Quiz #2

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

2. In a perfectly competitive market, (c)
a. there can be few or many buyers and sellers
b. the price can be driven upward by suppliers holding 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. A group of buyers and sellers with the potential to trade is known as a(n) (c)
a. trading bloc
b. cartel
c. market
d. industry
e. sector

4. The market for General Motors' bonds (b)
a. exists only within the geographical boundaries of the United States
b. is not defined by its geographic location
c. is at the New York Stock Exchange
d. is at the U.S. Treasury
e. is in London, England

5. A market is considered imperfectly competitive whenever (d)
a. the government intervenes to set a price floor
b. the government intervenes to set a price ceiling
c. supply and demand explain how prices are determined
d. a single buyer or seller has the power to affect the price of the product
e. supply and demand fail to establish an equilibrium

6. Which of the following is characteristic of an imperfectly competitive market? (e)
a. all of the following are correct

b. no single buyer or seller can influence the market price
c. a large seller can raise its price without reducing its sales volume
d. a large buyer can increase its purchases without affecting the price
e. a seller can increase its sales by lowering the price of its product

7. In a perfectly competitive market, there are (b)
a. many buyers and many sellers, who can each affect the price of the product
b. many buyers and sellers, and no single participant can affect the price of product
c. a few buyers or sellers, who can each affect the price of the product
d. a few buyers or sellers, but no single participant can affect the price of the product
e. many buyers and a few sellers, and a single seller can affect the price of the product

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

9. The law of demand says that as the price of a good rises the quantity demanded of the good tends to fall. (a)
a. True
b. False

10. The demand curve for Beanie Baby dolls shows the quantity of dolls demanded (e)
a. by suppliers of those dolls
b. by U.S. consumers
c. at the equilibrium price for Beanie Baby dolls
d. at each level of income
e. at each possible price of Beanie Baby dolls

11. According to the law of demand, (c)
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

12. The demand curve for a particular good indicates the various quantities (a)
a. demanded at various prices, other things equal
b. demanded at different income levels, other things equal
c. actually purchased at various prices, other things equal
d. actually purchased at different income levels, other things equal
e. demanded at various prices and income levels, other things equal

13. Because price and quantity demanded are inversely related, (e)
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

14. Each point along the market demand curve shows (d)
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

15. Which of the following statements about demand is correct? (a)
a. a change in the price of bicycles will not lead to a shift in the demand curve for bicycles
b. a change in the price of automobiles will lead to a shift in 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