

Chapter 3

Demand and Supply

3.1 Demand

- 1) The law of demand states that
- A) consumers have unlimited demands for a good.
 - B) a higher price will lead to increased sales.
 - C) the price can never be too high for some consumers.
 - D) quantity demanded will vary inversely with the price of the good.

Answer: D

Diff: 1

Topic: 3.1 Demand

AACSB:

Question Status: Previous Edition

- 2) The law of demand states that
- A) consumers will exhaust their incomes as they purchase goods and services at given absolute prices.
 - B) the quantity demanded of a good is higher at a lower relative price than at a higher relative price.
 - C) there is a direct positive relationship between relative price and quantity demanded.
 - D) if the price of a good increases both relatively and absolutely, there will be no change in quantity demanded.

Answer: B

Diff: 1

Topic: 3.1 Demand

AACSB:

Question Status: Revised

- 3) The law of demand includes the statement "other things being equal." These other things include all of the following EXCEPT
- A) the price of that good in the law of demand.
 - B) consumers' income.
 - C) consumers' tastes and preferences.
 - D) the number of potential buyers.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: New

- 4) According to the law of demand, other things being equal,
- A) when the price a good goes up, then people buy more of that good.
 - B) when the price a good goes up, then people buy less of that good.
 - C) when people's income goes up, then they buy more of a good.
 - D) when people's income goes up, then they buy less of a good.

Answer: B

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: New

- 5) The law of demand tells us that people will buy more of a good if
- A) the price of that good decreases.
 - B) the prices of other goods decrease.
 - C) people's income increases.
 - D) every factor that can affect people's buying decisions changes.

Answer: A

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: New

- 6) The law of demand is based on the observation that
- A) people buy less of a product when the product becomes less fashionable.
 - B) people buy more of a product when the price falls.
 - C) people are indifferent to price changes.
 - D) stores go out of business if they lower prices.

Answer: B

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 7) In economics, "demand" refers to
- A) the intensity of desire for a good.
 - B) the amount of a good people need rather than the amount they want.
 - C) the satisfaction a good will provide a person.
 - D) the quantities of a good that people will buy at various prices.

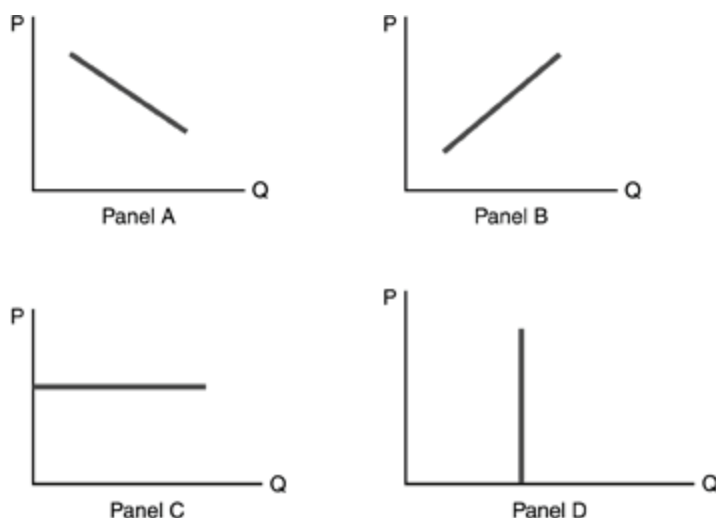
Answer: D

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition



8) Refer to the above figure. Which panel demonstrates the law of demand?

- A) Panel A. B) Panel B. C) Panel C. D) Panel D.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: New

9) A fundamental principle in demand analysis is that a change in price leads to

- A) a movement along the demand curve.
 B) a rightward shift of the demand curve.
 C) a leftward shift of the demand curve.
 D) a complementary movement on the supply curve.

Answer: A

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Revised

10) The concept of "demand" in economics refers to

- A) the different quantities of a good or service people will buy at different possible prices.
 B) the different types of goods and services that people of different income levels want to buy.
 C) how changes in the prices of all goods affect people's buying behavior.
 D) changes in people's consumption behavior over time.

Answer: A

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: New

- 11) The law of demand states that
- A) people demand less at lower prices.
 - B) the quantity demanded is directly related to price.
 - C) the quantity demanded is inversely related to price.
 - D) changes in price and changes in quantity demanded move in the same direction.

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB:

Question Status: Previous Edition

- 12) Which of the following is an example of the law of demand?
- A) An increase in the price of gasoline is followed by a reduction in the amount of gasoline consumed.
 - B) An increase in the price of eggs is followed by an increase in the sale of eggs.
 - C) A decrease in the price of milk has no effect on the amount of milk consumed.
 - D) The amount of candy sold increases while the price of candy is constant.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 13) According to the law of demand, an increase in the price of a good causes
- A) a rightward shift of the demand curve for that good.
 - B) a leftward shift of the demand curve for that good.
 - C) an upward movement along the demand curve for that good.
 - D) a downward movement along the demand curve for that good.

Answer: C

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Revised

- 14) The only variable that can affect a movement along the demand curve is
- A) income levels.
 - B) the price of the good itself.
 - C) the number of buyers.
 - D) the number of substitutes.

Answer: B

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Revised

15) The demand curve is downward sloping because

- A) the price must rise to induce firms to increase quantity supplied.
- B) a reduction in the price of a good causes individuals to increase their purchase of that good.
- C) an increase in the price will cause a leftward shift in the demand curve.
- D) all of the above.

Answer: B

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

16) The money price of a good is also known as its

- A) relative price.
- B) case price.
- C) absolute price.
- D) subjective price.

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

17) Suppose that the price of cornflakes is \$3 per box and the price of oatmeal is \$4.50 per box. Both boxes contain the same number of ounces of cereal. The relative price of cornflakes in terms of oatmeal is

- A) 0.67.
- B) 1.0.
- C) 0.75.
- D) 1.50.

Answer: A

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

18) The money price of a good is that price

- A) expressed in constant 2005 dollars.
- B) expressed in purchasing power against a common item like bread.
- C) expressed in today's dollars.
- D) that would clear the market.

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 19) The relative price of a good is that price
- A) expressed in today's dollars.
 - B) expressed in constant 2005 dollars.
 - C) expressed in terms of the price of another good.
 - D) that is equal to the equilibrium price.

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 20) The price of a movie increased from \$5 to \$7 while the price of renting a video increased from \$2 to \$3.50. The relative price of attending a movie in terms of video rentals
- A) increased from 0.4 to 0.5.
 - B) decreased from 2.5 to 2.0.
 - C) increased, but we need more information to know by how much.
 - D) decreased, but we need more information to know by how much.

Answer: B

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 21) The price of a new textbook is \$60 in one year and \$75 two years later, while the price of a used copy of the textbook increased from \$25 to \$37.50. The relative price of a new textbook
- A) increased by 25 percent.
 - B) increased from 2.4 to 3.
 - C) decreased from 2.4 to 2.0.
 - D) decreased from 1.4 to 1.25

Answer: C

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 22) The price of a new textbook increased from \$60 to \$75 in one year, while the price of a used textbook increased by 25 percent. What happened to the relative price of a used textbook?
- A) It increased by 25 percent.
 - B) It increased by 10 percent.
 - C) It remained constant.
 - D) It can't be determined without knowing the nominal price of the used textbook in at least one of the years.

Answer: C

Diff: 3

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 23) The price of a new textbook increases from \$75 to \$90 while the price of used copies of the textbook increases from \$50 to \$65. Other things equal, we would expect to observe
- A) the quantity demanded of the used textbook to increase while the quantity demanded of the new textbook to fall.
 - B) the quantity demanded of both to fall.
 - C) the demand for the new textbook to increase while the demand for the used textbook to decrease.
 - D) the quantity demanded of the used textbook to decrease and the quantity demanded of the new textbook to increase.

Answer: D

Diff: 3

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 24) When the term "price" is used in the law of demand, price refers to
- A) the dollar price of the good.
 - B) the price of the good relative to the price of another good.
 - C) the absolute price of the good.
 - D) the nominal price of the good relative to its nominal price in the previous year.

Answer: B

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Revised

- 25) According to the law of demand, the quantity demanded of a good is related to
- A) the average price of all goods.
 - B) income.
 - C) any factor that affects the decision of an individual consumer but not the market.
 - D) the relative price of that good.

Answer: D

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: New

- 26) Which one of the following statements is FALSE?
- A) Generally, what matters most to consumers is what a good costs in dollars.
 - B) The relative price of a good is its price measured relative to the price of other goods.
 - C) The nominal price of a good is its price measured in current dollars.
 - D) When the price of beer goes up by the same proportion as the prices of all other goods, the relative price of beer does not change.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

27) Markets are

- A) a mechanism through which prices of goods and services are determined by the forces of supply and demand.
- B) specific geographic locations.
- C) hypothetical constructs used to analyze how people form their tastes and preferences.
- D) places where people can inspect goods and services carefully.

Answer: A

Diff: 1

Topic: 3.1 Demand

AACSB:

Question Status: Previous Edition

28) The arrangements that individuals have with each other to exchange goods is known as

- A) demand.
- B) supply.
- C) a market.
- D) complements.

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB:

Question Status: Previous Edition

29) In economics, the meaning of demand refers to

- A) how badly someone wants a good.
- B) the quantities of a good that people will buy at various prices.
- C) the quantities of a good that people will sell at various prices.
- D) the total satisfaction that consuming a good provides people at different prices.

Answer: B

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Revised

30) Market demand is

- A) the total quantities demanded of all consumers of a particular item at given prices.
- B) a movement along the demand curve in response to the market.
- C) total equilibrium demand for the market.
- D) the demand for and supply of a good or service.

Answer: A

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 31) Demand is a schedule of
- A) how much of a good a person wants.
 - B) how much of a good people will purchase at each different possible price.
 - C) how much of a good people will purchase at each income level.
 - D) each possible price and the amount people will buy when their incomes change.

Answer: B

Diff: 1

Topic: 3.1 Demand

AACSB:

Question Status: Previous Edition

- 32) A schedule of amounts of a good that people will purchase at various prices during a specific time period holding other factors constant is
- A) a market.
 - B) supply.
 - C) demand.
 - D) the market clearing price.

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 33) Which of the following best represents the law of demand?
- A) As the price of a good decreases, the demand for the good increases.
 - B) As the price of a good increases, the quantity demanded of that good decreases.
 - C) As the demand for a good increases, the price of that good increases.
 - D) As the price of a good decreases, the demand curve for that good shifts to the right.

Answer: B

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 34) Other things being equal, an increase in the price of a good leads to a decrease in the amount people purchase. This is known as
- A) the law of demand.
 - B) the law of supply.
 - C) *ceteris paribus*.
 - D) equilibrium.

Answer: A

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

35) According to the law of demand

- A) price and quantity demanded move in the same direction.
- B) price and quantity demanded move in opposite directions.
- C) *ceteris paribus* does not apply.
- D) price and quantity demanded are unrelated.

Answer: B

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

36) Demand applies to which of the following?

- A) Fast food
- B) Criminal activity
- C) Labor market
- D) All of the above

Answer: D

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

37) According to the law of demand,

- A) people buy more of a good when the price rises.
- B) people buy more of a good when their income rises.
- C) people buy more of a good when the relative price rises.
- D) people buy more of a good when the price falls.

Answer: D

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

38) Which of the following is an example of the law of demand?

- A) A decrease in the price of milk is followed by an increase in milk purchases.
- B) A decrease in the price of milk is followed by a decrease in milk purchases.
- C) An increase in the price of milk has no effect on the amount of milk purchased.
- D) The amount of milk purchased increases when the price is constant.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

39) John believes that when the price of a good increases people will purchase more of the good.

This statement is

- A) consistent with the law of demand.
- B) inconsistent with the law of demand.
- C) referring to money prices.
- D) consistent with the law of supply.

Answer: B

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 40) Which of the following illustrates the law of demand?
- A) More people watch college basketball in March than in November.
 - B) The number of long distance calls in the United States is greater on Christmas than on Valentine's Day.
 - C) College enrollment increases when federal tuition grants are readily available to students.
 - D) The prevailing wage rate in an industry determines how many people choose to work in the industry.

Answer: C

Diff: 3

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 41) The law of demand includes the statement "other things being equal." These other things include all of the following EXCEPT
- A) the price of the good itself.
 - B) the price of related goods.
 - C) incomes.
 - D) tastes.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 42) Pam graduates from law school and gets a position in a law firm. At the same time the price of hamburger falls while other food prices have stayed the same. She notices that she buys less hamburger than she did before. Is she violating the law of demand?
- A) Yes, since she is buying less hamburger at a lower price.
 - B) Yes, since she is buying less hamburger in a relatively short period of time and we wouldn't expect her tastes to have changed.
 - C) No, since the law of demand refers to relative price changes and the price of hamburger falling is an absolute price change.
 - D) No, since other things are not held constant, such as her income.

Answer: D

Diff: 3

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 43) All prices increase by 10 percent in the year. The total sales of caviar remain constant. This is
- A) a violation of the law of demand since less caviar should be purchased at a higher price.
 - B) a violation of the law of demand since more caviar should have been purchased with higher incomes.
 - C) not a violation of the law of demand since the relative price of caviar did not change.
 - D) not a violation of the law of demand since the law of demand does not apply to expensive goods like caviar.

Answer: C

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

44) The price of a commodity in terms of another commodity is

- A) the law of demand.
- B) a substitute.
- C) the money price.
- D) the relative price.

Answer: D

Diff: 1

Topic: 3.1 Demand

AACSB:

Question Status: Previous Edition

45) The price that we observe in the market is

- A) the law of demand.
- B) a substitute.
- C) the money price.
- D) the relative price.

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB:

Question Status: Previous Edition

46) The absolute price of a good is its

- A) relative price.
- B) money price.
- C) subjective price.
- D) projected price.

Answer: B

Diff: 1

Topic: 3.1 Demand

AACSB:

Question Status: Previous Edition

47) The "real" price of a good is known as

- A) the absolute price of the good.
- B) the dollar price of the good since we use dollars in the United States.
- C) relative price of the good.
- D) the price actually paid for a good instead of the sticker price.

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

48) Jane has noticed that she used to pay \$2 for coffee and now she pays \$2.50. Which of the following statements is true?

- A) The relative price of coffee has increased compared to tea.
- B) The money price of coffee has increased.
- C) The law of supply explains why the price of coffee has increased.
- D) Jane will stop consuming coffee.

Answer: B

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 49) The price of a first-class stamp in 1957 was 3 cents, and it is 44 cents in 2010. From this we know that
- A) both the relative and the absolute price of first-class stamps increased from 1957 to 2010.
 - B) the money price of first-class stamps increased from 1957 to 2010 but the absolute price of first-class stamps stayed constant.
 - C) the money price of first-class stamps increased from 1957 to 2010 and the relative price of first-class stamps decreased.
 - D) the money price of first-class stamps increased from 1957 to 2010, but we can't tell if the relative price of first-class stamps increased or decreased without more information.

Answer: D

Diff: 3

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Revised

- 50) The price of a phone call at a pay phone was 5 cents in 1950 and the price of a first-class stamp was 3 cents. In 2010, the pay phone costs 50 cents for a call and a first-class stamp costs 44 cents. We know that
- A) both the nominal and the relative price of phone calls increased from 1950 to 2010.
 - B) both the nominal prices of phone calls and first-class stamps increased from 1950 to 2010, but the relative price of stamps increased and the relative price of phone calls decreased from 1950 to 2010.
 - C) all prices increased from 1950 to 2010: Nominal prices of phone calls, first-class stamps, and the relative prices of phone calls and first-class stamps.
 - D) both the nominal prices of phone calls and first-class stamps increased from 1950 to 2010, but we can't tell if the relative prices increased or decreased without more information.

Answer: B

Diff: 3

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Revised

- 51) The price of a gallon of gasoline increased from \$2.00 to \$2.25 while the price of a ride on the city bus increased from 50 cents to 75 cents. The relative price of riding the city bus
- A) increased from 0.25 to 0.6.
 - B) decreased from 4.0 to 3.0.
 - C) stayed constant at 0.25.
 - D) stayed constant at 4.0.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 52) If we are comparing the price of regular gasoline with the price of super gasoline, then an increase in the relative price of regular gasoline implies that
- A) the nominal price of regular gasoline increased.
 - B) the nominal price of super gasoline decreased.
 - C) the relative price of super gasoline decreased.
 - D) the relative price of regular gasoline increased.

Answer: C

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 53) The price of a new textbook is \$60 in one year and is \$75 two years later, while the price of a used copy of the text increased from \$20 to \$30. The relative price of a new textbook
- A) increased from 3 to 4.5.
 - B) decreased from 0.8 to 0.67.
 - C) decreased from 3 to 2.5.
 - D) remained constant.

Answer: C

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 54) The price of a new textbook increased by 25 percent and the price of a used textbook increased by 30 percent. What happened to the relative price of the new textbook?
- A) It increased by 5 percent.
 - B) It increased, but we can't tell by how much without more information.
 - C) It decreased by 5 percent.
 - D) It decreased, but we can't tell by how much without more information.

Answer: D

Diff: 3

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 55) The price of a new textbook increases from \$60 to \$80, while the price of used copies of the textbook increased from \$40 to \$50. Other things being equal, we would expect
- A) the quantity demanded of the used textbook to increase and the quantity demanded of the new textbook to decrease.
 - B) the quantity demanded of both to fall.
 - C) the demand for the new textbook to increase and the demand for the used textbook to decrease.
 - D) the quantity demanded of the used textbook to decrease and the quantity demanded of the new textbook to increase.

Answer: A

Diff: 3

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- A) decreased by \$2,400.
B) decreased by 10 percent.
C) increased by 10 percent.
D) remained constant at 0.4.

Answer: D

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- A) 0.5; 0.8. B) 0.5; 1.25. C) 2.0; 1.25. D) 2.0; 0.8.

Answer: B

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- A) 1.39 B) 0.6 C) 0.72 D) 0.50

Answer: C

Diff: 3

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- A) an increase in the nominal price of the good that is greater than the increase in the nominal price of the other good.
- B) a decrease in the nominal price of the good that is less than the decrease in the nominal price of the other good.
- C) a decrease in the nominal price of the other good while the price of the good itself remains constant.
- D) an increase in the nominal price of the other good while the price of the good itself remains constant.

Answer: D

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

60) The relative price of a textbook is

- A) the money price of the textbook divided by the money price of some other good.
- B) the price of the textbook compared with what students think it should cost.
- C) the amount it cost to make the textbook.
- D) what the author earned for writing the textbook.

Answer: A

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

61) The law of demand

- A) is only an assumption that cannot be tested.
- B) only applies to necessities, not to luxuries.
- C) is supported by observations of human behavior in the marketplace.
- D) does not apply to scarce goods.

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Revised

62) Which one of the following statements is true?

- A) If the money price of a good increases, its relative price necessarily increases.
- B) If the money price of a good increases, its relative price necessarily decreases.
- C) The relative price of a good refers to the opportunity cost of purchasing it.
- D) Rational consumers always ignore the monetary price of a good when deciding whether to buy it.

Answer: C

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

63) Demand is defined as

- A) a schedule of how much of an item people will purchase at any particular price of that item during a specified time period, other things being constant.
- B) a specific quantity of an item that people want at a particular price of that item during a specified time period, other things being constant.
- C) a schedule of how much of a good or service people will purchase at any particular price of a different item during the specified time period, other things being constant.
- D) a specific quantity of a good or service that people will purchase at one particular price of another item during a specified time period, other things being constant.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 64) The fact that when the price of a good goes up, people buy less of it is known as the
- A) law of supply.
 - B) law of demand.
 - C) concept of market equilibrium.
 - D) need for inferior goods.

Answer: B

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 65) *Ceteris paribus*, as the price of a good or service increases,
- A) people will buy more of it.
 - B) people will buy less of it.
 - C) people will want less of it.
 - D) people will want more of it.

Answer: B

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 66) The statement "other things being equal" in the law of demand means all of the following remain constant EXCEPT
- A) consumer income.
 - B) the price of the good concerned in the law of demand.
 - C) the prices of substitutes.
 - D) tastes and preferences.

Answer: B

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: New

- 67) The price of one product in terms of another commodity is called its
- A) relative price.
 - B) money price.
 - C) financial price.
 - D) converse price.

Answer: A

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 68) What type of relationship does the law of demand demonstrate?
- A) direct
 - B) positive
 - C) inverse
 - D) static

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

69) Consider the following:

Item	Price/Last Year	Price/This Year
Hamburgers	\$3.00	\$4.00
Movies	\$5.00	\$6.00

The relative price of movies this year has

- A) increased.
- B) decreased.
- C) stayed the same.
- D) Not enough information has been given to calculate an answer.

Answer: B

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

70) Consider the following:

Item	Price/Last Year	Price/This Year
Hamburgers	\$3.00	\$4.00
Movies	\$5.00	\$6.00

The relative price of hamburgers this year has

- A) increased.
- B) decreased.
- C) stayed the same.
- D) Not enough information has been given to calculate an answer.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

71) Total market demand can be calculated by

- A) horizontally summing individual demand curves at each and every price level.
- B) vertically summing individual demand curves at each and every income level.
- C) adding up the largest quantity demanded by each individual.
- D) looking at the changes in the products' popularity.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

72) The law of demand states that there is

- A) an inverse relationship between income and quantity demanded, *ceteris paribus*.
- B) a direct relationship between income and quantity demanded, *ceteris paribus*.
- C) no relationship between taste and quantity demanded, *ceteris paribus*.
- D) an inverse relationship between price and quantity demanded, *ceteris paribus*.

Answer: D

Diff: 2

Topic: 3.1 Demand

AACSB:

Question Status: Previous Edition

73) The law of demand shows that there is

- A) an inverse relationship between price and profit.
- B) an inverse relationship between price and resource cost.
- C) an inverse relationship between price and quantity demanded.
- D) a direct relationship between price and quantity demanded.

Answer: C

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

74) The demand curve shows the relationship between quantity demanded and

- A) income.
- B) price.
- C) supply.
- D) quantity supplied.

Answer: B

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

75) When the price of Nintendo Gameboys goes up and fewer Nintendo Gameboys are purchased, this is representative of the

- A) law of demand.
- B) law of supply.
- C) law of market operations.
- D) law of increasing costs.

Answer: A

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 76) State the law of demand and illustrate it. Explain what is meant by the term "price" in the law of demand.

Answer: The law of demand states that when the price of a good increases, people buy less of the good, other things equal, and when price of a good decreases, people buy more of it. An increase in the price of gasoline would lead people to buy less gasoline. Price means "relative price," or the price of the good in terms of other goods. People make their decisions on the basis of relative prices and not on the basis of the money price.

Diff: 1

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 77) In 1950, a phone call at a pay phone cost 5 cents and a first-class stamp cost 3 cents. Today, those prices are 50 cents and 44 cents respectively. What has happened to the price of each good relative to the other? What has happened to the price of each good relative to all other goods?

Answer: The price of a phone call has decreased relative to a stamp. In 1950, the price of a phone call was 1.67 stamps, and today the price is 50/44 stamp. The opposite is true for stamps. In 1950 the price of a stamp was 0.60 phone calls and today the price is 44/50 phone calls. We cannot tell what has happened to the prices of phone calls or stamps relative to all other goods without knowing what the money prices of all other goods were in 1950 and today. All we can say is that phone calls have either increased less than stamps or decreased more than stamps.

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Revised

3.2 The Demand Schedule

- 1) Suppose that the demand curve for apples is downward sloping and the price per bushel increases from \$6.50 to \$7.50. We would then expect
- A) the demand for apples to decrease.
 - B) the quantity of apples demanded to fall.
 - C) the demand curve to shift toward the origin.
 - D) the quantity of apples demanded to increase.

Answer: B

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 2) The law of demand implies that the demand curve
- A) has a negative slope.
 - B) has a positive slope.
 - C) shifts to the right when the price of a good increases.
 - D) shifts to the left when the price of a good decreases.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: New

3) A demand curve

- A) slopes down because of the inverse relationship between price and quantity demanded.
- B) slopes up because of the direct relationship between price and quantity demanded.
- C) can slope up or down depending on the tastes of the consumer.
- D) is vertical for necessities, upward sloping for luxury goods, and downward sloping for all other goods.

Answer: A

Diff: 2

Topic: 3.1 Demand

AACSB: Analytic skills

Question Status: Revised

4) If *Apple's iTunes Music Store* increases its "fee" for its music downloads, the law of demand predicts that

- A) the number of iTunes music downloads would increase.
- B) there would be no change in the demand for iTunes music downloads.
- C) the number of iTunes music downloads would decrease.
- D) iTunes music supply would change but demand would not.

Answer: C

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Revised

5) Which of the following will occur as the price of a good decreases?

- A) The demand curve for that good will shift to the left.
- B) The demand curve for that good will shift to the right.
- C) The quantity demanded for that good will increase.
- D) Demand for that good will increase.

Answer: C

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

6) A demand curve is a graphical representation of

- A) consumer tastes.
- B) national income.
- C) the demand schedule.
- D) relative prices.

Answer: C

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB:

Question Status: Previous Edition

- 7) When economists talk about a demand schedule for a product, they mean
- A) the amount of a good that consumers intend to purchase at each price in a set of possible prices in a given time period.
 - B) the amount of a good that consumers are able to purchase (though they might not be willing to) at different prices in a given period of time.
 - C) the amount of a good that consumers intend to purchase at only one particular price in a given period of time.
 - D) the amount of a good that producers are willing to make available for sale at a particular price in a given time period.

Answer: A

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 8) Adding the quantities demanded by all consumers at every price will yield
- A) the market-clearing price.
 - B) the number of consumers.
 - C) the total substitution effect from a price change.
 - D) the market demand curve.

Answer: D

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 9) When the price of a good falls, there will be
- A) an outward shift in the good's demand curve.
 - B) both an outward shift in the good's demand curve and a movement along the good's demand curve.
 - C) a movement along the good's demand curve.
 - D) no change in quantity demanded.

Answer: C

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 10) In deriving the demand schedule for a good, economists assume that
- A) consumers have equal incomes to allocate among goods.
 - B) a consumer will allocate all of her income to one good.
 - C) all other influences on demand except the product price are held constant.
 - D) reported income changes at each point on the demand schedule.

Answer: C

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 11) A demand schedule provides
- A) the quantities of a good people are willing to sell every year.
 - B) the amount of a good a person wants to sell during a given time period.
 - C) the alternative quantities demanded for a given time period at different possible prices.
 - D) the amount of a good a person wants at different times of the day.

Answer: C

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 12) An increase in quantity demanded is caused by
- A) an increase in income.
 - B) a decrease in the price of the good.
 - C) a decrease in the price of a complement.
 - D) a change in expectations about price in the future.

Answer: B

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 13) Gasoline prices in the United States decreased significantly between 2008 and 2009. A decrease in the price of gasoline, holding other things constant, will cause which of the following to occur?
- A) increase the demand for gasoline.
 - B) decrease the demand for gasoline.
 - C) increase the quantity of gasoline demanded.
 - D) decrease the quantity of gasoline demanded.

Answer: C

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Revised

- 14) A schedule of how much of a good people will purchase for a range of possible prices during a specified time period, other things constant, is the definition of
- A) supply.
 - B) demand.
 - C) a purchasing contract.
 - D) an economic market.

Answer: B

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 15) The market demand curve for a particular good
- A) is the horizontal sum of all individual demand curves for the good.
 - B) may be less than an individual demand curve for the good.
 - C) may or may not show a direct relationship between price and quantity demanded.
 - D) will not be affected by any of the determinants of individual demand.

Answer: A

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 16) A market demand schedule for a product indicates that
- A) as the product's price falls, consumers buy less of the good.
 - B) there is a positive relationship between price and quantity demanded.
 - C) as a product's price rises, consumers buy more of the good.
 - D) there is a negative relationship between price and quantity demanded.

Answer: D

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Revised

- 17) Graphically, a market demand curve is found by
- A) taking the average of all prices that people are willing to pay.
 - B) summing the quantities demanded by all individuals at each price.
 - C) summing the prices each consumer would pay for each quantity.
 - D) taking the average of the individual demand curves.

Answer: B

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Revised

- 18) Here's what we know about last year's weekly demand for 2-night DVD rentals in the Village of Harmony: When $P = \$3$, $Q_d = 100$; at $P = \$5$, $Q_d = 75$; and when $P = \$7$, $Q_d = 50$. This year the village population has increased by 25%. What impact is this most likely to have?
- A) Each individual's demand for DVD rentals will increase.
 - B) Each individual's demand curve for DVD rentals will shift to the left.
 - C) The market demand curve for DVD rentals shifts left.
 - D) The market demand for DVD rentals increases.

Answer: D

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

19) The alternative quantities demanded for a given time period at different possible prices is known as

- A) absolute demand.
- B) a demand schedule.
- C) real demand.
- D) constant demand.

Answer: B

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

20) For a demand schedule, which of the following is held constant?

- A) relative prices
- B) quantity demanded
- C) quality of the good
- D) nominal prices

Answer: C

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Revised

21) Four points on a demand schedule are given: \$12, 2 units; \$10, 1 unit; \$15, 1.5 units; and \$2, 4 units. Which combination is inconsistent with the law of demand?

- A) \$12 and 2 units
- B) \$10 and 1 unit
- C) \$15 and 1.5 units
- D) \$2 and 4 units

Answer: B

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

22) A demand schedule

- A) holds all prices constant.
- B) is only for a given time period.
- C) holds quantity constant.
- D) is for a given variety of goods.

Answer: B

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

23) A demand curve is derived from

- A) the production possibilities curve.
- B) consumer's income.
- C) a demand schedule.
- D) an equilibrium.

Answer: C

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 24) A demand curve represents a(n)
- A) direct relationship between price and quantity demanded.
 - B) direct relationship between price and demand.
 - C) indirect or inverse relationship between price and quantity demanded.
 - D) indirect relationship between price and supply.

Answer: C

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 25) A demand curve is a
- A) graphical representation of the demand schedule.
 - B) graphical representation of alternative demands.
 - C) horizontal line connecting amounts demanded at various income levels.
 - D) graphical relationship, that includes several things such as tastes, time, and supply.

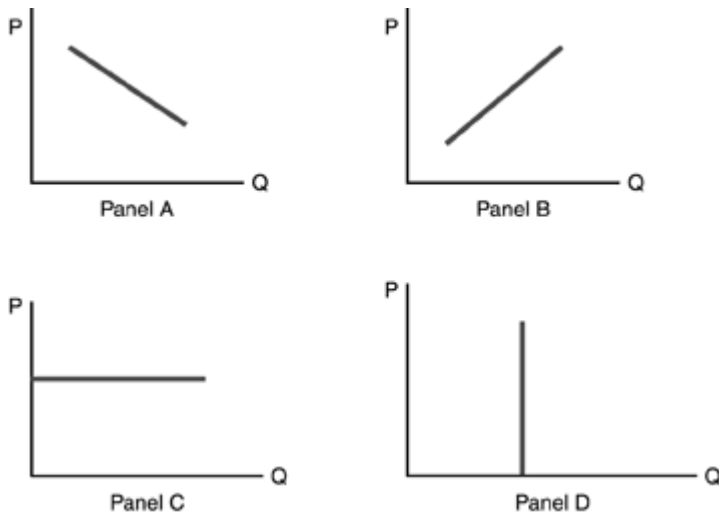
Answer: A

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition



- 26) Refer to the above figure. Which panel best demonstrates the demand curve?
- A) Panel A.
 - B) Panel B.
 - C) Panel C.
 - D) Panel D.

Answer: A

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 27) An indirect or inverse relationship between price and quantity demanded is
- A) the market clearing price.
 - B) a change in demand.
 - C) a supply curve.
 - D) a demand curve.

Answer: D

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 28) By summing the quantities demanded by individuals at each price we obtain the
- A) equilibrium price.
 - B) market demand curve.
 - C) market supply curve.
 - D) individual demand curve.

Answer: B

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 29) We are given the individual demand curves for all of the people that consume Good Y. Which statement is true about the market demand curve for Good Y?
- A) The market demand curve is obtained by horizontally summing the individual demand curves.
 - B) The market demand curve is obtained by vertically summing the individual demand curves.
 - C) The market demand curve cannot be obtained because information on prices is missing.
 - D) The market demand curve cannot be obtained from individual demand curves.

Answer: A

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 30) A market demand curve is found by
- A) adding the prices each consumer would pay for each quantity.
 - B) adding the prices and the quantities demanded by a consumer.
 - C) adding the quantities demanded for each individual consumer at each price.
 - D) taking the demand curve of the "representative" consumer.

Answer: C

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

Price Per DVD	Quantity Demanded			
	Buyer 1	Buyer 2	Buyer 3	Buyer 4
\$20	0	0	1	0
18	0	1	3	0
16	1	2	5	1
14	2	4	7	3
12	3	6	9	6
10	4	8	11	10
8	5	11	13	15

31) Refer to the above table. What is the market quantity demanded of DVDs at a price of \$12?

- A) 6 B) 9 C) 12 D) 24

Answer: D

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

32) Refer to the above table. What is the market quantity demanded at a price of \$8?

- A) 5 B) 15 C) 35 D) 44

Answer: D

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

33) Refer to the above table. Suppose Buyer 2 leaves the market. What is the new market quantity of DVDs demanded at a price of \$10?

- A) 33 B) 25 C) 22 D) 8

Answer: B

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

34) Demand is a schedule that shows

- A) a set of possible prices for a good and the quantities of the good that will be purchased at each of those prices.
 B) how much income it takes to afford various quantities of a good.
 C) the relationship between the cost of producing a good and the price that sellers will charge.
 D) how population changes will affect the amount of a good that is needed.

Answer: A

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Revised

35) Which of the following is NOT a determinant of demand?

- A) consumers' incomes
- B) prices of other goods
- C) consumers' tastes
- D) production technology

Answer: D

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

36) When McDonald's runs a special for hamburgers reducing the price of *Big Macs* to \$0.99 with all other factors held constant

- A) there is likely to be an increase in the quantity of Taco Bell's *Chalupas* demanded assuming *Big Macs* and *Chalupas* are substitutes.
- B) there is likely to be a decrease in demand for Taco Bell's *Chalupas* assuming *Big Macs* and *Chalupas* are substitutes.
- C) there is likely to be an increase in demand for Taco Bell's *Chalupas* assuming *Big Macs* and *Chalupas* are substitutes.
- D) there is likely to be an increase in demand for McDonald's *Big Macs* assuming *Big Macs* and *Chalupas* are substitutes.

Answer: B

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Revised

37) What information is provided by a demand curve? What variables are measured along the axes of the graph?

Answer: The demand curve is a graphical representation of a demand schedule. The price per unit is measured along the vertical axis and the number of units per period of time is measured along the horizontal axis. The units of the good are identical so that quality is held constant. The price is the relative price, so all other prices are held constant. The demand curve pictures the relationship between relative price and the quantity purchased.

Diff: 2

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

38) Explain how a market demand curve is found.

Answer: The market demand curve is the horizontal summation of the individual demand curves. A price is selected, and the quantities demanded of each person at that price are summed. Then another price is selected and the quantities demanded of each person at that price are summed. Continue doing this for other prices until the market demand curve is traced out.

Diff: 1

Topic: 3.2 The Demand Schedule

AACSB: Analytic skills

Question Status: Previous Edition

3.3 Shifts in Demand

- 1) Which of the following statements is FALSE about the demand curve?
- A) An increase in demand shifts the demand curve to the left, closer to the price axis.
 - B) When only the price of a good changes, there is movement along the demand curve but no change in demand.
 - C) A change in demand is graphically shown by shifting the entire demand curve.
 - D) When demand decreases, there is a drop in the quantity demanded at each price.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 2) Which of the following will cause a movement along the demand curve instead of a shift of the demand curve?
- A) Income
 - B) Tastes and preferences
 - C) Expectations of the future price of a good
 - D) none of the above

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 3) Which of the following is a determinant of consumer demand?
- A) Expectation of the future relative price of a product
 - B) Taxes imposed on firms that sell the product
 - C) Cost of inputs used to produce the product
 - D) Number of firms that produce the product

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 4) If more buyers came into the market for a good, we would expect to see the market demand curve
- A) shift inward and to the left.
 - B) remain unchanged since none of the determinants of individual demand changed.
 - C) shift outward and to the right.
 - D) reflect a positive relationship between price and quantity demanded.

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 5) Suppose that short skirts that were fashionable in the 1990s become unfashionable in the late 2000s. If other factors were held constant, then there would be
- A) a rightward movement along the supply curve.
 - B) a rightward shift of the demand curve.
 - C) a leftward shift in the demand curve.
 - D) a leftward movement along the supply curve.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 6) Suppose a college increases the wages paid to student employees. Which of the following options is the best description of the most likely effect of the increase in wage earnings on the demand curve for school sweatshirts in the bookstore?
- A) The demand curve shifts to the right.
 - B) The demand curve shifts to the left.
 - C) A leftward movement along the demand curve.
 - D) A rightward movement along the demand curve.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 7) An increase in demand is shown graphically by
- A) a shift of the demand curve to the left.
 - B) a movement up along the existing curve.
 - C) a shift of the demand curve to the right.
 - D) a movement down the existing curve.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 8) If a demand curve shifts, we know that
- A) the price of the good itself is not a factor.
 - B) the price of the good itself is a factor.
 - C) the price of the good and supply are the major factors.
 - D) the price of the good and demand are major factors.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

9) Which of the following statements is FALSE?

- A) If there is an increase in the demand for a product, consumers want to buy more of the product at each and every possible price.
- B) A decrease in demand shifts the demand curve leftward toward the origin, while a decrease in quantity demanded involves a movement upward along a particular demand curve.
- C) If the price of a good rises, quantity demanded of the good decreases and the demand curve shifts toward the origin as long as supply is static.
- D) A change in the demand for a product is caused by factors other than changes in the product's price.

Answer: C

Diff: 3

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

10) A demand curve for a normal good

- A) slopes upward and to the right.
- B) is constructed based on the assumption that income is rising.
- C) is constructed based on the assumption that an inverse relationship exists between price and income.
- D) shows the inverse relationship between price and quantity demanded.

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

11) Which of the following statements is FALSE?

- A) An increase in income causes an increase in the demand for a normal good.
- B) An increase in income causes a decrease in the demand for an inferior good.
- C) A decrease in income causes the demand curve for a normal good to shift to the left.
- D) An increase in income causes the demand curve for an inferior good to shift to the right.

Answer: D

Diff: 3

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

12) Suppose an individual experiences a permanent increase in income. As a result of this increased income, further assume that the individual eats dinner at restaurants more frequently each month. This information suggests that dinners at restaurants for this individual are

- A) an inferior good.
- B) a substitute good.
- C) a normal good.
- D) both complimentary and inferior.

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 13) In economic terminology, a normal good is a good
- A) on which a monetary value cannot be placed.
 - B) that is liked only by normal people.
 - C) for which demand increases when price increases.
 - D) for which demand increases when income increases.

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 14) In economic terminology, an inferior good is a good
- A) that no one will purchase.
 - B) that doesn't work properly.
 - C) that has no monetary value.
 - D) for which demand increases as income decreases.

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 15) If the demand of a good is inversely related to income, it must be
- A) a bad good.
 - B) an inferior good.
 - C) a normal good.
 - D) an everyday product.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 16) If an increase in the incomes of people who live in the Los Angeles area leads to an increase in the demand for season tickets for games played by the Los Angeles Lakers professional basketball team, then these season tickets are
- A) a normal good.
 - B) an inferior good.
 - C) an income complement.
 - D) an income substitute.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 17) An inferior good is one for which
- A) demand increases as income increases.
 - B) demand decreases as income increases.
 - C) the demand curve is vertical.
 - D) the demand curve slopes up.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 18) For a normal good, an increase in consumer income will lead to
- I. a movement down the demand curve
 - II. a rightward shift in the demand curve
 - III. a reduction in supply
- A) I only B) II only C) III only D) Both II and III

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 19) Sarah gets a salary increase of 20 percent. Before her raise, she purchased 5 pounds of hamburger and 1 pound of beef stew a month. After her raise, she consumes 2 pounds of hamburger and 3 pounds of beef stew a month. If everything else is held constant, we know that
- A) hamburger is an inferior good and beef stew is a normal good for Sarah.
 - B) hamburger is a normal good and beef stew is an inferior good for Sarah.
 - C) both hamburger and beef stew are normal goods for Sarah.
 - D) both hamburger and beef stew are inferior goods for Sarah.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 20) Fashion trends are a nonprice determinant for demand because
- A) they cause a movement along the demand curve.
 - B) they influence people's tastes and preferences in clothing.
 - C) they change the supply of accessories.
 - D) they do not affect demand.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 21) Which of the following will cause a rightward shift of the demand curve?
- A) a decrease in the cost of production
 - B) a decrease in the price of the good
 - C) an increase in the expected future price of the good
 - D) all of the above

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

22) Which one of the following is NOT a determinant of demand?

- A) Prices of related goods
- B) Cost of inputs in production
- C) Income
- D) Future price expectations

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

23) All of the following will affect the position of the demand curve EXCEPT

- A) income.
- B) taste and preference.
- C) changes in expectations of future relative prices.
- D) prices of resources used to produce the product.

Answer: D

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

24) Assume that coffee and tea are substitutes. Given a downward sloping demand curve for tea, an increase in the price of tea will cause

- A) an increase in the demand for coffee.
- B) a decrease in the demand for coffee.
- C) a leftward shift of the demand curve for tea.
- D) a leftward shift in the demand for coffee.

Answer: A

Diff: 3

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

25) If goods X and Y are substitute goods, then an increase in the price of Y, other things being equal,

- A) results in a decrease in the amounts of both X and Y consumed.
- B) decreases the quantity demanded of Y, but has no effect on the amount of X consumed.
- C) results in a decrease in the quantity of Y consumed, but increases the demand for X.
- D) has no real effect on the quantity demanded of good Y, but increases the demand for X.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

26) If bagels and croissants are substitute goods, which of the following is likely to occur if the price of bagels has decreased?

- A) The demand curve for bagels shifts to the right.
- B) A leftward movement along the bagel demand curve.
- C) The demand curve for croissants shifts to the right.
- D) The demand curve for croissants shifts to the left.

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

27) If two goods are substitutes, then

- A) an increase in the price of one causes the demand for the other to fall.
- B) there is an inverse relationship between changes in the price of one good and changes in the demand for the other.
- C) if the price of one good falls, the demand for the other good falls also.
- D) changes in the quantity demanded of one good will not affect the demand for the other.

Answer: C

Diff: 3

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

28) Suppose that goods X and Y are substitutes and the price of good Y falls. We would then expect

- A) the quantity of good Y demanded to increase and the demand for good X to increase also.
- B) an increase in the demand for good X and a decrease in the quantity of good Y demanded.
- C) an increase in the quantity demanded of good Y and a decrease in the demand for good X.
- D) an increase in the demand for both good X and good Y.

Answer: C

Diff: 3

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

29) After the price of music downloads falls, Phil buys fewer CDs and buys a new MP3 player. For Phil,

- A) music downloads and CDs are complements, and MP3 players and CDs are substitutes
- B) music downloads, MP3 players, and CDs are all complements.
- C) music downloads and CDs are substitutes, and music downloads and MP3 players are complements.
- D) music downloads, MP3 players, and CDs are all substitutes.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 30) An increase in demand for a good can be caused by
- A) a decrease in the price of a substitute good.
 - B) a reduction in income if the good is a normal good.
 - C) a decrease in the price of a complementary good.
 - D) an increase in price of a complementary good.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 31) We observe that people buy less steak and more potatoes when the price of steak relative to potatoes increases. This indicates that steak and potatoes are
- A) substitutes.
 - B) complements.
 - C) inferior goods.
 - D) unrelated goods.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 32) Suppose a concert by Lady Gaga and a basketball game played by the L.A. Lakers are substitutes, then which of the following is true?
- A) If the price of a ticket to a Lakers game increases, then the demand for Lady Gaga tickets will fall.
 - B) If the price of a ticket to a Lakers game decreases, the quantity of Lakers tickets demanded will increase.
 - C) If the price of a ticket to a Lakers game increases, then the demand for Lady Gaga tickets will remain unchanged.
 - D) The price of a ticket to a Lakers game will always equal the price of a ticket to a Lady Gaga concert.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 33) If two goods, J and K, are complements, then which of the following statements is FALSE?
- A) They are consumed together.
 - B) An increase in the price of J causes the demand for K to rise.
 - C) When the quantity demanded of J increases, the demand for K increases.
 - D) A decrease in the price of K causes an increase in the demand for J.

Answer: B

Diff: 3

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

34) Of the following, which is the least likely to be an example of substitute goods?

- | | |
|----------------------|-------------------------|
| A) Beer and pretzels | B) Margarine and butter |
| C) Beef and chicken | D) Tea and coffee |

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

35) Which of the following pairs of goods is least likely to be a pair of complements?

- | | |
|---------------------------|------------------------------|
| A) Gasoline and motor oil | B) Hot dog buns and hot dogs |
| C) Beer and wine | D) Razors and razor blades |

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

36) Suppose we observe that the demand for eggs increases when people buy more potatoes. We can conclude that eggs and potatoes are

- | | | | |
|--------------------|------------------|-----------------|-----------------|
| A) inferior goods. | B) normal goods. | C) complements. | D) substitutes. |
|--------------------|------------------|-----------------|-----------------|

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: New

37) When the price of personal computers decreased in the 2000s, there was an increase in the demand for flash memory drives because personal computers and flash memory drives are

- | | |
|----------------------|-------------------------|
| A) substitute goods. | B) capital goods. |
| C) inferior goods. | D) complementary goods. |

Answer: D

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

38) If the price of personal computers were to rise, then the demand for printers would decrease because personal computers and printers are

- | | |
|-------------------------|----------------------|
| A) complementary goods. | B) consumer goods. |
| C) inferior goods. | D) substitute goods. |

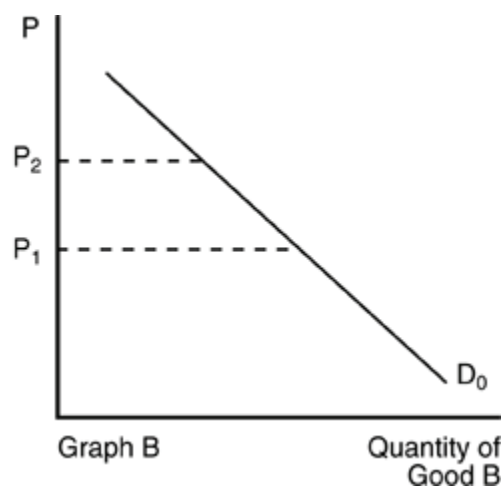
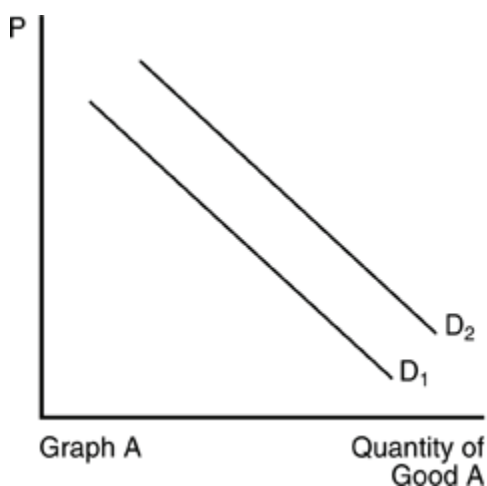
Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition



- 39) In the above figure, when the price of Good B increases, the result can be shown by
- A) the movement from D_1 to D_2 in Graph A.
 - B) the movement from D_2 to D_1 in Graph A.
 - C) the movement along D_0 from P_1 to P_2 .
 - D) the movement along D_0 from P_2 to P_1 .

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 40) In the above figure, an increase in income is best demonstrated by a
- A) shift of D_1 to D_2 in Graph A, if good A is a normal good.
 - B) shift of D_2 to D_1 in Graph A, if good A is a normal good.
 - C) movement along D_0 from P_1 to P_2 in Graph B.
 - D) movement along D_0 from P_2 to P_1 in Graph B.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 41) In the above figure, the demand curve for Good A shifts from D_1 to D_2 in Graph A when the price of Good B changes from P_1 to P_2 in Graph B. We can conclude that
- A) Good A and Good B are substitutes.
 - B) Good A and Good B are complements.
 - C) Good A is a normal good but Good B is an inferior good.
 - D) Good A and Good B are unrelated.

Answer: A

Diff: 3

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: New

42) Suppose Good A is a normal good. Which of the following will increase the demand for Good A?

- A) An increase in the price of its substitutes
- B) A lower expected future relative price of A
- C) An increase in the price of its complements
- D) A decrease in income

Answer: A

Diff: 3

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

43) If the price of hot dogs increases, the demand for hot dog buns will

- A) increase.
- B) decrease.
- C) remain constant.
- D) shift to the right.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

44) If the price of apples goes down, then the demand for pears will

- A) increase, assuming apples and pears are substitutes.
- B) decrease, assuming apples and pears are substitutes.
- C) decrease, assuming apples and pears are complements.
- D) remain constant, assuming apples and pears are related goods.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

45) There is an increase in the demand for cream when the price of coffee falls. Other things constant, we can conclude that coffee and cream are

- A) substitute goods.
- B) inferior goods.
- C) independent goods.
- D) complementary goods.

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

46) An increase in demand is represented by a

- A) shift of the demand curve to the left.
- B) shift of the demand curve to the right.
- C) movement down the demand curve.
- D) movement up the demand curve.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

47) Two goods are substitutes when

- A) an increase in the price of one reduces the demand for the other.
- B) an increase in the price of one raises the demand for the other.
- C) the two goods are used together.
- D) the two goods have the same price.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

48) An increase in the price of corn will lead to

- A) an upward (and leftward) movement along the demand curve for corn.
- B) a leftward shift in the demand curve for corn.
- C) a rightward shift in the supply curve for corn.
- D) an increase in the quantity of corn consumed.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

49) A significant increase in the price of tennis balls will most likely lead to

- A) an increase in the demand for tennis racquets.
- B) an inward shift in the demand for tennis balls.
- C) a movement along the demand curve for tennis racquets.
- D) an inward shift in the demand for tennis racquets.

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

50) If the price of butter increases, the demand for margarine

- A) will be unchanged.
- B) will shift outward.
- C) will shift inward.
- D) will kink into an S-curve.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

51) When the price of a complement (cream) decreases, the demand for the related good (coffee)

- A) will fall.
- B) remains constant.
- C) will shift outward.
- D) will shift inward.

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 52) An expected future increase in the price of gasoline may
- A) increase the demand for gasoline now.
 - B) decrease the demand for gasoline now.
 - C) increase the supply of gasoline now.
 - D) make gasoline an inferior good.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 53) An expected increase in the future price of automobiles will lead to
- A) an outward shift in demand for automobiles today.
 - B) a reduction in the demand for gasoline today.
 - C) a movement down the demand schedule for automobiles.
 - D) no predictable impact on today's demand for automobiles.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 54) If consumers expect that the price of pretzels will decrease next week, what would happen today?
- A) Demand today for pretzels would decrease.
 - B) Demand today for pretzels would increase.
 - C) Demand today for pretzels would be unaffected.
 - D) Supply today of pretzels would decrease.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 55) Which of the following will cause a movement along the demand curve for shoes?
- A) An increase in the price of socks
 - B) An increase in income
 - C) An increase in the price of shoes
 - D) All of the above

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 56) Which of the following will NOT cause a shift in the demand for rewriteable DVDs?
- A) A change in taste
 - B) A change in income
 - C) A change in the price of rewriteable DVDs
 - D) A change in the price of rewriteable CDs

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 57) With reference to the difference between a change in demand and a change in quantity demanded, which of the following is true?
- A) If a good's price goes down, then demand for the good will decrease.
 - B) If a good's price goes down, then quantity demanded will increase.
 - C) If demand increases, then the demand curve will shift to the left.
 - D) If price rises and quantity demanded decreases, then the demand curve will shift to the left.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 58) Which of the following does NOT cause a shift in demand?
- A) Change in income
 - B) Change in tastes
 - C) Change in the price of the good
 - D) Change in the price of a related good

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 59) More cattle are found to have mad cow disease. As a result, consumer confidence in the safety of beef is shaken. What would an economist predict will happen in the beef market?
- A) As consumer preferences move away from beef, there is an upward movement along the beef demand curve.
 - B) The demand curve will shift to the left.
 - C) The demand curve does not shift but consumers move to a point lower down the curve.
 - D) Absolutely no change in either the quantity demand or the demand for beef.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 60) Suppose that a new study finds that eating more peanut butter will improve a person's health. As a result,
- A) the demand for peanut butter will fall.
 - B) the demand for peanut butter will rise.
 - C) the price of peanut butter will fall.
 - D) a smaller amount of peanut butter will be purchased.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 61) An increase in the number of consumers in a market would cause
- A) an increase in quantity demanded.
 - B) an increase in quantity supplied.
 - C) an increase in demand.
 - D) an increase in supply.

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 62) A shift in demand occurs when
- A) the price of that good changes.
 - B) the amount demanded of a good changes at each existing price.
 - C) there is a change in quantity demanded.
 - D) the price changes and the good is a normal good.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 63) If a bottled soft drink and bottled juice are substitutes, when the price of the bottled soft drink rises,
- A) demand for bottled juice rises.
 - B) demand for bottled juice falls.
 - C) quantity of bottled juice demanded falls.
 - D) quantity of bottled juice demanded rises.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 64) When income falls,
- A) the demand for a normal goods rises.
 - B) the demand for an inferior goods rises.
 - C) there is a movement downward along the demand curve for a normal good.
 - D) there is a movement downward along the demand curve for an inferior good.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 65) When income rises,
- A) demand for a normal good rises.
 - B) demand for a normal good falls.
 - C) demand for an inferior good rises.
 - D) quantity of a normal good demanded rises.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 66) Which of the following factors will lead to a shift in the demand curve?
- A) Changes in the costs of inputs
 - B) Changes in technology
 - C) Changes in the price of the good
 - D) Changes in consumers' tastes and preferences

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 67) The relationship between a change in the price of a complementary good and demand for another complementary good is
- A) positive.
 - B) negative.
 - C) inconclusive.
 - D) zero.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 68) Assuming coffee and cola are substitutes, if the price of coffee rises,
- A) there is a movement along the demand curve for cola.
 - B) the demand curve for coffee will shift to the right.
 - C) the demand curve for cola will shift to the right.
 - D) the demand curve for coffee will shift to the left.

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 69) Suppose that today, consumers expect the price of a gallon of gasoline to double in the future. Then today the gasoline
- A) demand curve will shift to the right.
 - B) demand curve will shift to the left.
 - C) supply curve will shift to the right.
 - D) supply curve will shift to the left.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

70) A shift in the demand curve will occur when

- A) supply shifts.
- B) the price of an input used to produce the good changes.
- C) consumers' income changes.
- D) the price of the product changes.

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

71) Suppose it is discovered that consumption of butter leads to a longer life. This information would lead to

- A) an increase in quantity demanded.
- B) an increase in demand.
- C) a decrease in quantity demanded.
- D) a decrease in demand.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

72) Which of the following causes a decrease in demand for a normal good?

- A) Increase in price of a substitute
- B) Increase in price of a complement
- C) Increase in price
- D) Increase in income

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

73) Which of the following causes an increase in demand for a normal good?

- A) Increase in the price of a substitute
- B) Increase in the price of a complement
- C) Decrease in price
- D) Decrease in income

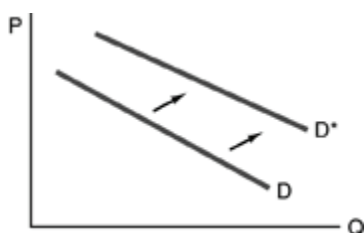
Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition



- 74) Refer to the above figure. The rightward shift of the curve indicates
- | | |
|--------------------------------------|-------------------------------------|
| A) an increase in demand. | B) a decrease in demand. |
| C) an increase in quantity demanded. | D) a decrease in quantity demanded. |

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 75) Refer to the above figure. For a normal good, the rightward shift of the curve could have been caused by
- | | |
|---------------------------------|---------------------------------------|
| A) a technological improvement. | B) an increase in the cost of inputs. |
| C) an increase in income. | D) a decrease in income. |

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 76) Refer to the above figure. The arrows show the direction of a shift in the demand curve of Good A. Which of the following would be the most likely reason for the shift in the demand curve if Good A is an inferior good?
- | | |
|---------------------------------------|--------------------------------------|
| A) An increase in the price of Good A | B) A decrease in the price of Good A |
| C) A decrease in consumers' income | D) An increase in consumers' income |

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: New

- 77) Refer to the above figure for a particular good. The rightward shift of the curve could have been caused by
- | |
|--|
| A) a decrease in the price of an input. |
| B) a decrease in the price of that good. |
| C) an increase in the price of a complementary good. |
| D) an increase in the price of a substitute good. |

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

78) A shift of the demand curve to the left represents

- A) an increase in demand.
- B) a decrease in demand.
- C) an increase in quantity demanded.
- D) a decrease in quantity demanded.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

79) Which of the following will NOT lead to a decrease in demand for a normal good?

- A) An increase in income
- B) An increase in the price of an input
- C) A decrease in the price of a complement good
- D) An increase in the number of consumers

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

80) A shift in the demand curve to the right represents

- A) an increase in demand.
- B) a decrease in demand.
- C) an increase in quantity demanded.
- D) a decrease in quantity demanded.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

81) An increase in demand occurs when

- A) we measure price in money price rather than real price.
- B) we move up the demand curve.
- C) the demand curve shifts to the right.
- D) the demand curve shifts to the left.

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

82) A decrease in demand would be represented by

- A) the price of a good going from \$3 to \$4.
- B) an increase in the cost of resources used to produce the good.
- C) a movement along the demand curve.
- D) a shift of the demand curve to the left.

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 83) A normal good is one for which
- A) demand increases as income increases.
 - B) demand increases as income decreases.
 - C) the demand curve is horizontal.
 - D) demand increases as the price of a substitute increases.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 84) As John's income has increased, he has purchased fewer hamburgers. Hamburgers are
- A) a normal good for John.
 - B) an inferior good for John.
 - C) not following the law of demand.
 - D) leading to a rightward shift in John's demand curve for hamburgers.

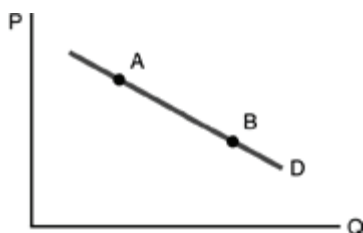
Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition



- 85) Refer to the above figure. A movement from point A to point B indicates
- A) an increase in demand.
 - B) a decrease in demand.
 - C) an increase in quantity demanded.
 - D) a decrease in quantity demanded.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 86) Refer to the above figure. A movement from Point A to Point B is caused by
- A) an increase in income.
 - B) an expectation of a decrease in the price of the good in that figure.
 - C) a decrease in the price of the good in that figure.
 - D) all of the above.

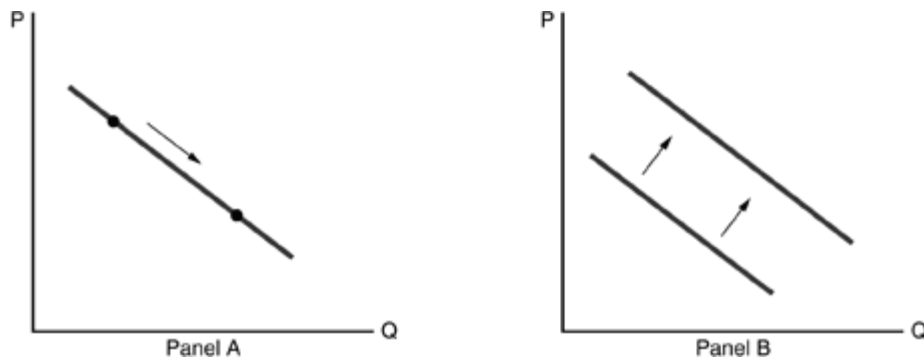
Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: New



87) Refer to the above figure. Which of the following statements is true?

- A) Panel A shows a decrease in demand and Panel B shows an increase in demand.
- B) Both Panels A and B show an increase in demand.
- C) Panel A shows a change in demand and Panel B shows a change in quantity demanded.
- D) Panel A shows a change in quantity demanded and Panel B shows a change in demand.

Answer: D

Diff: 3

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

88) Refer to the above figure. Which panel shows the effect of an increase in the price of a good on the demand curve of that good?

- A) Panel A.
- B) Panel B.
- C) Both panels.
- D) Neither panel.

Answer: D

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: New

89) A change in quantity demanded

- A) is a shift of the demand curve.
- B) is a movement along the demand curve.
- C) can be either a shift or a movement along the demand curve.
- D) is caused when there is a change in a *ceteris paribus* factor.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 90) A change in any of the *ceteris paribus* conditions for demand leads to a
- A) a good going from an inferior good to a normal good.
 - B) movement along the demand curve.
 - C) shift of the demand curve.
 - D) change in supply.

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 91) Morgan graduates from college and gets a job paying \$50,000 a year. While in school, she consumed 4 pounds of chicken and 1 pound of shrimp a month. After she starts work, she consumes 2 pounds of chicken and 3 pounds of shrimp a month. If everything else is held constant, we know that
- A) chicken and shrimp are normal goods for Morgan.
 - B) chicken is an inferior good and shrimp is a normal good for Morgan.
 - C) chicken is an inferior good for Morgan.
 - D) shrimp is a normal good for Morgan.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 92) After the price of milk increases, David buys more eggs and less cereal. For David,
- A) milk, eggs, and cereal are all complements.
 - B) milk and eggs are complements, and milk and cereal are substitutes.
 - C) milk and eggs are substitutes, and milk and cereal are complements.
 - D) milk, eggs, and cereal are all substitutes.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 93) When a rise in the price of one item results in a decrease in the demand for another good, then the two goods are
- A) substitute goods.
 - B) complementary goods.
 - C) inferior goods.
 - D) satisfying the law of supply.

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 94) A decrease in quantity demanded of a good is caused by
- A) a decrease in income.
 - B) a decrease in the price of a substitute.
 - C) an increase in the price of the good.
 - D) a change of tastes.

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 95) Kariuki decreases his consumption of grapes after his income goes up. For Kariuki
- A) grapes and income are substitute goods.
 - B) grapes and income are complementary goods.
 - C) grapes are an inferior good.
 - D) grapes are a superior good.

Answer: C

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 96) Mary increases her consumption of Good X after the price of Good Y decreased. For Mary
- A) Good X and Good Y are substitutes.
 - B) Good X and Good Y are complements.
 - C) Good X is an inferior good.
 - D) Good Y is an inferior good.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 97) Mary decreases her consumption of Good X after the price of Good Y decreased. For Mary
- A) Good X and Good Y are substitutes.
 - B) Good X and Good Y are complements.
 - C) Good X is an inferior good.
 - D) Good Y is an inferior good.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 98) John increases his consumption of Good X and Good Y when his income increases. For John
- A) Good X and Good Y are substitute goods.
 - B) Good X and Good Y are complement goods.
 - C) Good X is an inferior good.
 - D) Good X and Y are normal goods

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

99) All of the following are non-price determinants of demand EXCEPT

- A) price of related goods.
- B) price of raw materials used in production of the good.
- C) income.
- D) number of consumers.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

100) Assuming that turkey, chicken, pork, and beef are substitutes, suppose that the price of turkey has fallen. This will, other things being equal

- A) reduce demand for chicken, pork, and beef.
- B) leave demand for chicken, pork, and beef unchanged.
- C) increase demand for chicken, pork, and beef.
- D) increase quantity demanded of beef.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

101) Which factor would cause a movement along the demand curve for pizza?

- A) an increase in the number of students in town
- B) a renewed preference for Italian food
- C) a drop in the price of pizza
- D) an increase in average income

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

102) Which of the following will cause the demand curve for cable TV services to shift to the left?

- A) a rise in the price of cable TV services
- B) a decrease in average incomes of cable TV subscribers
- C) an increase in population
- D) the creation of several hit TV series

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

103) Which of the following will cause the demand curve for beer to shift right?

- A) a fall in the price of beer
- B) a fall in average incomes of beer consumers
- C) a decline in population
- D) a successful advertising campaign linking beer consumption to lower cholesterol

Answer: D

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

104) Which of the following products are likely to be complementary goods?

- A) *Coke* and *Pepsi*
- B) portable MP3 players and batteries
- C) HD-DVDs and Blu-Ray DVDs
- D) *Domino's* pizza and *Papa John's* pizza

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

105) If a decrease in the price of good A causes a decrease in demand for good B, the two goods are

- A) substitutes.
- B) complements.
- C) normal.
- D) inferior.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

106) Which one of the following would cause a rightward shift in the demand curve of digital cameras?

- A) Digital cameras become easier to use.
- B) The price of digital cameras decreases.
- C) Production methods are modified to make production of digital cameras more efficient.
- D) Government regulations are imposed to limit the number of digital cameras imported.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Revised

- 107) The Chunnel auto tunnel allows motorists to travel between England and France. As an alternative, there is ferry service across the English Channel. What would happen in the market for ferry service if fees for using the Chunnel were increased?
- A) The demand for ferry service would increase.
 - B) The demand for ferry service would decrease.
 - C) There would be an upward movement along the demand curve for transits through the Chunnel.
 - D) There would be a downward movement along the demand curve for transits through the Chunnel.

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 108) Which one of the following would cause an increase in the demand for hotel rooms in Hawaii?
- A) an increase in airfares to Hawaii
 - B) a decrease in airfares to Hawaii
 - C) an upward movement along the demand curve for stays in Hawaiian hotel rooms.
 - D) a downward movement along the demand curve for stays in Hawaiian hotel rooms.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 109) What would happen in the market for prescription drugs if people begin to view over-the-counter remedies as a good substitute for prescription medications?
- A) Prescription medications will become an inferior good.
 - B) There is an upward movement along the demand curve for prescription medications.
 - C) There is a downward movement along the demand curve for prescription medications.
 - D) The demand for prescription medications will decrease.

Answer: D

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 110) Which of the following is a non-price determinant of demand?
- A) income
 - B) tastes and preferences
 - C) prices of related goods and services
 - D) All of the above are correct.

Answer: D

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

111) Which of the following is NOT a non-price determinant of demand?

- A) the price of the good or service
- B) tastes and preferences
- C) expectations of future prices
- D) prices of related goods and services

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

112) Which of the following would cause a change in the quantity demanded of a product?

- A) a higher price
- B) a higher income
- C) expectations of future price increases
- D) All of the above are correct.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

113) Which of the following would most likely be considered complements?

- A) butter and margarine
- B) rental cars and taxis
- C) plastic wrap and aluminum foil
- D) tennis rackets and tennis balls

Answer: D

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

114) If a good is a normal good, an increase in income will

- A) decrease the quantity demanded of the good.
- B) increase the demand for the good.
- C) cause the demand curve for the good to shift to the left.
- D) cause a movement down along the demand curve.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

115) All of the following cause a shift in the demand curve EXCEPT a change in the

- A) price of related goods.
- B) price of the good or service.
- C) consumer income.
- D) number of consumers.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 116) If the price of one good goes up and the demand of a related good goes down, the two goods are
- A) complements. B) substitutes. C) inferior goods. D) normal goods.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 117) When income increases, the demand curve for an inferior good

- A) shifts to the right.
B) shifts to the left.
C) moves up along the demand curve for the product.
D) remains constant.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 118) We know that products G and H are related goods, because when the price of G increases,

- A) the demand curve for H will shift to the right, because G and H are complementary goods.
B) the quantity of H demanded will shift along its demand curve, because G and H are complementary goods.
C) the demand curve for H will shift to the left, because G and H are complementary goods.
D) the demand curve for H will remain unchanged because G and H are substitute goods.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 119) An increase in the quantity demanded is shown by

- A) a leftward shift of the demand curve.
B) a rightward shift of the demand curve.
C) a movement down along a demand curve.
D) a movement up along a demand curve.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 120) A movement along a demand curve is
- A) a change in demand and can be caused by a change in consumers' income.
 - B) a change in the quantity demanded and is caused by a change in the price of the good.
 - C) a change in the quantity demanded and can be caused by a change in consumers' income.
 - D) a change in demand and is caused by a change in the price of the good.

Answer: B

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 121) Which of the following are complementary goods?
- A) sport utility vehicles and gasoline
 - B) butter and margarine
 - C) beer and wine
 - D) DVDs and videocassettes

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 122) Which of the following are substitute goods?
- A) margarine and butter
 - B) peanut butter and jelly
 - C) pizza and beer
 - D) sports utility vehicles and gasoline

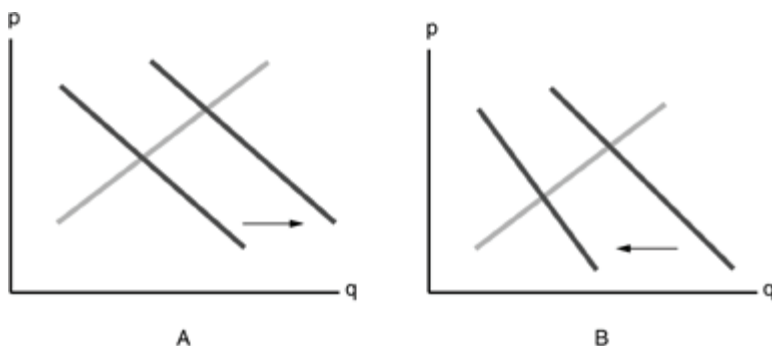
Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition



- 123) Refer to the above figure. Suppose that Cheerios and Apple Jacks are substitutes. Which diagram shows the effect on the demand for Cheerios when the price of Apple Jacks cereal has increased?

A) A B) B C) neither graph D) both graphs

Answer: A

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 124) Refer to the above figure. Suppose that Cheerios and Apple Jacks are substitutes. Which diagram shows the effect on the demand for Cheerios when the price of Apple Jacks cereal has decreased?

A) A B) B C) neither graph D) both graphs

Answer: B

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 125) Refer to the above figure for the market of Cheerios. Which diagram depicts the effect of an increase in the price of Cheerios?

A) A B) B C) neither graph D) both graphs

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: New

- 126) If the price of margarine falls, the demand for butter will

A) remain unchanged. B) increase.
C) decrease. D) rise at first and then fall.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 127) If the price of gasoline rises sharply and the demand for sports utility vehicles falls, then the two goods are

A) complements. B) normal goods. C) substitutes. D) inferior goods.

Answer: A

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 128) If the price of airline travel in Europe falls and the demand for train travel in Europe also falls, then the two goods are

A) complements. B) normal goods. C) substitutes. D) inferior goods.

Answer: C

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 129) Distinguish between a change in demand and a change in quantity demanded.

Answer: A change in quantity demanded is caused by a change in the price of the good. It is a movement along the demand curve, so that an increase in price leads to a decrease in quantity demanded. A change in demand refers to a shift of the demand curve. The amount demanded changes at every price. Changes in income, population, prices of related goods, tastes and preferences, and expectations about the future cause the demand curve to shift either to the right or to the left.

Diff: 2

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 130) Briefly discuss the determinants of demand other than price.

Answer: An increase in income causes demand of a normal good to increase and demand of an inferior good to decrease. An increase in the price of a related good causes demand to increase if the two goods are substitutes and causes demand to decrease if the two goods are complements. An increase in population causes demand to increase. Demand increases if consumers develop more of a preference for the good. Expectations about the future also matter. If consumers think the price will increase in the future, current demand increases.

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

- 131) What is the difference between a normal good and an inferior good? How does this relate to the demand curve?

Answer: A normal good is one for which demand increases as income increases, and an inferior good is one for which demand decreases as income decreases. Hence, an increase in income causes the demand curve for a normal good to shift to the right, showing an increase in demand; and an increase in income causes the demand curve for an inferior good to shift to the left, showing a decrease in demand.

Diff: 1

Topic: 3.3 Shifts in Demand

AACSB: Analytic skills

Question Status: Previous Edition

3.4 The Law of Supply

- 1) The law of supply implies that the supply curve is
- | | |
|----------------------|--------------------|
| A) flat. | B) upward sloping. |
| C) downward sloping. | D) vertical. |

Answer: B

Diff: 2

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Revised

- 2) If the price of Pepsi increases, then there will be _____ of Pepsi.
- | | |
|---|--|
| A) a decrease in the supply | B) an increase in the supply |
| C) an increase in the quantity supplied | D) a decrease in the quantity supplied |

Answer: C

Diff: 2

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 3) The law of supply states that other things being equal,
- | |
|---|
| A) supply creates its own demand. |
| B) supply will increase if productivity increases. |
| C) as price increases, quantity supplied increases. |
| D) supply will increase to meet demand if demand increases. |

Answer: C

Diff: 2

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: New

- 4) Other things being equal, the relationship between price and quantity supplied is
- | | | | |
|--------------|--------------|--------------|------------------|
| A) negative. | B) constant. | C) positive. | D) non-existent. |
|--------------|--------------|--------------|------------------|

Answer: C

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 5) A movement along a supply curve is induced by a change in
- A) input prices.
 - B) taxes and subsidies.
 - C) price expectations.
 - D) the product's own price.

Answer: D

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 6) The quantity supplied of a particular good is the amount of the good that
- A) households are willing to consume at each particular price.
 - B) firms will actually end up buying at a particular price during a given time period.
 - C) firms are willing to sell at each price during a particular time period.
 - D) households want firms to sell at each price during a particular time period.

Answer: C

Diff: 2

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 7) Which of the following represents the law of supply?
- A) An increase in the price of a good causes an increase in the supply of that good.
 - B) An increase in the price of a good causes a rightward shift of the supply curve for that good.
 - C) An increase in the price of a good causes an increase in the quantity supplied of that good.
 - D) all of the above

Answer: C

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 8) An increase in price will lead to an increase in quantity supplied. This statement is
- A) the law of supply.
 - B) the law of demand.
 - C) untrue always.
 - D) a normative statement.

Answer: A

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 9) The law of supply includes the statement "other things being equal." These other things include all of the following EXCEPT
- A) resource prices.
 - B) technology.
 - C) producers' expectations.
 - D) consumer's income.

Answer: D

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 10) Which of the following is an example of the law of supply?
- A) The price of gum has increased so producers are making more gum.
 - B) The price of labor has increased and producers decrease supply.
 - C) The amount of a good purchased increases when the price decreases.
 - D) Producers provide less of a good when the price increases.

Answer: A

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 11) According to the law of supply,
- A) people buy more of a good when the price increases.
 - B) people buy less of a good when the price decreases.
 - C) producers provide more of a good when the price decreases.
 - D) producers provide less of a good when the price decreases.

Answer: D

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 12) Suppliers will provide more of a good when
- A) the market price increases.
 - B) the good is a normal good.
 - C) resource prices increase.
 - D) there is a decrease in demand.

Answer: A

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 13) A given supply curve illustrates
- A) the relationship between price and quantity supplied.
 - B) the effect of a change in resource costs on quantity supplied.
 - C) the effect of a change in technology on quantity supplied.
 - D) the relationship between expected future prices and quantity supplied.

Answer: A

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

14) The data points on a supply curve come from

- A) survey analysis.
- B) the same place from which we get the data points on a demand curve.
- C) the supply schedule.
- D) companies' annual reports.

Answer: C

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

15) Other things being equal, an increase in the price of a good leads to an increase in the amount produced. This is known as

- A) the law of demand.
- B) the law of supply.
- C) *ceteris paribus*.
- D) equilibrium.

Answer: B

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

16) The direct relationship between changes in price and changes in quantity supplied is

- A) a change in supply.
- B) shown by a shift in the supply curve.
- C) the law of supply.
- D) the law of relative production.

Answer: C

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

17) If the price of oil rises, producers of oil will

- A) increase the quantity of oil supplied.
- B) supply less oil.
- C) leave the amount of oil supplied unchanged.
- D) cut the price.

Answer: A

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

18) The law of supply states that there is

- A) an inverse relationship between price and technology, *ceteris paribus*.
- B) a direct relationship between profit and quantity supplied, *ceteris paribus*.
- C) no relationship between price of resources and number of suppliers, *ceteris paribus*.
- D) a direct relationship between price and quantity supplied, *ceteris paribus*.

Answer: D

Diff: 1

Topic: 3.4 The Law of Supply

AACSB:

Question Status: Previous Edition

- 19) Regarding the law of supply, which of the following statements is correct?
- A) As the price of a good or service rises, the quantity supplied will increase.
 - B) As the price of a good or service rises, the quantity supplied will decrease.
 - C) The *ceteris paribus* assumption does not apply.
 - D) As demand falls, supply rises.

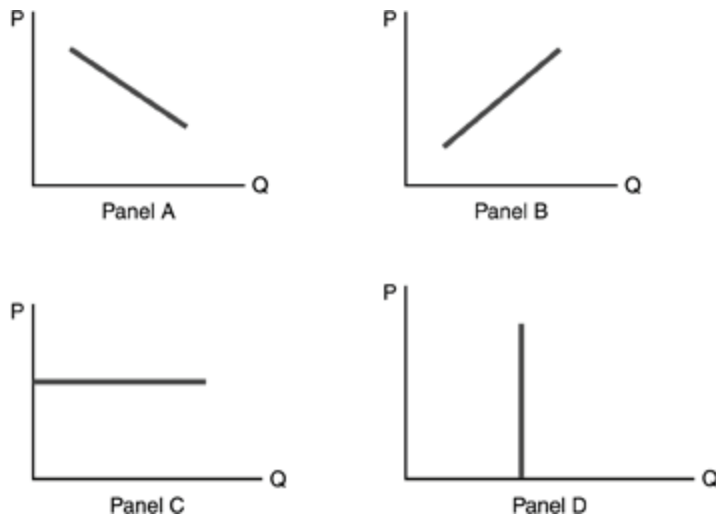
Answer: A

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition



- 20) Refer to the above figure. Which panel demonstrates the law of supply?
- A) Panel A.
 - B) Panel B.
 - C) Panel C.
 - D) Panel D.

Answer: B

Diff: 2

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 21) The relationship between quantity supplied and the price of output is such that
- A) an increase in quantity will automatically lead to a reduction in price.
 - B) an increase in price will lead to an increase in quantity supplied.
 - C) an increase in price will produce an inward shift in the supply curve.
 - D) quantity will decrease as the number of firms increases.

Answer: B

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

22) Explain why there is a direct relationship between price and quantity supplied.

Answer: For firms to produce more of a good per time period they have to purchase more materials, hire more labor, and purchase other inputs used to make the good. To get the producer to pay these higher costs it is necessary to increase the price the seller receives for each unit sold. Firms will also increase quantity supplied if the price of that good increases, allowing the firm to gain additional profits. The profits are incentives for the supplier to produce more.

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: Previous Edition

23) State the law of supply and explain it.

Answer: The law of supply indicates the direct or positive relationship between price and quantity supplied. This law states that when the price of a good increases, sellers will make more of that good available for a specified period of time, other things being equal. Other things being equal, a higher price gives producers more incentive to produce and sell more of that product. Conversely, when the price of a good decreases, sellers will make less of that good available for a specified time period.

Diff: 1

Topic: 3.4 The Law of Supply

AACSB: Analytic skills

Question Status: New

3.5 The Supply Schedule

1) For typical goods, supply curves are

A) downward sloping.

B) upward sloping.

C) horizontal.

D) vertical.

Answer: B

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

2) Which one of the following statements is FALSE?

A) There is an inverse (negative) relationship between product price and quantity supplied.

B) There is some price at which quantity supplied of a product is zero.

C) As product price increases, producers are willing to put more of the good on the market for sale.

D) In order to entice producers to offer more of a product on the market for sale, product price must rise.

Answer: A

Diff: 2

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

3) If the price of a product increases, we would expect

- A) the level of demand to decrease.
- B) quantity supplied to increase.
- C) the level of supply to increase.
- D) an increase in quantity demanded.

Answer: B

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

4) The relationship between quantity supplied and price is usually

- A) an inverse relationship.
- B) a direct relationship.
- C) a negative relationship.
- D) impossible to determine.

Answer: B

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

5) Which of the following statements about a supply curve is FALSE?

- A) It shows a direct (positive) relationship between price and quantity supplied.
- B) It shows the quantity supplied at each specific price.
- C) It typically slopes downward to the right.
- D) It has a positive slope.

Answer: C

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

6) A supply schedule

- A) can be used to generate a supply curve.
- B) is a table reflecting the inverse relationship between price and quantity supplied.
- C) shows what happens to quantity supplied when price is held constant.
- D) all of the above.

Answer: A

Diff: 2

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

7) Last year there were 6 pizza shops in town. This year there are only 4. Other things being equal, the decrease in the number of suppliers will

- A) cause the market supply curve to shift to the right.
- B) increase the market demand for pizza.
- C) cause a decrease in the quantity supplied at each price.
- D) have no impact on market supply as long as the demand for pizza remains strong.

Answer: C

Diff: 2

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 8) The market supply curve is found by
- A) surveys of consumer groups.
 - B) vertically summing up the equilibrium prices of individual firms.
 - C) horizontally summing up the supply curves of individual firms.
 - D) estimating what the supply curve would be of one huge firm large enough to serve the entire market.

Answer: C

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 9) A direct or positive relationship between price and quantity supplied is
- A) the market clearing price.
 - B) a change in demand.
 - C) a supply curve.
 - D) a demand curve.

Answer: C

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 10) A supply curve
- A) has an indirect or negative relationship between price and quantity supplied.
 - B) has a direct or positive relationship between price and quantity supplied.
 - C) shows the relationship between quantity supplied and income.
 - D) shows the relationship between complements.

Answer: B

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 11) Which of the following causes a movement along a supply curve?
- A) a change in resource costs
 - B) a change in technology
 - C) a change in the price
 - D) all of the above

Answer: C

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 12) Market supply is obtained by
- A) summing the amount demanded by individual consumers at various prices.
 - B) summing the amount supplied by individual producers at various prices.
 - C) the law of supply.
 - D) observing how the supply curve shifts.

Answer: B

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 13) Graphically, the market supply curve is obtained by
- A) changing the *ceteris paribus* conditions.
 - B) a change in quantity supplied.
 - C) horizontally summing quantity supplied at various prices for individual producers.
 - D) vertically summing quantity supplied at various prices for individual producers.

Answer: C

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

	Supplier 1	Supplier 2	Supplier 3
	Quantity Supplied	Quantity Supplied	Quantity Supplied
Price	(thousands)	(thousands)	(thousands)
8	11	7	20
7	8	6	15
6	5	5	10
5	2	4	5

- 14) Refer to the above table. The market quantity supplied when the price is \$6 is
- A) 0
 - B) 5
 - C) 10
 - D) 20

Answer: D

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 15) Refer to the above table. The market quantity supplied when the price is \$7 is
- A) 0
 - B) 20
 - C) 29
 - D) 38

Answer: C

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 16) The market supply curve is found by
- A) plotting the supply curves of individual firms.
 - B) plotting and summing up the supply curves of individual firms.
 - C) plotting the supply curves of individual consumers.
 - D) taking the supply curve of the representative firm.

Answer: B

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 17) Total market supply can be derived by
- A) horizontally summing individual supply curves at each and every price level.
 - B) vertically summing individual supply curves at the current technology level.
 - C) adding up the largest quantity demanded at various prices.
 - D) looking at the changes in the price of raw materials needed to produce the product.

Answer: A

Diff: 2

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 18) The market supply curve can be derived by
- A) vertically adding the individual supplies at each quantity level.
 - B) multiplying the price and quantity supplied at each price level.
 - C) horizontally adding the individual supplies at each price level.
 - D) looking at the capacity utilization in the largest firms in the industry.

Answer: C

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 19) The supply curve has a
- A) negative slope.
 - B) positive slope.
 - C) slope equal to -1 .
 - D) undefined slope.

Answer: B

Diff: 2

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: Previous Edition

- 20) The supply curve shows the relationship between the
- A) cost of production and the price of the product.
 - B) cost of resources and cost of production.
 - C) price of the product and quantity supplied.
 - D) quantity demanded and the quantity supplied.

Answer: C

Diff: 1

Topic: 3.5 The Supply Schedule

AACSB:

Question Status: Revised

- 21) Suppose that because of unseasonably cold weather in Florida, a significant portion of the orange crop has been lost to freezing temperatures. This statement means that
- A) the demand for oranges will rise.
 - B) the equilibrium quantity of oranges will rise.
 - C) the amount of oranges available at various prices will decline.
 - D) the price of oranges will fall.

Answer: C

Diff: 2

Topic: 3.5 The Supply Schedule

AACSB: Analytic skills

Question Status: New

3.6 Shifts in Supply

- 1) Other things being equal, an increase in wages paid to workers in the steel industry will cause
- A) the quantity of steel demanded to increase.
 - B) the quantity of steel supplied to decrease.
 - C) the supply of steel to decrease.
 - D) the demand for steel to decrease.

Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Revised

- 2) Sugar is an input used to produce cereal. Suppose that the price of sugar rises. As a result,
- A) the supply curve for sugar will shift to the right.
 - B) the supply curve for sugar will shift to the left.
 - C) the supply curve for cereal will shift to the right.
 - D) the supply curve for cereal will shift to the left.

Answer: D

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Revised

- 3) An improvement in technology in the production of computers would
- A) increase the demand for computers.
 - B) increase the supply of computers.
 - C) decrease the demand for computers.
 - D) decrease the supply of computers.

Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 4) A per-unit government subsidy to producers of a good tends to
- A) reduce the supply of the good.
 - B) increase the supply of the good.
 - C) shift the supply curve to the left.
 - D) not have any effect on the good's supply.

Answer: B

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 5) In the long run, the number of firms in an industry may change. If the number of firms increases, then
- A) the supply curve will shift outward to the right.
 - B) the demand curve will shift outward to the right.
 - C) the supply curve will shift inward to the left.
 - D) the demand curve will shift inward to the left.

Answer: A

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 6) Any improvement in overall production technology that permits more output to be produced with the same level of inputs causes
- A) a movement up the supply curve resulting in both a higher equilibrium price and quantity.
 - B) a rightward shift of the supply curve so that more is offered at each price.
 - C) no movement of the supply curve, but a fall in price and a decrease in quantity supplied.
 - D) a leftward shift of the supply curve so that less is offered for sale at each price.

Answer: B

Diff: 3

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 7) If more foreign auto plants relocate to the United States, we would expect
- A) the U.S. supply curve for automobiles to shift to the right.
 - B) the U.S. supply curve for automobiles would shift to the left.
 - C) that the U.S. auto market would not respond.
 - D) that U.S. auto demand might change, but U.S. auto supply would remain static.

Answer: A

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

8) Which of the following is a determinant of supply?

- A) Tastes and preferences of consumers
- B) Technology
- C) Consumer income
- D) Number of consumers

Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

9) All of the following will cause a shift in the supply of jeans EXCEPT

- A) a decrease in the prices of jeans.
- B) an increase in the cost of producing jeans.
- C) a per-unit government subsidy on the production of jeans.
- D) a decrease in the number of jean manufacturers.

Answer: A

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: New

10) Which of the following will shift today's supply curve to the right?

- A) Input prices rise.
- B) Sales taxes increase.
- C) Prices are expected to be higher in the future.
- D) Prices are expected to be lower in the future.

Answer: D

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

11) In general, any *ceteris paribus* determinant of supply that is favorable to production will

- A) cause a movement along the supply curve.
- B) shift the supply curve to the right.
- C) shift the demand curve to the left.
- D) shift the supply curve to the left.

Answer: B

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 12) Other things being constant, the only way to move along a given supply curve for a product is for
- A) the product's relative price to change.
 - B) the future relative price of related goods to change.
 - C) the number of sellers to change.
 - D) technological changes to occur.

Answer: A

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Revised

- 13) The effects of a per-unit tax imposed on sales of an industry's product would likely include
- A) a lower product price at any amount of the product supplied.
 - B) a leftward shift of the market supply curve for the product.
 - C) a leftward movement along the market supply curve for the product.
 - D) none of the above.

Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 14) If the government imposes a per-unit tax on sales of an industry's product, then we would expect
- A) the supply curve in that industry would shift to the left.
 - B) the supply curve in that industry would shift to the right.
 - C) the demand curve for that industry would shift to the right.
 - D) the demand curve for that industry would shift to the left.

Answer: A

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 15) If the price of cotton used in making blue jeans increases, which of the following will occur?
- A) There will be a movement along an unchanged supply curve for jeans.
 - B) The supply curve for jeans will shift rightward.
 - C) The supply curve for jeans will shift leftward.
 - D) There will be a rightward shift in the supply curve for jeans, followed by a movement along the supply curve.

Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Revised

16) Which of the following will cause an outward (rightward) shift in the supply curve?

- A) A reduction in the price of the good
- B) An increase in the price of labor input
- C) An increase in the number of consumers
- D) Technological progress

Answer: D

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Revised

17) All of the following will cause the supply curve of good A to shift rightward EXCEPT

- A) a reduction in the prices of inputs used to produce good A.
- B) an increase in the number of firms in the industry producing good A.
- C) a decrease in the per-unit tax on good A which producers must pay.
- D) an increase in the market price of good A.

Answer: D

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

18) How does a change in quantity supplied differ from a change in supply?

- A) A change in quantity supplied shifts the supply curve; a change in supply is a movement along the curve.
- B) A change in one of the *ceteris paribus* conditions affects quantity supplied, not supply.
- C) A change in the price affects quantity supplied, not supply.
- D) There is no difference.

Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

19) There is a 15 percent increase in the price of lumber used by a firm that builds new homes. This causes

- A) a decrease in the quantity of new homes supplied.
- B) an increase in the supply of new homes.
- C) an increase of the quantity supplied of new homes.
- D) a decrease in the supply of new homes.

Answer: D

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 20) Suppose that milk producers expect that the price of milk is going to drop next week. This would cause
- A) a decrease in the supply of milk today.
 - B) an increase in the supply of milk today.
 - C) an increase in the demand for milk today.
 - D) the selling price of milk to rise today.

Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 21) Each of the following would cause an increase in the supply of baseballs EXCEPT
- A) an improvement in technology.
 - B) a decrease in the cost of labor used to produce baseballs.
 - C) an expectation that the price of baseballs will rise in the future.
 - D) an increase in the number of baseball producers.

Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 22) Which of the following does NOT cause a rightward shift in the supply curve?
- A) a reduction in resource costs
 - B) an increase in technology
 - C) a reduction in the price of the good
 - D) a reduction in the expected future price of the good

Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 23) A change in the price of a good causes
- A) an increase in supply.
 - B) a decrease in supply.
 - C) an increase in demand and a decrease in supply.
 - D) a change in quantity supplied.

Answer: D

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 24) A change in the *ceteris paribus* conditions for supply will lead to a
- A) change in quantity supplied.
 - B) change in supply.
 - C) change in quantity supplied and a change in supply.
 - D) change in how consumers view the quality of the good.

Answer: B

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 25) An increase in supply will occur when
- A) the supply curve shifts downward to the right.
 - B) the supply curve shifts upward to the left.
 - C) the demand curve shifts downward to the left.
 - D) the demand curve shifts upward to the right.

Answer: A

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 26) A decrease in supply will occur when
- A) the supply curve shifts downward to the right.
 - B) the supply curve shifts upward to the left.
 - C) the demand curve shifts downward to the left.
 - D) the demand curve shifts upward to the right.

Answer: B

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 27) There will be an increase in supply when
- A) a consumer's income increases.
 - B) there is an improvement in technology.
 - C) the demand curve shifts.
 - D) the market price rises from \$3 to \$4.

Answer: B

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

28) Which of the following statements is consistent with an increase in supply?

- A) The price of labor input has increased.
- B) There has been an advance in technology.
- C) Consumers' incomes have increased.
- D) The market price has decreased.

Answer: B

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Revised

29) Which of the following statements is consistent with a decrease in supply?

- A) Prices of raw material inputs have increased.
- B) There has been an advance in technology.
- C) Consumers' incomes have increased.
- D) The market price has decreased.

Answer: A

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Revised

30) An increase in the price of input used to produce a product will lead to

- A) a decrease in the demand for that product.
- B) a decrease in quantity supplied of that product
- C) a decrease in the supply of that product.
- D) an increase in the supply of that product.

Answer: C

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Revised

31) An increase in the price of steel to producers of refrigerators will cause

- A) the quantity demanded for steel to increase.
- B) the demand for refrigerators to decrease.
- C) the quantity supplied of refrigerators to increase.
- D) the supply curve for refrigerators to shift left.

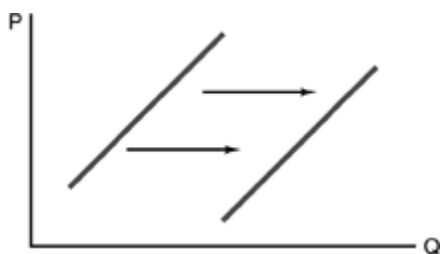
Answer: D

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition



- 32) Refer to the above figure. The rightward shift of the curve indicates
- A) an increase in demand.
 - B) an increase in supply.
 - C) a change in quantity demanded.
 - D) a change in quantity supplied.

Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 33) Refer to the above figure. The rightward shift of the curve could have been caused by
- A) a technological improvement.
 - B) a technological setback.
 - C) an increase in income.
 - D) a decrease in income.

Answer: A

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 34) Which of the following is a likely result of the dramatic decrease in the price of microprocessor chips to computer manufacturers in the last two decades?
- A) An increase in the demand for computers.
 - B) A decrease in the supply of diskettes.
 - C) An increase in the supply of computers.
 - D) An increase in the quantity supplied of computers.

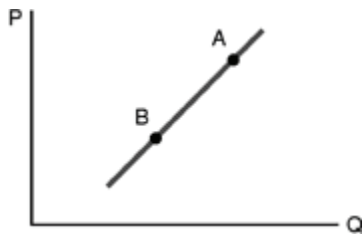
Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition



- 35) Refer to the above figure. Moving from point A to point B indicates
- A) An increase in supply.
 - B) An increase in quantity supplied.
 - C) A decrease in supply.
 - D) A decrease in quantity supplied.

Answer: D

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 36) Refer to the above figure. A movement from point A to point B for a good is most likely a result of
- A) an increase in the price of that good.
 - B) a decrease in the price of that good.
 - C) an expectation of an increase in the relative price of that good.
 - D) an expectation of a decrease in the relative price of that good.

Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: New

- 37) A subsidy to carrot farmers will
- A) increase the quantity of carrots demanded.
 - B) decrease the quantity of carrots supplied.
 - C) increase the supply of carrots.
 - D) leave both the supply and demand of carrots unchanged.

Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 38) Which of the following will NOT affect the supply of cars?
- A) an increase in the price of steel
 - B) an improvement in automobile production technology
 - C) an increase in the productivity of auto workers
 - D) a decrease in the price of cars

Answer: D

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

39) Which of the following is a non-price determinant of supply?

- A) the price of related goods consumers may buy
- B) technological advances in production
- C) consumers' incomes
- D) the number of consumers

Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

40) The supply curve will shift to the left when

- A) the supply of the product increases.
- B) the demand for the product decreases.
- C) some producers leave the industry.
- D) the product becomes fashionable.

Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

41) When the price of a good rises, there is

- A) an increase in supply.
- B) a decrease in supply.
- C) a decrease in quantity supplied.
- D) an increase in quantity supplied.

Answer: D

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

42) Which of the following would likely cause an increase in the supply of espresso coffee makers?

- A) an increase in the number of business firms demanding espresso makers
- B) an increase in the price of espresso makers
- C) an increase in the cost of manufacturing espresso makers
- D) a widespread expectation that the price of espresso makers will fall in the future

Answer: D

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

43) Which of the following will NOT cause a rightward shift in the supply curve?

- A) an improvement in technology
- B) a reduction in resource costs
- C) a reduction in the expected future price
- D) none of the above

Answer: D

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 44) When producers anticipate that the price of their product will increase in the future,
- A) the supply curve will shift to the right.
 - B) the supply curve will shift to the left.
 - C) the current production will move along on the supply curve.
 - D) they will immediately lobby Congress to adjust prices now.

Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 45) The imposition of a per unit tax on a product
- A) will cause the supply curve to shift downward and to the right.
 - B) will cause the supply curve to shift upward and to the left.
 - C) will reduce the quantity supplied of the product.
 - D) will encourage producers to increase the quantity supplied of the product.

Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 46) Which of the following will NOT cause market supply to increase?
- A) an increase in the number of firms supplying the product in the market
 - B) a change in technology which allows a larger level of production at every price
 - C) an increase in the costs of resources used to produce the product
 - D) a decrease in labor costs

Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 47) Which of the following would cause an increase in the market supply of mountain bikes?
- A) a decrease in the demand for mountain bikes
 - B) an increase in taxes levied on mountain bike manufacturers
 - C) an increase in the cost of components used to assemble mountain bikes
 - D) an increase in the number of firms making mountain bikes

Answer: D

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

48) Which one of the following would cause an increase in the supply of cardboard?

- A) a decrease in the demand for cardboard
- B) an increase in the price of cardboard
- C) an increase in taxes applied to cardboard producers
- D) an improvement in the technology used to produce cardboard

Answer: D

Diff: 3

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

49) Which of the following will shift the supply curve for laptop computers to the left?

- A) development of a cheaper microchip used in laptop computer production
- B) a subsidy to the laptop computer industry
- C) expectations of a future decline in laptop computer prices
- D) a reduction of the number of firms that make laptop computers

Answer: D

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

50) Which of the following will cause a movement along the supply curve for oil?

- A) new technology to drill oil underwater in the Gulf of Mexico
- B) a change in the price of oil
- C) an increase in the number of oil-producing firms
- D) government subsidies to oil producers in Wyoming

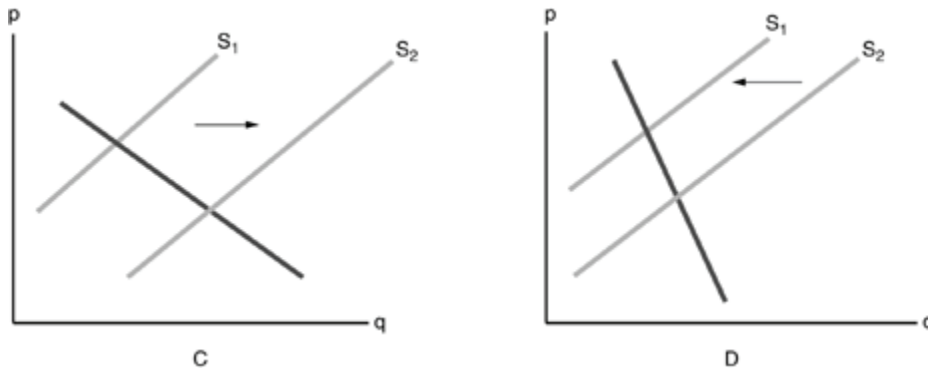
Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition



- 51) Refer to the above figure. Corn is an input for producing Corn Flakes. Which diagram shows the effect on the supply of Corn Flakes when the price of corn has increased?

A) graph C B) graph D C) neither graph D) both graphs

Answer: B

Diff: 3

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Revised

- 52) Refer to the above figure. Which diagram shows the effect on the market of Corn Flakes when the demand for Corn Flakes has increased?

A) graph C B) graph D C) neither graph D) both graphs

Answer: C

Diff: 3

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: New

- 53) Refer to the above figure. Which diagram shows the effect on the market of Corn Flakes when the price of Corn Flakes has increased?

A) graph C B) graph D C) neither graph D) both graphs

Answer: C

Diff: 3

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: New

54) If one day a terrible disease were to wipe out over one-half of the world's lime trees, which of the following would likely result?

- A) The supply curve of lime juice would shift downward and to the right.
- B) The supply curve of lime juice would shift upward and to the left.
- C) The demand curve for lime juice would shift to the right.
- D) The demand curve for lime juice would shift to the left.

Answer: B

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

55) Suppose the price of cement goes up in the United States. What happens in the market for new homes?

- A) Supply shifts upward and to the left.
- B) Demand shifts left.
- C) Supply shifts downward and to the right.
- D) Demand shifts to the right.

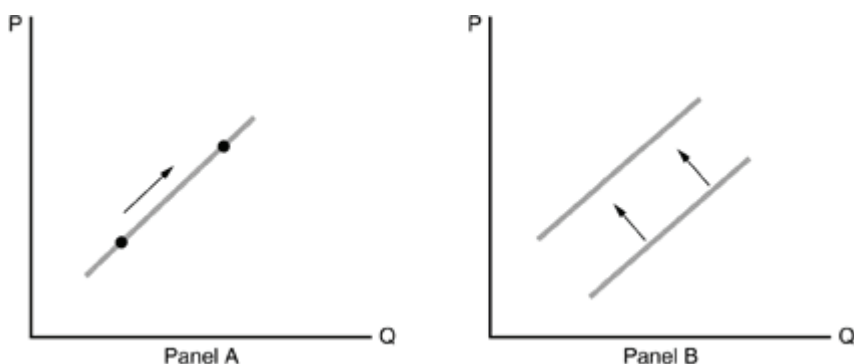
Answer: A

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition



56) Refer to the above figure. Which of the following statements is true?

- A) Panel A shows an increase in supply and Panel B shows a decrease in supply.
- B) Both Panels A and B show an increase in supply.
- C) Panel A shows a change in quantity supplied and Panel B shows a change in supply.
- D) Panel A shows a change in supply and Panel B shows a change in quantity supplied.

Answer: C

Diff: 3

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 57) If there is a decline in the price of milk, an input in the production of ice cream, then there will be a(n)
- A) decrease in the supply of ice cream and a leftward shift of the supply curve.
 - B) decrease in the quantity of ice cream supplied and a movement up along the supply curve.
 - C) increase in the supply of ice cream and a rightward shift of the supply curve.
 - D) increase in the quantity of ice cream supplied and a movement down along the supply curve.

Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 58) Which of the following will NOT affect the position of the market supply curve for a good?
- A) The government grants a subsidy to the producers for each unit of a good that they produce.
 - B) The price of the good increases.
 - C) The number of sellers in the market increases.
 - D) There is an increase in the prices of the inputs used in production.

Answer: B

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 59) When the amount supplied is greater at each price, there is a(n)
- A) rightward shift in the supply curve.
 - B) leftward shift in the supply curve.
 - C) upward movement along the supply curve.
 - D) downward movement along the supply curve.

Answer: A

Diff: 1

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 60) In order to increase the supply of a good, producers must
- A) convince consumers to reduce the quantity demanded.
 - B) see an increase in quantity supplied by competitors.
 - C) reduce their per-unit costs of producing the good.
 - D) cut back on labor to reduce production costs.

Answer: C

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 61) How is the market supply curve found? In what ways is the process similar to the way the market demand curve is determined? In what ways are they different?

Answer: The market supply curve is obtained by horizontally adding individual supply curves. The quantity supplied by each firm for a given price is added up to get the quantity supplied by the market. The process is identical to that for finding the market demand curve. The only difference is that the market demand curve slopes down and the market supply curve slopes up.

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 62) Distinguish between a change in quantity supplied and a change in supply.

Answer: A change in quantity supplied is a movement along the supply curve caused by a change in the price of the good. An increase in price causes an increase in quantity supplied. A change in any of the other determinants of supply cause a change in supply. When there is a change in supply, the entire supply curve shifts either to the right or to the left.

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

- 63) Briefly discuss the determinants of supply other than price.

Answer: An increase in the costs of inputs used to produce the good will cause supply to decrease, while an increase in technology will cause supply to increase. The imposition of a tax on the good would cause supply to decrease, while a subsidy on the good would cause supply to increase. An increase in the number of firms producing the good causes the market supply to increase. A change in expectations about future prices also causes current supply to change.

Diff: 2

Topic: 3.6 Shifts in Supply

AACSB: Analytic skills

Question Status: Previous Edition

3.7 Putting Demand and Supply Together

Price per Constant- Quality Unit	Quantity Demanded of Constant-Quality Units per Year	Quantity Supplied of Constant-Quality Units per Year
\$1.00	1,000	200
2.00	800	400
3.00	600	600
4.00	400	800
5.00	200	1,000

- 1) According to the above table, at a price of \$2 per unit, which of the following would exist?
- A) A shortage of 800 units B) A surplus of 800 units
C) A shortage of 200 units D) A shortage of 400 units

Answer: D

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 2) In a free market economy, the market clearing (equilibrium) price in the above table would adjust to
- A) \$1. B) \$3. C) \$4. D) \$5.

Answer: B

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 3) According to the above table, a surplus exists when
- A) the price is \$1 per unit. B) the price is \$2 per unit.
C) the price is \$3 per unit. D) the price is greater than \$3 per unit.

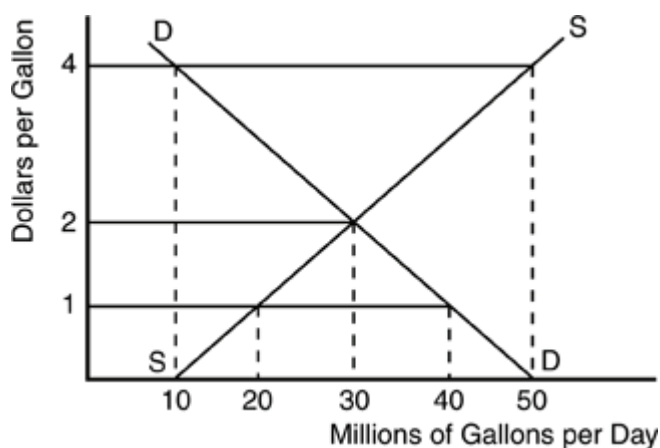
Answer: D

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition



- 4) According to the above figure, at a price of \$1 per gallon, there would be
- A) a shortage of 30 million gallons.
 - B) a surplus of 30 million gallons.
 - C) a shortage of 20 million gallons.
 - D) a surplus of 50 million gallons.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 5) According to the above figure, what happens when the price per gallon of gasoline jumps from \$1 to \$4?
- A) A gasoline surplus is replaces by a gas shortage.
 - B) The market moves from a shortage of 40 million gallons/day to a surplus of 50 million gallons/day.
 - C) The market shortage is replaced by market equilibrium.
 - D) A surplus of 40 million gallons/day results.

Answer: D

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 6) In a free market economy, the equilibrium market price and quantity in the above figure will adjust to equilibrium values of
- A) \$1 per gallon and 50 million gallons.
 - B) \$4 per gallon and 10 million gallons.
 - C) \$2 per gallon and 60 million gallons.
 - D) \$2 per gallon and 30 million gallons.

Answer: D

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 7) According to the above figure, an increase in the price from \$2 to \$4 will result in
- A) a shortage of 30 million gallons.
 - B) an increase in quantity demanded of 10 million gallons.
 - C) an increase in quantity supplied of 20 million gallons.
 - D) an increase in demand of 20 million gallons.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 8) In the above figure, a surplus exists in the gasoline market when the price is
- A) \$1/gallon.
 - B) \$2/gallon.
 - C) \$4/gallon.
 - D) below \$2/gallon.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 9) According to the above figure, a shortage will occur at a price at which
- A) quantity demanded equals quantity supplied.
 - B) quantity demanded exceeds quantity supplied.
 - C) quantity supplied exceeds quantity demanded.
 - D) government sets a price above equilibrium.

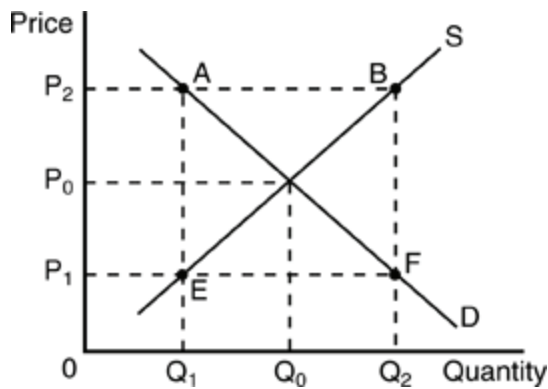
Answer: B

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition



10) At a price of P_0 in the above figure, which of the following statements is FALSE?

- A) Quantity demanded equals quantity supplied.
- B) There is an equilibrium in the market.
- C) P_0 is the market clearing price.
- D) There is a surplus equal to Q_0 .

Answer: D

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

11) If the market price falls from P_0 to P_1 in the above figure, then

- A) a new equilibrium quantity is established.
- B) there is a shortage equal to the distance EF.
- C) there will be a further tendency for price to fall.
- D) there is a surplus of goods on the market equal to the distance Q_1, Q_2 .

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

12) If the market price rises from P_0 to P_2 in the above figure, then there is a

- A) surplus equal to the distance Q_0, Q_2 .
- B) surplus equal to the distance Q_1, Q_2 .
- C) shortage equal to the distance Q_0, Q_2 .
- D) shortage equal to the distance Q_1, Q_2 .

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: New

- 13) Refer to the above figure. The highest price that consumers would be willing to pay for quantity Q_2 is
- A) P_2 .
 - B) P_0 .
 - C) P_1 .
 - D) cannot be determined from the diagram.

Answer: C

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 14) Refer to the above figure. Other things being equal, if price is at P_2 , then we would expect
- A) price to decline until an equilibrium is achieved at P_0 .
 - B) consumers to reduce their offering price for the good.
 - C) an excess quantity demanded to occur.
 - D) consumers to bid against each other for goods and force the price still higher.

Answer: A

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

Price per Constant Quality of X	Quantity of X Demanded per Time Period	Quantity of X Supplied per Time Period
\$10	0	150
8	20	120
6	40	90
4	60	60
2	80	30
0	100	0

- 15) According to the above table, at a price of \$8 per unit, other things constant,
- A) consumers will continue to bid prices upward.
 - B) there will be no tendency for the market to approach an equilibrium.
 - C) a surplus of 100 units will exist.
 - D) a shortage of 80 units will exist.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 16) According to the market data for good X in the above table, a stable equilibrium price is established at

A) \$2. B) \$4. C) \$6. D) \$8.

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 17) Given the market data for good X in the above table, an equilibrium quantity is established at

A) 90 units. B) 60 units. C) 30 units. D) 120 units.

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 18) In any given market, prices are determined by

A) specialization of labor. B) transactions costs.
C) supply and demand. D) comparative advantage.

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 19) The equilibrium or market clearing price occurs at the point at which

A) quantity demanded equals quantity supplied.
B) the supply curve intersects the horizontal axis.
C) the demand curve intersects the vertical axis.
D) there is a shortage of the desired good.

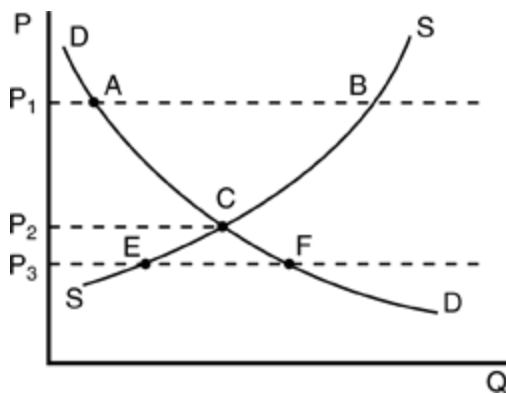
Answer: A

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition



20) According to the above figure, a shortage is shown between which two points?

- A) A and E B) C and B C) A and B D) E and F

Answer: D

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

21) Using the above figure, at which price is there neither excess quantity demanded nor excess quantity supplied?

- A) P_1 B) P_2 C) P_3 D) none of these

Answer: B

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

22) At a market clearing price,

- A) the quantity demanded will just equal the quantity supplied.
 B) there will be an excess quantity demanded.
 C) there will be a tendency for price to rise over time.
 D) the demand function will shift outward.

Answer: A

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

23) A market is in equilibrium when

- A) the quantity demanded equals the quantity supplied at the market clearing price.
 B) the horizontal axis crosses the vertical axis.
 C) buyers do not desire for the price to be any lower.
 D) the equilibrium price is below the market price.

Answer: A

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

Price per CD	Quantity of DVDs Demanded per Month	Quantity of DVDs Supplied per Month
\$20	500	9000
18	1000	6000
16	1500	4500
14	2000	3500
12	2500	2500
10	3000	1500
8	3500	800
6	4000	100

24) According to the above table, the equilibrium price of DVDs is

- A) \$16. B) \$14. C) \$12. D) \$10.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

25) According to the above table, at a price of \$16 per DVD, there is

- A) an equilibrium. B) a surplus of 3000 DVDs.
C) a shortage of 3000 DVDs. D) a shortage of 3000 DVDs.

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

26) According to the above table, there is an excess quantity demanded of 1500 DVDs at the price

- A) \$14. B) \$12. C) \$10. D) \$8.

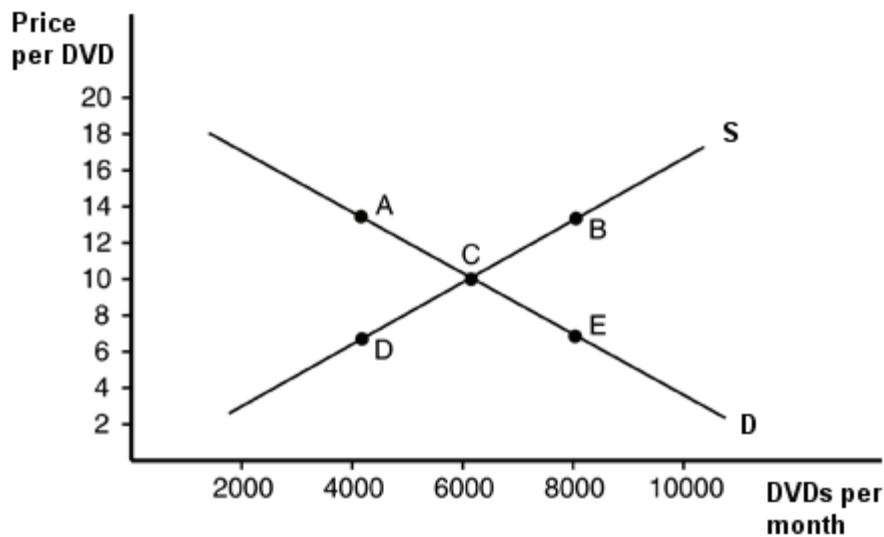
Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition



- 27) According to the above figure, equilibrium is at point
 A) E. B) B. C) C. D) D.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 28) Suppose a change takes place and the new equilibrium is at point A in the above figure. This change could have been caused by
 A) an increase in the per-unit tax on CDs.
 B) a decrease in the income of consumers.
 C) a reduction in the wages paid to workers in the CD industry.
 D) a reduction in the price of CD players.

Answer: A

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 29) A market requires
 A) sellers only. B) buyers and sellers.
 C) government intervention. D) buyers only.

Answer: B

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 30) A shortage will occur whenever
- A) price is below the equilibrium price.
 - B) price is above the equilibrium price.
 - C) price is equal to the equilibrium price.
 - D) the supply curve is upward sloping.

Answer: A

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 31) If there is a shortage in a free market, then
- A) consumers will offer to pay a lower price for the good, and the price will fall toward the equilibrium level.
 - B) consumers will offer to pay a higher price for the good, and the price will rise toward the equilibrium level.
 - C) suppliers will decrease their output to match demand.
 - D) suppliers will accept any price below equilibrium.

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 32) Scalping and other black market activities arise when
- A) the prices of goods are allowed to adjust to their equilibrium levels.
 - B) the quantities of goods demanded and supplied are allowed to adjust to their equilibrium levels.
 - C) the prices of goods are restricted to levels above equilibrium prices.
 - D) the prices of goods are restricted to levels below equilibrium prices.

Answer: D

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 33) A shortage will occur when
- A) the price equals the market clearing level.
 - B) the price is above the market clearing level.
 - C) there is an excess quantity supplied.
 - D) the price is below the market clearing level.

Answer: D

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 34) When there is a shortage,
- I. there is a tendency for price to increase.
 - II. there is an excess quantity demanded.
- A) I only B) II only C) Both I and II D) Neither I nor II

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 35) When a shortage exists,
- A) the price is below the market clearing price.
 - B) quantity demanded exceeds quantity supplied.
 - C) an excess quantity demanded exists.
 - D) all of the above

Answer: D

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 36) Suppose that the price of wheat is above its equilibrium price. You would expect to see
- A) a shortage on the market that causes prices to increase further.
 - B) an increase in quantity demanded because of the high price.
 - C) a leftward shift of the demand curve because of the high price.
 - D) sellers begin to lower their prices because of the surplus of wheat.

Answer: D

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Revised

- 37) Which of the following is true of the activities of ticket scalpers?
- A) These activities cannot generate profits for the scalpers unless ticket prices are currently below market clearing levels.
 - B) These activities help reduce the quantities of excess tickets supplied for events in which ticket surpluses currently exist.
 - C) Engaging in these activities enable scalpers to push the price above the market clearing level.
 - D) Engaging in these activities enable scalpers to push the price below the market clearing level.

Answer: A

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

38) When there is an excess quantity of a product supplied, there will be

- A) a tendency for price of the product to increase.
- B) a tendency for price of the product to fall.
- C) incentives for consumers to leave the market.
- D) upward pressure on the price of labor.

Answer: B

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

39) An excess quantity supplied can be corrected by

- A) a fall in price.
- B) legally fixing the price at its present level.
- C) a decrease in demand.
- D) an increase in supply.

Answer: A

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

40) Equilibrium in a market occurs when

- A) demand and supply indicate a small surplus of a good.
- B) price is at its minimum.
- C) quantity supplied and quantity demanded are equal at the market clearing price.
- D) the market price leads to a decrease in quantity demanded.

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

41) Another term for the equilibrium price is

- A) excess demand.
- B) nominal price.
- C) law of demand.
- D) market clearing price.

Answer: D

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

42) Market clearing price

- A) refers to a movement along the demand curve.
- B) refers to a supply curve.
- C) exists at the point at which quantity demanded equals quantity supplied.
- D) refers to a surplus.

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

43) Which of the following is NOT true about the equilibrium price?

- A) The price where a change in quantity supplied occurs.
- B) The price where the demand curve intersects the supply curve.
- C) The price where quantity demanded equals quantity supplied.
- D) The price where there is neither excess quantity demanded or excess quantity supplied.

Answer: A

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

44) The market clearing price is

- A) the price which eliminates excess quantity supplied or excess quantity demanded.
- B) the price which leaves an excess quantity demanded.
- C) the price which leaves an excess quantity supplied.
- D) the lowest price at which a positive quantity supplied exists.

Answer: A

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

45) When there is an excess quantity supplied,

- A) the market is in equilibrium.
- B) quantity demanded is greater than quantity supplied.
- C) quantity demanded is less than quantity supplied.
- D) prices will remain stable.

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 46) If the price of an item can freely adjust, a market will
- A) always move towards equilibrium.
 - B) always have an excess quantity demanded.
 - C) always have an excess quantity supplied.
 - D) never move towards equilibrium because prices are always increasing.

Answer: A

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 47) A surplus exists
- A) in equilibrium.
 - B) when quantity supplied is greater than quantity demanded.
 - C) when quantity supplied is less than quantity demanded.
 - D) at the market clearing price.

Answer: B

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 48) A shortage exists
- A) in equilibrium.
 - B) when quantity supplied is greater than quantity demanded.
 - C) when quantity supplied is less than quantity demanded.
 - D) at the market clearing price.

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 49) Another name for a shortage is
- A) excess quantity supplied.
 - B) excess quantity demanded.
 - C) equilibrium.
 - D) market clearing.

Answer: B

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 50) Another name for a surplus is
- A) excess quantity supplied.
 - B) excess quantity demanded.
 - C) equilibrium.
 - D) market clearing.

Answer: A

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

Price Per TV	Quantity Demanded Per Month	Quantity Supplied Per Month
\$800	2,000	12,000
750	3,000	11,000
700	4,000	10,000
650	5,000	9,000
600	6,000	8,000
550	7,000	7,000
500	8,000	6,000
450	10,000	4,000

51) Refer to the above table. The equilibrium price of TVs is

- A) \$500. B) \$550. C) \$650. D) \$700.

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

52) Refer to the above table. At a price of \$450, there is an

- A) equilibrium.
B) excess quantity supplied of 4,000 TVs.
C) excess quantity demanded of 6,000 TVs.
D) excess quantity demanded of 9,000 TVs.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

53) Refer to the above table. There is an excess quantity supplied of 2,000 units at a price of

- A) \$450. B) \$500. C) \$600. D) \$700.

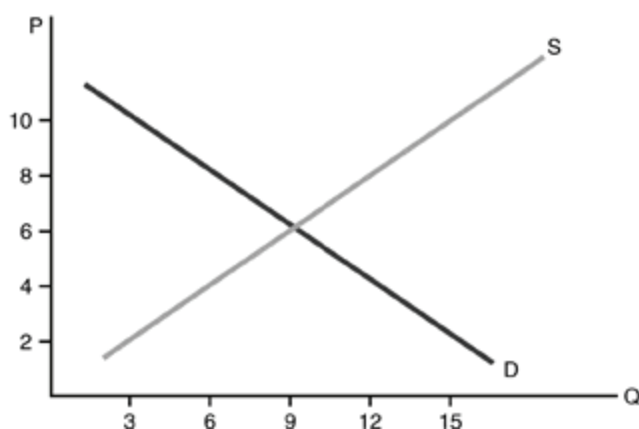
Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition



- 54) Refer to the above figure. The equilibrium price and quantity are
- A) \$2 and 12 units.
 - B) \$6 and 9 units.
 - C) \$8 and 6 units.
 - D) \$10 and 1 unit.

Answer: B

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 55) Refer to the above figure. The market clearing price is
- A) \$2.
 - B) \$6.
 - C) \$8.
 - D) \$10.

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 56) Refer to the above figure. A surplus will exist when
- A) the price is between \$0 and \$6.
 - B) the price equals \$6.
 - C) the price equals \$10.
 - D) quantity demanded equals 15.

Answer: C

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 57) Refer to the above figure. A shortage will exist when
- A) the price is between \$0 and \$6.
 - B) the price equals \$6.
 - C) the price equals \$10.
 - D) quantity demanded equals 3.

Answer: A

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

58) Refer to the above figure. Excess quantity supplied will exist when

- A) the price is between \$0 and \$6.
- B) the price equals \$6.
- C) the price equals \$10.
- D) quantity demanded equals 15.

Answer: C

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

59) Refer to the above figure. Excess quantity demanded will exist when

- A) the price is between \$0 and \$6.
- B) the price equals \$6.
- C) the price equals \$10.
- D) quantity demanded equals 3.

Answer: A

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

60) Refer to the above figure. At a price of \$10, excess quantity supplied equals

- A) 0.
- B) 12.
- C) 15.
- D) infinity.

Answer: B

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

61) Refer to the above figure. At a price of \$6, excess quantity supplied equals

- A) 0.
- B) 12.
- C) 15.
- D) infinity.

Answer: A

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

62) Refer to the above figure. At a price of \$2, excess quantity demanded equals

- A) 0.
- B) 3.
- C) 12.
- D) 15.

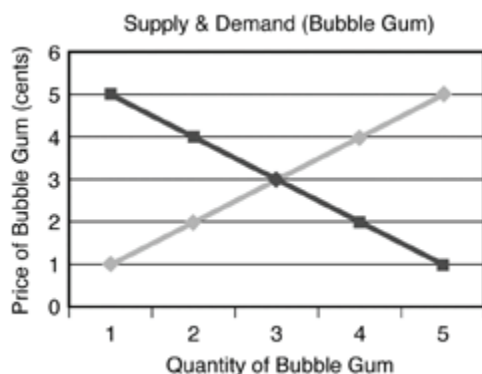
Answer: C

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition



- 63) Refer to the above figure. At a price of two cents, the quantity of bubble gum demanded will be
 A) 3. B) 2. C) 4. D) 5.

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 64) Refer to the above figure. At a price of four cents, the quantity of bubble gum supplied will be
 A) 3. B) 2. C) 4. D) 5.

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 65) Refer to the above figure. At a price of four cents, a(n) _____ of bubble gum will exist in the market.
 A) surplus B) shortage
 C) excess quantity demanded D) equilibrium quantity

Answer: A

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 66) Refer to the above figure. At a price of three cents, a(n) _____ of bubble gum will exist in the market.
 A) surplus B) shortage
 C) equilibrium quantity D) excess quantity supplied

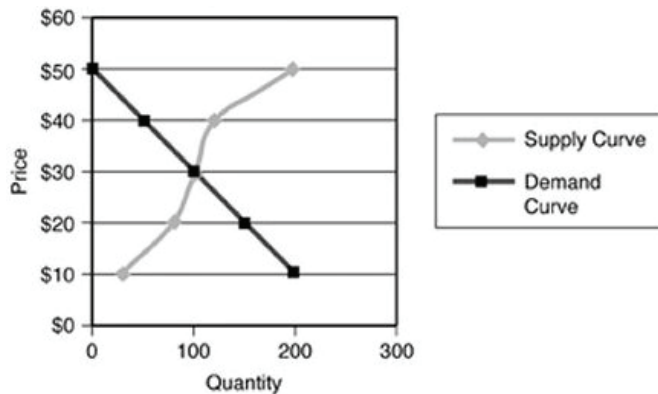
Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition



67) In the above figure, what are the equilibrium price and quantity?

- A) \$40 and 200 units B) \$50 and 100 units
C) \$10 and 200 units D) \$30 and 100 units

Answer: D

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

68) In the above figure, what would result if the price was \$40?

- A) a surplus B) a shortage C) equilibrium D) excess demand

Answer: A

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

69) In the above figure, if the price is equal to \$50, there is

- A) a surplus of 200 units.
B) a shortage of 100 units.
C) an excess quantity demanded of 50 units.
D) an inadequate supply of 100 units.

Answer: A

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

70) If there is a surplus,

- A) fewer producers want to sell the product because it is too scarce.
B) consumers will drive up the price further.
C) firms will drive up the price to enhance profits.
D) the price will decline to the equilibrium level.

Answer: D

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

71) Which of the following statements is correct?

- A) A shortage and scarcity are the same thing.
- B) A shortage occurs when the quantity demanded is less than the quantity supplied at a price below the market clearing price.
- C) A shortage occurs when the quantity demanded is greater than the quantity supplied at a price below the market clearing price.
- D) A shortage occurs when the quantity demanded is less than the quantity supplied at a price above the market clearing price.

Answer: C

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

Price	Quantity Demanded	Quantity Supplied
\$50	300	0
\$55	220	80
\$60	150	150
\$65	90	230
\$70	30	300

72) Using the above table, at a price of \$70, there is

- A) a surplus of 150 units.
- B) a shortage of 120 units.
- C) a surplus of 270 units.
- D) a shortage of 150 units.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

73) Using the above table, the market clearing price is _____ and equilibrium quantity is _____.

- A) \$55; 80
- B) \$60; 150
- C) \$70; 150
- D) \$150; 150

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

Price	Quantity Demanded	Quantity Supplied
\$5	5	25
\$4	10	20
\$3	15	15
\$2	20	10
\$1	25	5

- 74) Using the above table, at a price of \$5 there will be a
- A) shortage of 20 units.
 - B) shortage of 10 units.
 - C) surplus of 20 units.
 - D) surplus of 10 units.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 75) Using the above table, the market clearing price for this product is
- A) \$5.
 - B) \$4.
 - C) \$3.
 - D) \$2.

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 76) What happens as the result of a shortage?
- A) There is downward pressure on prices.
 - B) There is upward pressure on prices.
 - C) Consumers begin to view the good as an inferior good because they have a hard time finding it.
 - D) Supply of the good decreases.

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 77) What happens as the result of a surplus?
- A) There is downward pressure on prices.
 - B) There is upward pressure on prices.
 - C) Consumers begin to view the good as an inferior good because it is too commonplace.
 - D) Demand for the good increases.

Answer: A

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

78) Suppose that, at a rental rate of \$1000 per month, 650 residents wish to rent apartments and that landlords offer 800 apartments available for rent. Which one of the following statements is then true?

- A) There is a shortage of 150 apartments.
- B) There is an excess demand for apartments.
- C) The market clearing rental price of apartments is too low.
- D) The market clearing rental price of apartments is less than \$1000 per month.

Answer: D

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

79) Suppose that, at an official ticket price of \$480, there are 6,000 Justin Timberlake fans wanting to attend his concert, but only 4,000 ticketed seats are available. Which one of the following statements is then true?

- A) There will be scalpers outside the arena selling tickets for \$480.
- B) There will be a surplus of tickets.
- C) The market clearing price of the tickets is less than \$480.
- D) The market clearing price of the tickets is more than \$480.

Answer: D

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

80) Which of the following situations could generate a shortage?

- A) Demand for a good increases, resulting in a new higher market clearing price.
- B) Demand for a good decreases, resulting in a new lower market clearing price.
- C) Demand for a good increases, but the price is not permitted to rise.
- D) Demand for a good decreases, but the price is not permitted to fall.

Answer: C

Diff: 3

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

81) The market clearing price of a good is

- A) the price at which there is at least some of the good available for everyone.
- B) the price at which there is no surplus and no shortage.
- C) the price that consumers prefer.
- D) the price that producers prefer.

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

82) What situation gives rise to a surplus?

- A) The market clearing price of the good is too high.
- B) The current price of the good is below its market clearing price.
- C) The current price of the good is above its market clearing price.
- D) Supply of the good decreases, but the market price is not permitted to change.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

83) When the current price of an item is greater than the item's market clearing price,

- A) supply is greater than demand.
- B) demand is greater than supply.
- C) quantity supplied is greater than quantity demanded.
- D) quantity supplied is less than quantity demanded.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

84) When a shortage exists in a market,

- A) the market clearing price is above equilibrium and market forces will cause the price to fall.
- B) the quantity demanded is less than the quantity supplied at the existing price.
- C) the current price is below the market clearing price and the price will rise.
- D) the quantity supplied is greater than the quantity demanded at the current price.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

85) If the price of a product increases,

- A) there is an increase in quantity supplied and a decrease in demand.
- B) there is an increase in supply and a decrease in quantity demanded.
- C) there is an increase in supply and a decrease in demand.
- D) there is an increase in quantity supplied and a decrease in quantity demanded.

Answer: D

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

86) Which of the following occurs when a market is in equilibrium?

- A) quantity supplied is equal to quantity demanded
- B) supply is equal to demand.
- C) the price of the good will tend to rise, all else held constant.
- D) the price of the good will tend to fall, all else held constant.

Answer: A

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

87) When there is an excess quantity supplied in the market,

- A) the price of the product will increase, causing a decrease in demand and an increase in supply.
- B) the price of the product will increase, causing a decrease in quantity demanded and an increase in supply.
- C) the price of the product will decrease, causing an increase in quantity demanded and a decrease in quantity supplied.
- D) the price will increase, causing a decrease in demand and an increase in quantity supplied.

Answer: C

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

88) If a scalper for the Super Bowl is able to charge \$10,000 for a front-row seat, this suggests that

- A) at the regular price, there is a surplus of Super Bowl tickets.
- B) at the regular price, there is a shortage of Super Bowl tickets.
- C) at the regular price, the quantity of Super Bowl tickets demanded equals the quantity supplied.
- D) the scalper is making the football fan worse off.

Answer: B

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

89) At the market clearing price,

- A) there is neither a shortage nor a surplus.
- B) quantity supplied equals quantity demanded.
- C) the supply and demand curves intersect.
- D) All of the above are correct.

Answer: D

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 90) Suppose a shortage for good X exists. Given this information, we know that
- A) the price of good X will tend to rise toward the equilibrium level.
 - B) the price of good X will tend to fall toward the equilibrium level.
 - C) a government price floor should be imposed above the current price so that the market can work more effectively.
 - D) a government price ceiling should be imposed above the current price so that the market can work more effectively.

Answer: A

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 91) A shortage creates a situation that forces prices to _____ while a surplus creates a situation that forces prices to _____.
- A) decrease; increase
 - B) decrease; decrease
 - C) increase; decrease
 - D) increase; increase

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 92) The demand for orthodontists' services falls as the proportion of the population that obtains braces falls. It may take several years before the new long-run equilibrium for the orthodontic labor market is attained. In the meantime, the orthodontic labor market experiences a
- A) shortage.
 - B) quality decrease.
 - C) surplus.
 - D) excess demand.

Answer: C

Diff: 1

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 93) "A shortage is the same thing as scarcity." Do you agree or disagree with this statement? Why? What can cause a shortage to disappear in a market? What can cause scarcity to disappear?

Answer: Disagree with the statement. Scarcity is the situation where the resources available to produce goods and services are insufficient to satisfy all human wants. Scarcity is a condition of the world. A shortage occurs when the price is below the equilibrium price and quantity demanded at that price is greater than quantity supplied. The shortage can disappear by letting price rise to its equilibrium level. Scarcity will never disappear.

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Revised

- 94) Given a market equilibrium point, explain, using the concepts of demand and supply, how it is achieved.

Answer: Market equilibrium occurs at the point at which the demand curve intersects the supply curve. The quantities demanded and supplied are equal at this point, and the price at this point is the market clearing price. If the price of the item happened to be below the market clearing price, quantity demanded would exceed quantity supplied, and there would be a shortage of the item. Consumers would offer to pay a higher price to obtain the item. The higher price would induce an increase quantity supplied and a decrease in quantity demanded. Eventually, quantity supplied would equal quantity demanded at the higher, market clearing price. Conversely, if the price of the item happened to be above the market clearing price, quantity supplied would exceed quantity demanded, and there would be a surplus of the item. Producers would offer to sell the item at a lower price. The lower price would induce an increase in quantity demanded and a decrease in quantity supplied. Eventually, quantity demanded would equal quantity supplied at the lower, market clearing price.

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition

- 95) How is the equilibrium price determined? What happens if the price is above the equilibrium price? What happens if the price is below the equilibrium price?

Answer: The equilibrium price is determined by the point where the demand curve and the supply curve intersect. At this point, quantity demanded and quantity supplied are equal. At a price greater than the equilibrium price there is an excess quantity supplied, or surplus since an increase in price leads to a reduction in the quantity demanded but an increase in quantity supplied. At a price below the equilibrium price there is an excess quantity demanded or shortage.

Diff: 2

Topic: 3.7 Putting Demand and Supply Together

AACSB: Analytic skills

Question Status: Previous Edition