the prices of related goods
   b. the price of gasoline, buyers' incomes, and tastes
   c. all variables affecting demand other than the price of gasoline
   d. all variables affecting demand other than the supply of gasoline
   e. buyers' incomes and tastes, but not the prices of related goods

10. Which of the following would shift the demand curve for new college textbooks to the right?
    a. an increase in the price of new college textbooks
    b. a decrease in the price of new college textbooks
    c. an increase in the price of used college textbooks
    d. a decrease in the population of college students
    e. a decrease in the wealth of college students

11. Which of the following would shift the demand curve for regular vanilla ice cream, which is a normal good, to the left?
    a. a change in tastes toward chocolate ice cream
    b. an increase in the price of frozen yogurt
    c. a decrease in the price of hot fudge sauce
    d. an increase in the price of regular vanilla ice cream
    e. an increase in buyers' incomes
12. In **Figure 3-5**, a movement from point G to point H would represent
   a. a change in demand  
   b. the impact of a decrease in the price of a substitute good  
   c. higher prices for the inputs used to produce this product  
   d. a change in demand plus a change in quantity demanded  
   e. a change in quantity demanded

13. When demand increases,
   a. consumers are willing and able to purchase more of the good at every price  
   b. consumers are willing and able to purchase less of the good at every price  
   c. there is a movement to the right along the demand curve  
   d. this is referred to as a change in quantity demanded  
   e. the price will tend to fall
14. Assuming that baseball and football cards are substitutes. What might explain the shift in demand curve for baseball cards from \( D_2 \) to \( D_1 \) in Figure 3-6?
   a. an increase in the price of baseball cards
   b. a decrease in the price of baseball cards
   c. an increase in income (assuming that baseball cards are a normal good)
   d. an increase in the population
   e. a decrease in the price of football cards

15. Which of the following could lead to a rightward shift of the demand curve for a good?
   a. a decrease in the price of a substitute good
   b. an increase in the price of a complementary good
   c. a decrease in the price of the good, assuming it is a normal good
   d. an increase in the price of the good, assuming it is an inferior good
   e. expectations that the price of the good will rise in the future
Practice Questions Week 2 Day 2
Answer Section

MULTIPLE CHOICE

1. A  
2. D  
3. D  
4. C  
5. C  
6. D  
7. C  
8. D  
9. C  
10. C  
11. A  
12. A  
13. A  
14. E  
15. E
Practice Questions Week 2 Day 3

Multiple Choice
Identify the choice that best completes the statement or answers the question.

____ 1. Of the following, which is true of the relationship between the quantity of a good supplied and its price?
   a. As price increases, the quantity supplied usually decreases.
   b. As price increases, the quantity supplied usually increases.
   c. As price increases, supply increases.
   d. When demand increases, so will supply.
   e. They always meet at the point of equilibrium in the market.

____ 2. Supply curves are usually assumed to slope upward because
   a. profits fall as prices rise
   b. a higher price leads to increases in demand
   c. a higher price leads to decreases in demand
   d. a higher price attracts resources from other less valued uses
   e. firms drop out of the market as prices rise

____ 3. What do supply and demand curves have in common?
   a. They both usually slope upward.
   b. They both show a relationship between quantity and price.
   c. They both usually slope downward.
   d. They can both shift in response to changes in income or wealth.
   e. Neither of them is influenced by the size of the population.

____ 4. The law of supply states that the quantity supplied of a good and
   a. the price of a key input are inversely related
   b. its price are inversely related
   c. the price of a key input are positively related
   d. its price are positively related
   e. the price of an alternate good are positively related

____ 5. Which of the following statements is correct?
   a. The demand curve typically slopes upward; the supply curve typically slopes downward.
   b. The demand curve typically slopes downward; the supply curve typically slopes upward.
   c. Both the demand and supply curves typically slope downward.
   d. Both the demand and supply curve typically slope upward.
   e. The demand curve is typically vertical; the supply curve is typically horizontal.

____ 6. An increase in the price of a particular good, with all other variables constant, causes
   a. a movement along a given supply curve to a lower quantity supplied
   b. a shift to a different supply curve with lower quantities supplied
   c. a movement along a given supply curve to a higher quantity supplied
   d. a shift to a different supply curve with higher quantities supplied
   e. no movement along a given supply curve unless demand also changes

____ 7. Which of the following is assumed constant along a given supply curve for pistachio ice cream?
   a. the price of pistachios and the price of pistachio ice cream
   b. the price of pistachio ice cream and the price of alternate flavors of ice cream
   c. the prices of alternate goods, but not the prices of inputs
   d. all variables affecting supply other than the productive capacity of the industry
   e. all variables affecting supply other than the price of pistachio ice cream
8. Procter & Gamble Co. is a major soap producer. All of the following, except one, would shift its supply curve of liquid soap to left. Which is the exception?
   a. an increase in the price of bar soap
   b. an increase in the price of a key ingredient of liquid soap
   c. environmental regulations force Procter & Gamble to use a more costly technology to produce liquid soap
   d. a decrease in the price of liquid soap
   e. an increase in the wage rate for factory workers who produce liquid soap

9. Which of the following would not lead to a change in the supply of chocolate ice cream?
   a. a change in productive capacity
   b. a change in the price of strawberry ice cream
   c. a change in the price of milk
   d. a change in the price of chocolate ice cream
   e. a change in the expected future price of chocolate ice cream

10. An increase in quantity supplied can be caused by a(n)
    a. decrease in quantity demanded
    b. rise in resource input prices
    c. increase in price
    d. decrease in the number of firms in the market
    e. tax levied on the producer
Practice Questions Week 2 Day 3
Answer Section

MULTIPLE CHOICE

1. B
2. D
3. B
4. D
5. B
6. C
7. E
8. D
9. D
10. C
Practice Questions Week 2 Day 4

Multiple Choice
Identify the choice that best completes the statement or answers the question.

1. If a supply curve shifts rightward along a downward sloping demand curve
   a. the quantity supplied will increase
   b. the quantity supplied will decrease
   c. it makes no sense to talk about a change in quantity supplied
   d. the quantity demanded will decrease
   e. the price will increase

2. Which of the following statements about the market represented by Figure 3-9 is correct?
   a. At a price of $50.00, there is an excess supply of 11 million units.
   b. At a price of $50.00, there is an excess demand of 11 million units.
   c. At a price of $50.00, there is an excess supply of 15 million units.
   d. At a price of $50.00, there is an excess demand of 15 million units.
   e. At a price of $50.00, there is an excess demand of 25 million units.

3. Consider the market represented by Figure 3-9. If the price of the good is currently $50.00, the price will
   a. fall, causing the quantity demanded to fall
   b. fall, causing the quantity supplied to fall
   c. rise, causing the demand curve to shift to the right
   d. rise, causing the supply curve to shift to the left
   e. fall, causing the supply curve to shift to the right

4. At the market equilibrium
   a. quantity exceeds price
   b. excess demand equals excess supply (and both are zero)
   c. price and quantity are equal
   d. each seller produces at full capacity
   e. everyone who is represented along the demand curve buys the good
### Figure 3-10

<table>
<thead>
<tr>
<th>Price Per Pair</th>
<th>Quantity Demanded</th>
<th>Quantity Supplied</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>$4</td>
<td>14</td>
<td>4</td>
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<td>$6</td>
<td>10</td>
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<tr>
<td>$8</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>$10</td>
<td>2</td>
<td>8</td>
</tr>
</tbody>
</table>

5. In supply and demand schedules in **Figure 3-10**, the equilibrium price of a pair of socks is
   a. $4  
   b. $8  
   c. $6  
   d. $2  
   e. $10

6. In the supply and demand schedules in **Figure 3-10**, the equilibrium quantity of socks is
   a. 15 pairs  
   b. 10 pairs  
   c. 13 pairs  
   d. 6 pairs  
   e. 1 pair

7. In the supply and demand for socks schedules in **Figure 3-10**, a price of $4 per pair results in
   a. equilibrium  
   b. excess supply of 10 pairs  
   c. excess demand of 5 pairs  
   d. excess demand of 13 pairs  
   e. excess demand of 10 pairs

8. In the supply and demand for socks schedules in **Figure 3-10**, a price of $10 per pair results in
   a. equilibrium  
   b. excess demand of 6 pairs  
   c. excess supply of 14 pairs  
   d. excess supply of 6 pairs  
   e. excess demand of 14 pairs

9. If the demand for baseball cards rises and the supply curve does not shift, then the price
   a. will rise and quantity will fall  
   b. and quantity will rise  
   c. will fall and quantity will rise  
   d. and quantity will fall  
   e. will rise, but quantity may rise or fall

10. Suppose that the market for lima beans is in equilibrium. Then both the supply and demand curves for lima beans shift to the left. As a result, the equilibrium price _________ and the equilibrium quantity will
    a. will fall; fall  
    b. will fall; rise  
    c. will rise; fall  
    d. cannot be determined; fall  
    e. cannot be determined; rise
11. If there is an increase in the demand for automobiles, and at the same time auto workers receive a substantial raise, what will happen to equilibrium price and quantity in the automobile market?
   a. Price and quantity will rise.
   b. Price and quantity will fall.
   c. Price will rise; quantity will fall.
   d. Quantity will rise; price change cannot be determined.
   e. Price will rise; quantity change cannot be determined.

**Figure 3 - 11**

12. In Figure 3-11, suppose that initially the market is in equilibrium as defined by the demand and supply curves $D_1$ and $S_1$. Which price/quantity combination could result from a decrease in the wages paid to workers?
   a. $100 and 50,000
   b. $120 and 50,000
   c. $75 and 75,000
   d. $120 and 75,000
   e. $120 and 100,000

13. In Figure 3-11, suppose that initially the market is in equilibrium as defined by the demand and supply curves $D_1$ and $S_1$. Which price/quantity combination could result from an increase in consumers' incomes coupled with an improvement in technology?
   a. $100 and 75,000
   b. $100 and 100,000
   c. $100 and 50,000
   d. $120 and 75,000
   e. $120 and 100,000
14. Consider the market for ground beef represented by Figure 3-12, which is initially in equilibrium at point J. Assume that ground beef is an inferior good. Which of the following could explain a movement to a new equilibrium at point M?

a. a change in tastes away from hamburgers combined with an increased price for cattle feed
b. an increase in buyers' incomes combined with a cost-saving technological improvement
c. a decrease in the price of hot dogs combined with an increased price for labor
d. a decrease in buyers' incomes combined with a decrease in the number of acres owned by cattle ranches
e. a drop in the population combined with a increased price for an alternate form of packaged beef

15. Consider the competitive market for oil. Which of the following would result from the discovery of new oil fields that can be profitably accessed at the current price?

a. both b and d
b. an increase in the demand for oil
c. an excess demand for oil as oil companies shift resources to developing the new fields
d. an excess supply of oil if the price of oil fails to drop sufficiently
e. an increase in the expected future price of oil
Practice Questions Week 2 Day 4
Answer Section

MULTIPLE CHOICE

1. A
2. C
3. B
4. B
5. B
6. D
7. E
8. D
9. B
10. D
11. E
12. C
13. B
14. D
15. D