

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question on the accompanying scantron.

- 1) The "law of demand" states that changes in 1) _____
 - A) the quantity demanded of a good are inversely related to changes in its price.
 - B) the quantity demanded of a good are not related to changes in the quantity supplied.
 - C) demand are inversely related to changes in supply.
 - D) demand are related directly to changes in supply.

- 2) When the price of a pizza decreases from \$12 to \$10, 2) _____
 - A) the income effect means people buy less pizza.
 - B) the quantity demanded of pizza will not change.
 - C) the substitution effect means people buy more pizza.
 - D) None of the above answers is correct.

- 3) When the price of a good falls, *ceteris paribus*, the income effect for a normal good implies that people buy 3) _____
 - A) less of that good because the relative price of the good has fallen.
 - B) more of that good because the relative price of the good has risen.
 - C) less of that good because they cannot afford to buy all the things they previously bought.
 - D) more of that good because they can afford to buy more of all the things they previously bought.

- 4) Which of the following shifts the demand curve for oranges? 4) _____
 - A) an increase in the price of the fuel used to transport oranges to supermarkets
 - B) disastrous weather that destroys about half of this year's orange crop
 - C) great weather that produces a bumper orange crop this year
 - D) a decrease in the price of a pound of bananas, a substitute in consumption for oranges

- 5) Which of the following lists has variables that all shift a demand curve? 5) _____
 - A) expectation of future price, price of the good, number of buyers, income
 - B) price of the good, preferences, prices of substitution goods, income
 - C) income, preferences, number of buyers, price of complementary good
 - D) Both answers A and B are correct.

- 6) Which of the following will result in a leftward shift in the demand curve for hot dogs? 6) _____
 - A) an increase in the price of a hot dog bun
 - B) an increase in the price of a hamburger
 - C) a decrease in the price of a hot dog bun
 - D) an increase in the price of a hot dog

- 7) If the price of *chicken* falls, then in the market for *beef*, 7) _____
- A) there would be a movement downward along the demand curve for beef.
 - B) there would be a movement upward along the demand curve for beef.
 - C) the demand curve for beef would shift leftward.
 - D) the demand curve for beef would shift rightward.
- 8) An increase the expected future price of a good 8) _____
- A) has no effect on either its demand or its supply.
 - B) increases its demand.
 - C) decreases its demand.
 - D) increases its supply.
- 9) Suppose Frosty Pops cereal is an inferior good. An increase in income 9) _____
- A) leads to a decrease in the demand for Frosty Pops.
 - B) leads to an increase in the demand for Frosty Pops.
 - C) has no impact on the demand for Frosty Pops.
 - D) has no income effect.
- 10) Which of the following would NOT shift the demand curve for broccoli? 10) _____
- A) a warning by the U.S. Surgeon General that broccoli causes schizophrenia
 - B) an increase in the cost of fertilizer used to grow broccoli
 - C) an increase in the price of spinach, a substitute for broccoli, because rodents gobbled up much of this year's spinach crop
 - D) a decrease in the price of spinach, a substitute for broccoli, because of a bumper crop of spinach this year
- 11) Cable television companies nation-wide must pay increased charges by the networks for the programs the cable companies carry. As a result, they raise the price of cable television. Thus 11) _____
- A) the demand curve for cable television service shifts rightward.
 - B) there is a movement down the demand curve for cable television to a higher quantity demanded.
 - C) there is a movement up the demand curve for cable television to a smaller quantity demanded.
 - D) the demand curve for cable television service shifts leftward.
- 12) If the price per bushel of apples increased from \$7.00 to \$8.00 because of a poor harvest, 12) _____
- A) the demand for apples decreases.
 - B) the quantity of apples supplied decreases.
 - C) the quantity of apples demanded decreases.
 - D) Both answers A and B are correct.

- 13) The "law of supply" states that, other things remaining the same, 13) _____
- A) firms will produce more of a good the higher its price.
 - B) firms will produce less of a good as the required resources become scarcer.
 - C) firms will produce less of a good the more it costs to produce it.
 - D) firms will produce more of a good the less it costs to produce it.
- 14) By itself, an increase in the number of suppliers in a market results in a 14) _____
- A) rightward shift in the supply curve.
 - B) leftward shift in the supply curve.
 - C) movement down along the supply curve.
 - D) Both answers A and C are correct.
- 15) If there is an increase in demand for lumber, then, in the market for sawdust, (lumber and sawdust are jointly produced) 15) _____
- A) the supply curve of sawdust shifts rightward.
 - B) the supply curve of sawdust shifts leftward.
 - C) there would be a movement downward along the supply curve for sawdust.
 - D) there would be a movement upward along the supply curve for sawdust.
- 16) Consider the market for broccoli. If the price of a pound of broccoli increases, what will happen to the supply of broccoli? 16) _____
- A) The supply of broccoli will increase.
 - B) The supply of broccoli will decrease.
 - C) There will be no change in the supply of broccoli, but instead will be a decrease in the quantity supplied of broccoli.
 - D) There will be no change in the supply of broccoli, but instead will be an increase in the quantity supplied of broccoli.
- 17) Which of the following shifts the supply curve for oranges? 17) _____
- A) a newly discovered increase in the nutritional value of oranges
 - B) an increase in income for all orange consumers
 - C) an increase in the price of bananas, a substitute in consumption for oranges
 - D) disastrous weather that destroys about half of this year's orange crop
- 18) Which of the following is the best way to describe equilibrium in a market? At equilibrium, 18) _____
- A) the price charged is usually affordable to most people.
 - B) the supply and demand curves can never shift again.
 - C) the quantity supplied equals the quantity demanded.
 - D) the price charged is the lowest possible.

- 19) If the U.S. Surgeon General announces that increased wheat consumption could cause heightened anxiety levels among children and adults, what happens to the equilibrium price and quantity of shredded wheat? 19) _____
- A) The equilibrium price falls and the equilibrium quantity decreases.
 - B) The equilibrium price rises and the equilibrium quantity increases.
 - C) The equilibrium price rises and the equilibrium quantity decreases.
 - D) The equilibrium price falls and the equilibrium quantity increases.
- 20) Coffee and sugar are complements. If a poor sugar harvest leads to an increase in the price of sugar, there will also be 20) _____
- A) an increase in coffee prices as well.
 - B) a leftward shift of the supply curve of coffee.
 - C) a decrease in coffee prices.
 - D) a rightward shift in the demand curve for coffee.
- 21) If the U.S. Surgeon General announced that increased grapefruit juice consumption could cause lower cholesterol levels, what would happen to the equilibrium price and quantity of grapefruit juice? 21) _____
- A) Price and quantity both increase.
 - B) Price increases but quantity decreases.
 - C) Price decreases but quantity increases.
 - D) Price and quantity both decrease.
- 22) During the last decade, the price of shoes rose substantially yet people bought more pairs of new shoes each year. This experience suggests that 22) _____
- A) the demand curve for shoes shifted leftward.
 - B) the supply curve of shoes shifted rightward.
 - C) the supply curve of shoes shifted leftward.
 - D) the demand curve for shoes shifted rightward.
- 23) We observe that both the equilibrium price of 35mm cameras and the equilibrium quantity of cameras have decreased. Which of the following events could be responsible for this? 23) _____
- A) Consumers' income rose and 35mm cameras are a normal good.
 - B) The price of 35mm films fell.
 - C) A technological advance lowered 35mm camera production costs.
 - D) The price of digital cameras fell.
- 24) Bicycles are made out of steel. If the price of steel increases, there is a shift in the supply curve of bicycles that leads to 24) _____
- A) a permanent surplus of bicycles.
 - B) an increase in the price of a bicycle.
 - C) a temporary surplus of bicycles.
 - D) a shift in the demand curve for bicycles.

- 25) When the demand and supply curves both shift rightward, which of the following happens? 25) _____
- A) The equilibrium quantity increases and any change in the equilibrium price cannot be determined.
 - B) The equilibrium price falls and any change in the equilibrium quantity cannot be determined.
 - C) The equilibrium price falls and the equilibrium quantity increases.
 - D) The equilibrium price rises and the equilibrium quantity decreases.

Answer Key

Testname: MICRO QUIZ 2

- 1) A
ID: miecec7b 4-15
Topic: The Law of Demand
- 2) C
ID: miecec7b 4-25
Topic: Demand; Substitution Effect
- 3) D
ID: miecec7b 4-31
Topic: Demand; Income Effect
- 4) D
ID: miecec7b 4-44
Topic: Change in Demand, Prices of Related Goods
- 5) C
ID: miecec7b 4-76
Topic: Change in Demand
- 6) A
ID: miecec7b 4-47
Topic: Change in Demand, Prices of Related Goods
- 7) C
ID: miecec7b 4-54
Topic: Change in Demand, Prices of Related Goods
- 8) B
ID: miecec7b 4-56
Topic: Change in Demand, Expected Future Prices
- 9) A
ID: miecec7b 4-63
Topic: Change in Demand, Income
- 10) B
ID: miecec7b 4-75
Topic: Change in Demand
- 11) C
ID: miecec7b 4-79
Topic: A Change in the Quantity Demanded Versus a Change in Demand
- 12) C
ID: miecec7b 4-83
Topic: A Change in the Quantity Demanded Versus a Change in Demand
- 13) A
ID: miecec7b 4-95
Topic: The Law of Supply
- 14) A
ID: miecec7b 4-105
Topic: Change in Supply, Number of Suppliers
- 15) A
ID: miecec7b 4-103
Topic: Change in Supply, Prices of Related Goods Produced
- 16) D
ID: miecec7b 4-119
Topic: A Change in the Quantity Supplied Versus a Change in Supply
- 17) D
ID: miecec7b 4-118
Topic: Change in Supply

Answer Key

Testname: MICRO QUIZ 2

18) C

ID: micec7b 4-126

Topic: Market Equilibrium

19) A

ID: micec7b 4-138

Topic: Predicting Changes in Price and Quantity; Demand Changes

20) C

ID: micec7b 4-143

Topic: Predicting Changes in Price and Quantity; Demand Changes

21) A

ID: micec7b 4-147

Topic: Predicting Changes in Price and Quantity; Demand Changes

22) D

ID: micec7b 4-155

Topic: Predicting Changes in Price and Quantity; Demand Changes

23) D

ID: micec7b 4-162

Topic: Predicting Changes in Price and Quantity; Demand Changes

24) B

ID: micec7b 4-167

Topic: Predicting Changes in Price and Quantity; Supply Changes

25) A

ID: micec7b 4-183

Topic: Predicting Changes in Price/Quantity; Demand/Supply Increase