

Exam

Name \_\_\_\_\_

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

- 1) If the price of ground beef decreases, which of the following will occur? 1) \_\_\_\_\_
- A) The demand curve for ground beef will shift to the left.
  - B) Consumers will experience a decrease in their purchasing power.
  - C) There will be a movement down the demand curve for ground beef.
  - D) The substitution effect will cause some consumers to switch to other types of meat.

Answer: C

- 2) If the price of peanut butter increases, which of the following will occur? 2) \_\_\_\_\_
- A) The demand curve for peanut butter will shift to the left.
  - B) Consumers will experience an increase in their purchasing power.
  - C) There will be a movement up the demand curve for peanut butter.
  - D) The demand curve for peanut butter will shift to the right.

Answer: C

- 3) Which of the following will cause a movement along the demand curve for apple juice? 3) \_\_\_\_\_
- A) an expected change in the future price of apple juice
  - B) an increase in the price of apple juice
  - C) a change in the price of orange juice, a substitute for apple juice
  - D) a decrease in consumer incomes

Answer: B

- 4) Which of the following will cause a movement down the demand curve for frozen chicken nuggets? 4) \_\_\_\_\_
- A) an increase in the price of frozen chicken nuggets
  - B) a decrease in consumer incomes
  - C) an increase in consumer incomes
  - D) a decrease in the price of frozen chicken nuggets

Answer: D

- 5) Which of the following will cause a movement up the demand curve for digital printing services? 5) \_\_\_\_\_
- A) a decrease in consumer incomes
  - B) an increase in consumer incomes
  - C) an increase in the price of digital printing services
  - D) a decrease in the price of digital printing services

Answer: C

- 6) The demand function for Super Big Bright LED light bulbs is  $Q^d = (45 \text{ million}) - (3.5 \text{ million} \times P)$ . If the company charged a price of \$8 per bulb, how many will be demanded? 6) \_\_\_\_\_
- A) 17 million
  - B) 41.5 million
  - C) 37 million
  - D) 10 million

Answer: A

- 7) The demand function for Super Big Bright LED light bulbs is  $Q^d = (45 \text{ million}) - (3.5 \text{ million} \times P)$ . 7) \_\_\_\_\_  
 The company is currently charging a price of \$8 per bulb, but is considering increasing the price to \$10. How will the increase in price affect the quantity demanded?  
 A) Consumers will increase the quantity demanded by 10 million.  
 B) Consumers will increase the quantity demanded by 7 million.  
 C) Consumers will decrease the quantity demanded by 7 million.  
 D) Consumers will decrease the quantity demanded by 10 million.

Answer: C

- 8) The demand function for a pack of four Never Die Batteries is  $Q^d = (62 \text{ million}) - (8 \text{ million} \times P)$ . If 8) \_\_\_\_\_  
 the company charged a price of \$5 per package, how many packages will be demanded?  
 A) 102 million                      B) 54 million                      C) 8 million                      D) 22 million

Answer: D

- 9) The demand function for a pack of four Never Die Batteries is  $Q^d = (62 \text{ million}) - (8 \text{ million} \times P)$ . 9) \_\_\_\_\_  
 The company is currently charging a price of \$5 per package, but is considering decreasing the price to \$4. How will the decrease in price affect how many packages of batteries consumers will buy?  
 A) Consumers will decrease the quantity demanded by 30 million.  
 B) Consumers will increase the quantity demanded by 30 million.  
 C) Consumers will decrease the quantity demanded by 8 million.  
 D) Consumers will increase the quantity demanded by 8 million.

Answer: D

- 10) For any demand function, which of the following represents the dependent variable? 10) \_\_\_\_\_  
 A) the price of a substitute good                      B) consumer incomes  
 C) the price of the good                      D) the quantity demanded of a good

Answer: D

- 11) For demand functions, which of the following cannot be an independent variable? 11) \_\_\_\_\_  
 A) consumer incomes                      B) the price of the good in question  
 C) the quantity demanded of a good                      D) the price of a substitute good

Answer: C

- 12) If an increase in consumers' incomes results in a leftward shift of the demand curve for a good, 12) \_\_\_\_\_  
 which of the following is true?  
 A) The good has an upward sloping demand curve.  
 B) The good is a normal good.  
 C) The demand for the good does not follow the Law of Demand.  
 D) The good is an inferior good.

Answer: D

- 13) If Goods X and Y are complements, if the price of Good X decreases, this will cause a movement 13) \_\_\_\_\_  
 \_\_\_\_\_ the demand curve for Good X and a \_\_\_\_\_ shift in the demand for Good Y.  
 A) down; leftward                      B) up; rightward  
 C) up; leftward                      D) down; rightward

Answer: D



- 18) Refer to the figure above. Which of the following could have caused the shift in the demand curve? 18) \_\_\_\_\_
- A) a decrease in the expected future price of Good Z
  - B) an increase in income if Good Z is an inferior good
  - C) a decrease in the price of Good Z
  - D) an effective marketing campaign that changes preferences towards Good Z

Answer: D

- 19) Refer to the figure above. Which of the following could have caused the shift in the demand curve? 19) \_\_\_\_\_
- A) an increase in the price of Good Z
  - B) an increase in the number of demanders for Good Z
  - C) a decrease in the expected future price of Good Z
  - D) a decrease in the price of Good Z

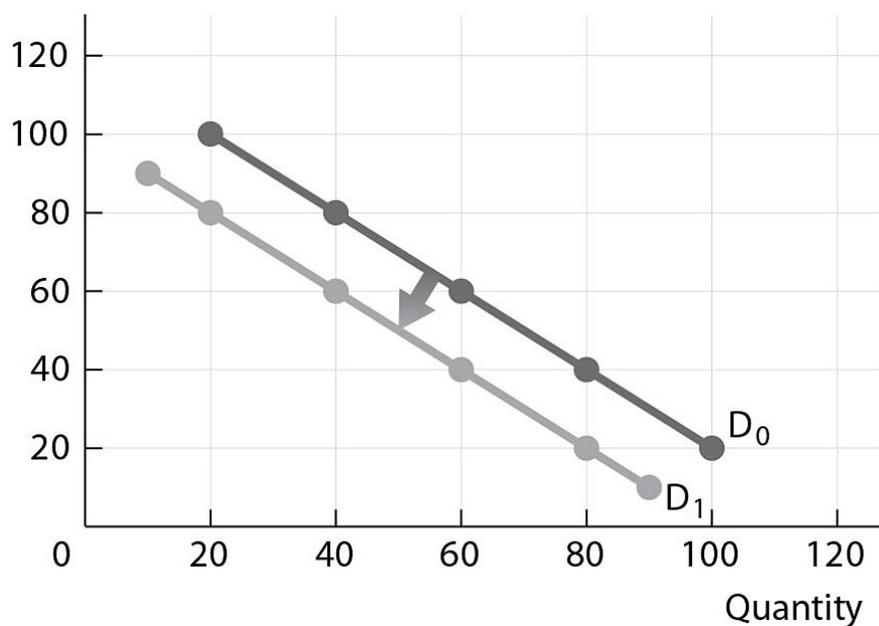
Answer: B

- 20) Refer to the figure above. Which of the following could have caused the shift in the demand curve? 20) \_\_\_\_\_
- A) a decrease in the number of demanders for Good Z
  - B) an increase in the price of a complement for Good Z
  - C) a decrease in the price of a substitute for Good Z
  - D) an increase in the expected future price of Good Z

Answer: D

### Demand Curve for Good Z

Price (dollars per unit)



- 21) Refer to the figure above. Which of the following could have caused the shift in the demand curve? 21) \_\_\_\_\_
- A) an increase in the price of a substitute for Good Z
  - B) a decrease in the expected future price of Good Z
  - C) a decrease in the price of a complement for Good Z
  - D) an increase in the number of demanders for Good Z

Answer: B

- 22) Refer to the figure above. Which of the following could have caused the shift in the demand curve? 22) \_\_\_\_\_  
A) a decrease in the price of a substitute for Good Z  
B) an increase in the price of Good Z  
C) an increase in the expected future price of Good Z  
D) a decrease in income if Good Z is an inferior good

Answer: A

- 23) Refer to the figure above. Which of the following could have caused the shift in the demand curve? 23) \_\_\_\_\_  
A) an increase in the price of Good Z  
B) an increase in the price of a substitute for Good Z  
C) an increase in income if Good Z is an inferior good  
D) a decrease in the price of a complement for Good Z

Answer: C

- 24) Refer to the figure above. Which of the following could have caused the shift in the demand curve? 24) \_\_\_\_\_  
A) an increase in the price of Good Z  
B) an increase in the price of a complement for Good Z  
C) an increase in the expected future price of Good Z  
D) a decrease in income if Good Z is an inferior good

Answer: B

- 25) Refer to the figure above. Which of the following could have caused the shift in the demand curve? 25) \_\_\_\_\_  
A) a decrease in the price of a complement for Good Z  
B) an increase in the price of Good Z  
C) a decrease in income if Good Z is a normal good  
D) a decrease in the price of Good Z

Answer: C

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 26) The Law of Demand states that as consumers' incomes increase, the demand for normal goods increase. 26) \_\_\_\_\_

Answer: True  False

- 27) If an increase in the price of Good X causes the demand for Good Y to shift rightward, Goods X and Y are complements. 27) \_\_\_\_\_

Answer: True  False

- 28) If a decrease in the price of Good X causes the demand for Good Y to shift rightward, Goods X and Y are complements. 28) \_\_\_\_\_

Answer:  True  False

- 29) An increase in the number of demanders for a good will cause a downward movement along the demand curve. 29) \_\_\_\_\_

Answer: True  False

- 30) A news report discussing a medical study that found conclusive evidence of the positive health benefits of farm-raised eggs is likely to cause a rightward shift of the demand curve for farm-raised eggs. 30) \_\_\_\_\_

Answer:  True  False

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

- 31) If the price of avocados increases, which of the following will occur? 31) \_\_\_\_\_  
A) There will be a movement down the supply curve for avocados.  
B) The supply curve for avocados will shift to the right.  
C) There will be a movement up the supply curve for avocados.  
D) The supply curve for avocados will shift to the left.

Answer: C

- 32) If the price of tomato juice decreases, which of the following will occur? 32) \_\_\_\_\_  
A) The supply curve for tomato juice will shift to the left.  
B) There will be a movement up the supply curve for tomato juice.  
C) The supply curve for tomato juice will shift to the right.  
D) There will be a movement down the supply curve for tomato juice.

Answer: D

- 33) Which of the following will cause a movement down the supply curve for frozen chicken nuggets? 33) \_\_\_\_\_  
A) a decrease in the price of frozen chicken nuggets  
B) a decrease in the expected future price of frozen chicken nuggets  
C) an increase in the number of suppliers of frozen chicken nuggets  
D) a decrease in the cost to produce frozen chicken nuggets

Answer: A

- 34) The supply function for a pack of four Never Die Batteries is  $Q^S = (0) + (6 \text{ million} \times P)$ . If the company charged a price of \$5 per package, how many packages will be supplied? 34) \_\_\_\_\_  
A) 0                                      B) 22 million                                      C) 6 million                                      D) 30 million

Answer: D

- 35) The supply function for a pack of four Never Die Batteries is  $Q^S = (0) + (6 \text{ million} \times P)$ . If the price of a package of four Never Die Batteries increases by \$1, how will this change the quantity supplied? 35) \_\_\_\_\_  
A) increase by 1 million                                      B) increase by 6 million  
C) decrease by 6 million                                      D) decrease by 1 million

Answer: B

- 36) The supply function for a half gallon of Happy Cow Milk is  $Q^S = (0) + (2 \text{ million} \times P)$ . If the company charged a price of \$3.5 per half gallon, how many half gallons will be supplied? 36) \_\_\_\_\_  
A) 7 million                                      B) 0                                      C) 3.5 million                                      D) 2 million

Answer: A

- 37) The supply function for a half gallon of Happy Cow Milk is  $Q^S = (0) + (2 \text{ million} \times P)$ . If the price of a Happy Cow Milk decreases by \$1, how will this change the quantity supplied? 37) \_\_\_\_\_  
A) decrease by 2 million                                      B) increase by 2 million  
C) decrease by 1 million                                      D) increase by 1 million

Answer: A

38) If Goods X and Y are substitutes in production, if the price of Good X decreases, this will cause a movement \_\_\_\_\_ the supply curve for Good X and a \_\_\_\_\_ shift in the supply curve for Good Y. 38) \_\_\_\_\_

- A) up; rightward
- B) up; leftward
- C) down; rightward
- D) down; leftward

Answer: C

39) If Goods X and Y are substitutes in production, if the price of Good X increases, this will cause a movement \_\_\_\_\_ the supply curve for Good X and a \_\_\_\_\_ shift in the supply curve for Good Y. 39) \_\_\_\_\_

- A) up; leftward
- B) down; leftward
- C) down; rightward
- D) up; rightward

Answer: A

40) If Goods X and Y are substitutes in production, if the price of Good X decreases, this will cause a \_\_\_\_\_ the supply curve for Good X and a \_\_\_\_\_ the supply curve for Good Y. 40) \_\_\_\_\_

- A) shift in; shift in
- B) shift in; movement along
- C) movement along; movement along
- D) movement along; shift in

Answer: D

41) If Goods X and Y are substitutes in production, if the price of Good X increases, this will cause a \_\_\_\_\_ the supply curve for Good X and a \_\_\_\_\_ the supply curve for Good Y. 41) \_\_\_\_\_

- A) movement along; shift in
- B) shift in; shift in
- C) shift in; movement along
- D) movement along; movement along

Answer: A

42) If Goods R and S are complements in production, if the price of Good R increases, this will cause a(n) \_\_\_\_\_ the supply curve for Good S. 42) \_\_\_\_\_

- A) upward movement along
- B) rightward shift in
- C) leftward shift in
- D) downward movement along

Answer: B

43) If Goods R and S are complements in production, if the price of Good R decreases, this will cause a(n) \_\_\_\_\_ the supply curve for Good S. 43) \_\_\_\_\_

- A) rightward shift in
- B) downward movement along
- C) upward movement along
- D) leftward shift in

Answer: D

44) A technological advancement in the production of LED light bulbs will result in \_\_\_\_\_. 44) \_\_\_\_\_

- A) a downward movement along the supply curve
- B) an upward movement along the supply curve
- C) a leftward shift of the supply curve
- D) a rightward shift of the supply curve

Answer: D

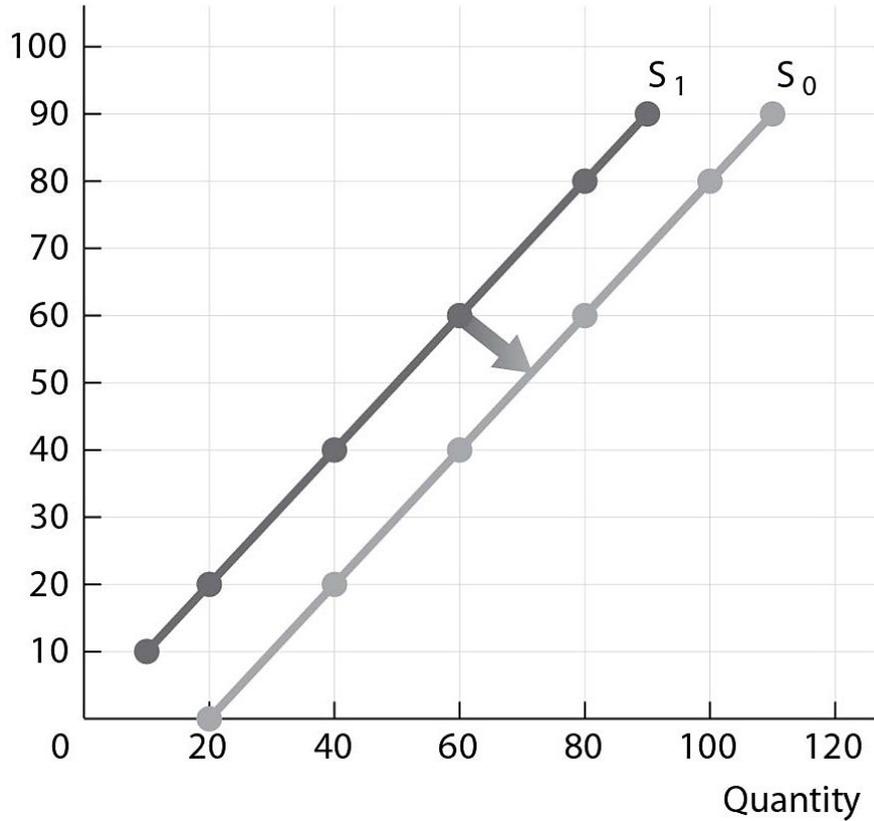
45) A bad growing season for avocados will result in \_\_\_\_\_. 45) \_\_\_\_\_

- A) an upward movement along the supply curve
- B) a rightward shift of the supply curve
- C) a downward movement along the supply curve
- D) a leftward shift of the supply curve

Answer: D

## Supply Curve for Good R

Price (dollars per unit)



- 46) Refer to the figure above. Which of the following could have caused the shift in the supply curve? 46) \_\_\_\_\_
- A) a decrease in the price of Good R
  - B) an increase in the number of sellers of Good R
  - C) an increase in the cost of producing Good R
  - D) an increase in the price of a substitute good in production

Answer: B

- 47) Refer to the figure above. Which of the following could have caused the shift in the supply curve? 47) \_\_\_\_\_
- A) a bad state of nature for the production of Good R
  - B) a decrease in the cost of producing Good R
  - C) an increase in the price of Good R
  - D) an increase in the price of a substitute good in production

Answer: B

- 48) Refer to the figure above. All of the following except which one could have caused the shift in the supply curve? 48) \_\_\_\_\_
- A) an increase in the price of Good R
  - B) a good state of nature for the production of Good R
  - C) a decrease in the cost of producing Good R
  - D) an increase in the number of sellers of Good R

Answer: A

- 49) Refer to the figure above. Which of the following could have caused the shift in the supply curve? 49) \_\_\_\_\_
- A) an increase in the price of a substitute good in production
  - B) a decrease in the price of Good R
  - C) an increase in the price of a complement good in production
  - D) an increase in the expected future price of Good R

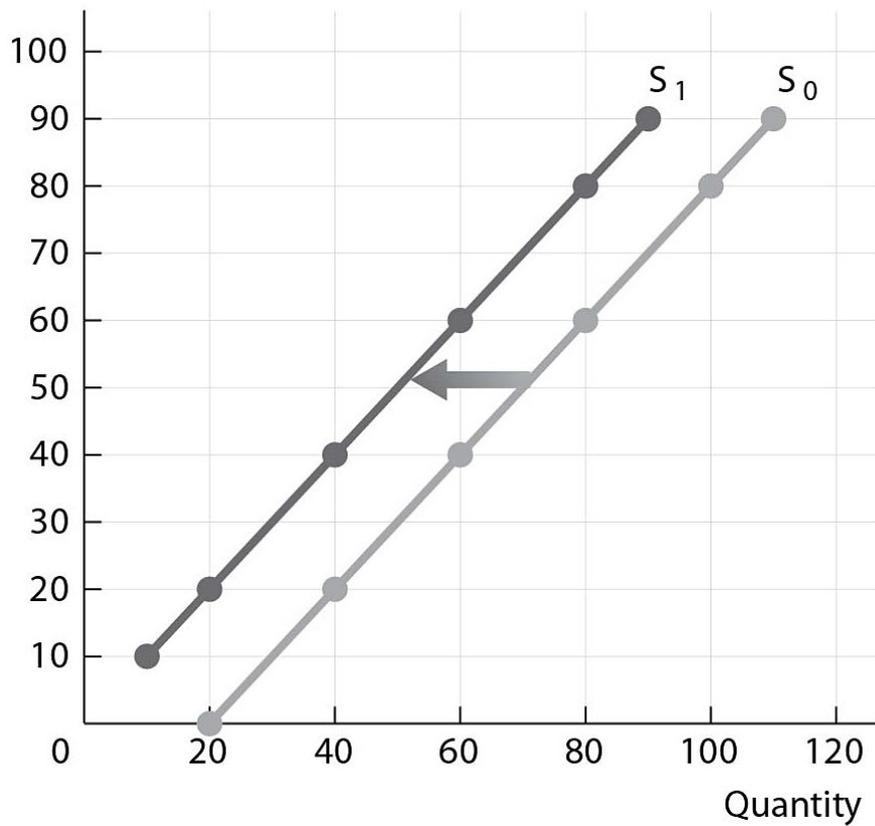
Answer: C

- 50) Refer to the figure above. Which of the following could have caused the shift in the supply curve? 50) \_\_\_\_\_
- A) a bad state of nature for the production of Good R
  - B) a decrease in the price of a complement good in production
  - C) a decrease in the number of sellers of Good R
  - D) a decrease in the price of a substitute good in production

Answer: D

### Supply Curve for Good R

Price (dollars per unit)



- 51) Refer to the figure above. Which of the following could have caused the shift in the supply curve? 51) \_\_\_\_\_
- A) a decrease in the price of a substitute good in production
  - B) an increase in the cost of producing Good R
  - C) an increase in the number of sellers of Good R
  - D) an increase in the price of Good R

Answer: B

- 52) Refer to the figure above. Which of the following could have caused the shift in the supply curve? 52) \_\_\_\_\_  
A) an increase in the price of a substitute good in production  
B) a good state of nature for the production of Good R  
C) a decrease in the price of Good R  
D) a decrease in the cost of producing Good R

Answer: A

- 53) Refer to the figure above. All of the following except which one could have caused the shift in the supply curve? 53) \_\_\_\_\_  
A) a decrease in the number of sellers of Good R  
B) an increase in the price of a complement good in production  
C) an increase in the price of a substitute good in production  
D) an increase in the cost of producing Good R

Answer: B

- 54) Refer to the figure above. Which of the following could have caused the shift in the supply curve? 54) \_\_\_\_\_  
A) a technological advancement in the production of Good R  
B) a decrease in the expected future price of Good R  
C) a decrease in the cost of producing Good R  
D) a decrease in the price of a complement good in production

Answer: D

- 55) Refer to the figure above. Which of the following could have caused the shift in the supply curve? 55) \_\_\_\_\_  
A) a technological advancement in the production of Good R  
B) a bad state of nature for the production of Good R  
C) an increase in the price of a complement good in production  
D) a decrease in the expected future price of Good R

Answer: B

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 56) An increase in the price of Good R will cause a movement upward on the supply curve for Good R. 56) \_\_\_\_\_  
Answer:  True  False

- 57) If Goods Y and Z are complements in production, the increase in the price of Good Y will shift the supply curve for Good Z to the right. 57) \_\_\_\_\_  
Answer:  True  False

- 58) Only a change in the price of almonds will cause a movement along the supply curve of almonds. 58) \_\_\_\_\_  
Answer:  True  False

- 59) If Goods R and S are complements in production, if the price of Good R increases, both the supply curve for Good R and Good S will shift. 59) \_\_\_\_\_  
Answer:  True  False

- 60) In terms of production, cost and price are the same. 60) \_\_\_\_\_  
Answer:  True  False

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

- 61) At the equilibrium price, which of the following is true? 61) \_\_\_\_\_  
A) The quantity demanded equals the quantity supplied.  
B) There is a shortage of the product.  
C) The quantity demanded exceeds the quantity supplied.  
D) The quantity supplied exceeds the quantity demanded.

Answer: A

- 62) At any price higher than the equilibrium price, a \_\_\_\_\_ in quantity will be created and at any price lower than the equilibrium price, a \_\_\_\_\_ in quantity will be created. 62) \_\_\_\_\_  
A) shortage; surplus  
B) surplus; shortage  
C) surplus; surplus  
D) shortage; shortage

Answer: B

- 63) If there is a surplus in the market, market forces will drive the quantity supplied to \_\_\_\_\_ and the quantity demanded to \_\_\_\_\_. 63) \_\_\_\_\_  
A) increase; decrease  
B) decrease; increase  
C) decrease; decrease  
D) increase; increase

Answer: B

- 64) If there is a shortage in the market, market forces will drive the quantity supplied to \_\_\_\_\_ and the quantity demanded to \_\_\_\_\_. 64) \_\_\_\_\_  
A) decrease; decrease  
B) increase; decrease  
C) decrease; increase  
D) increase; increase

Answer: B

- 65) If the equilibrium price for a half gallon of organic milk is \$4 and the current price for a half gallon of milk is \$5.25, market forces will cause all of the following to occur except which one? 65) \_\_\_\_\_  
A) the quantity supplied to increase  
B) the quantity demanded to increase  
C) the price to fall to the equilibrium price  
D) the quantity supplied to decrease

Answer: A

- 66) If the equilibrium price for a half gallon of organic milk is \$4 and the current price for a half gallon of milk is \$3.25, market forces will cause all of the following to occur except which one? 66) \_\_\_\_\_  
A) the quantity demanded to decrease  
B) the price to rise to the equilibrium price  
C) the quantity supplied to increase  
D) the quantity supplied to decrease

Answer: D

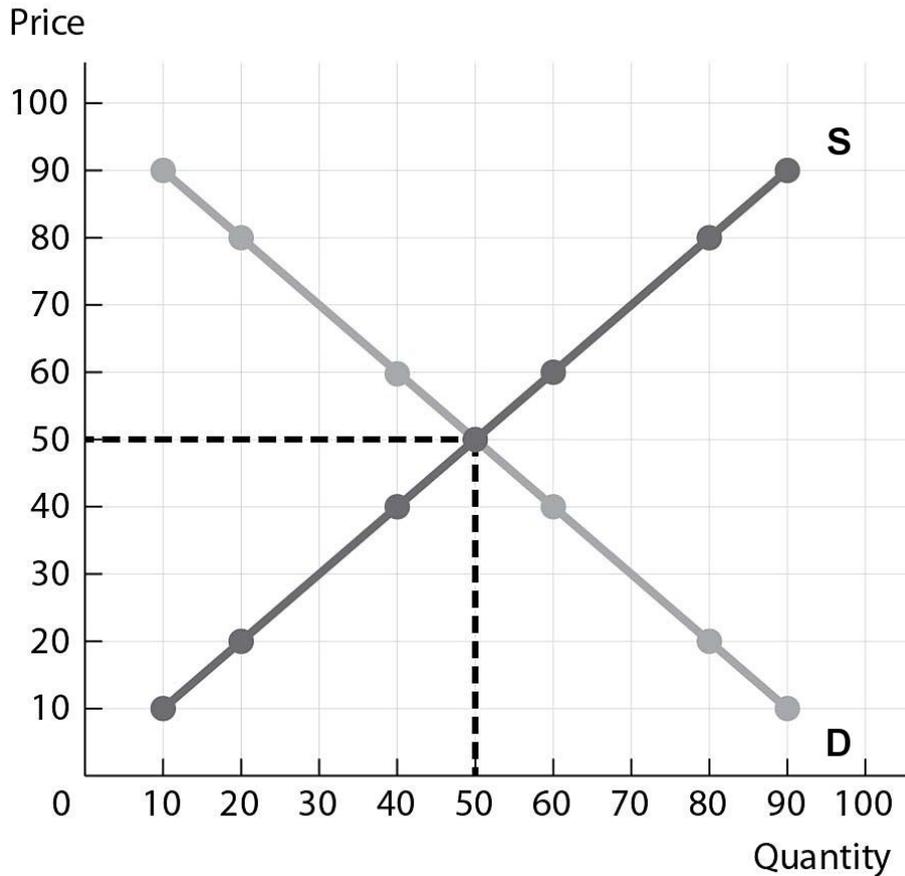
- 67) If the equilibrium price for a half gallon of organic milk is \$4 and the current price for a half gallon of milk is \$3.25, all of the following are true except which one? 67) \_\_\_\_\_  
A) Market forces will cause the current price to increase.  
B) There is a surplus in the market.  
C) The quantity demanded exceeds the quantity supplied.  
D) There is a shortage in the market.

Answer: B

- 68) If the equilibrium price for a half gallon of organic milk is \$4 and the current price for a half gallon of milk is \$5.25, all of the following are true except which one? 68) \_\_\_\_\_
- A) Market forces will cause the current price to fall.
  - B) The quantity supplied exceeds the quantity demanded.
  - C) There is a surplus in the market.
  - D) There is a shortage in the market.

Answer: D

### Demand and Supply for Sunglasses



- 69) Refer to the figure above. At a price of \$50, which of the following is true? 69) \_\_\_\_\_
- A) The quantity demanded exceeds the quantity supplied
  - B) The quantity supplied exceeds the quantity demanded.
  - C) The quantity demanded equals the quantity supplied.
  - D) There is a shortage of the sunglasses.

Answer: C

- 70) Refer to the figure above. At a price of \$30, which of the following is true? 70) \_\_\_\_\_
- A) There is a surplus of the sunglasses.
  - B) The quantity supplied exceeds the quantity demanded.
  - C) The quantity demanded exceeds the quantity supplied.
  - D) The quantity demanded equals the quantity supplied.

Answer: C

- 71) Refer to the figure above. At a price of \$70, which of the following is true? 71) \_\_\_\_\_
- A) The quantity demanded exceeds the quantity supplied.
  - B) The quantity supplied exceeds the quantity demanded.
  - C) There is a shortage of the sunglasses.
  - D) The quantity demanded equals the quantity supplied.

Answer: B

- 72) Refer to the figure above. If the price of sunglasses is currently \$70, market forces will cause the quantity supplied to \_\_\_\_\_ and the quantity demanded to \_\_\_\_\_ until the price is equal to the equilibrium price. 72) \_\_\_\_\_
- A) decrease; decrease
  - B) increase; decrease
  - C) increase; increase
  - D) decrease; increase

Answer: D

- 73) Refer to the figure above. If the price of sunglasses is currently \$30, market forces will cause the quantity supplied to \_\_\_\_\_ and the quantity demanded to \_\_\_\_\_ until the price is equal to the equilibrium price. 73) \_\_\_\_\_
- A) increase; increase
  - B) decrease; decrease
  - C) increase; decrease
  - D) decrease; increase

Answer: C

- 74) If the  $Q^d = (20 \text{ million}) - (2 \text{ million} \times P)$  and  $Q^s = (0) + (3 \text{ million} \times P)$ , the equilibrium price for the product is \_\_\_\_\_. 74) \_\_\_\_\_
- A) \$2
  - B) \$3
  - C) \$5
  - D) \$4

Answer: D

- 75) If the  $Q^d = (50 \text{ million}) - (4 \text{ million} \times P)$  and  $Q^s = (0) + (1 \text{ million} \times P)$ , the equilibrium price for the product is \_\_\_\_\_. 75) \_\_\_\_\_
- A) \$4
  - B) \$1
  - C) \$5
  - D) \$10

Answer: D

- 76) If the  $Q^d = (40 \text{ million}) - (8 \text{ million} \times P)$  and  $Q^s = (10 \text{ million}) + (2 \text{ million} \times P)$ , the equilibrium price for the product is \_\_\_\_\_. 76) \_\_\_\_\_
- A) \$8
  - B) \$12
  - C) \$3
  - D) \$2

Answer: C

- 77) If the  $Q^d = (50 \text{ million}) - (4 \text{ million} \times P)$  and  $Q^s = (2 \text{ million}) + (4 \text{ million} \times P)$ , the equilibrium price for the product is \_\_\_\_\_. 77) \_\_\_\_\_
- A) \$4
  - B) \$2
  - C) \$6
  - D) \$10

Answer: C

- 78) If the  $Q^d = (12 \text{ million}) - (1 \text{ million} \times P)$  and  $Q^s = (2 \text{ million}) + (1 \text{ million} \times P)$ , the equilibrium price for the product is \_\_\_\_\_. 78) \_\_\_\_\_
- A) \$5
  - B) \$1
  - C) \$12
  - D) \$2

Answer: A

79) If the  $Q^d = (18 \text{ million}) - (3 \text{ million} \times P)$  and  $Q^S = (0) + (3 \text{ million} \times P)$ , the equilibrium price for the product is \_\_\_\_\_. 79) \_\_\_\_\_  
A) \$10                      B) \$3                      C) \$6                      D) \$8

Answer: B

80) For a particular product the  $Q^d = (20 \text{ million}) - (2.5 \text{ million} \times P)$  and  $Q^S = (0) + (2.5 \text{ million} \times P)$ . If the current price is \$5, which of the following is true? 80) \_\_\_\_\_

- A) The current price is equal to the equilibrium price.
- B) There is a shortage of the product in the market.
- C) There is a surplus of the product in the market.
- D) The quantity demanded equals the quantity supplied.

Answer: C

81) For a particular product the  $Q^d = (45 \text{ million}) - (3 \text{ million} \times P)$  and  $Q^S = (0) + (2 \text{ million} \times P)$ . If the current price is \$7, which of the following is true? 81) \_\_\_\_\_

- A) The current price is equal to the equilibrium price.
- B) There is a surplus of the product in the market.
- C) The quantity demanded equals the quantity supplied.
- D) There is a shortage of the product in the market.

Answer: D

82) If the  $Q^d = (18 \text{ million}) - (3 \text{ million} \times P)$  and  $Q^S = (0) + (3 \text{ million} \times P)$ , the equilibrium quantity for the product is \_\_\_\_\_. 82) \_\_\_\_\_

- A) 18 million                      B) 6 million                      C) 3 million                      D) 9 million

Answer: D

83) If the  $Q^d = (20 \text{ million}) - (2.5 \text{ million} \times P)$  and  $Q^S = (0) + (2.5 \text{ million} \times P)$ , the equilibrium quantity for the product is \_\_\_\_\_. 83) \_\_\_\_\_

- A) 2.5 million                      B) 10 million                      C) 5 million                      D) 20 million

Answer: B

84) If the  $Q^d = (50 \text{ million}) - (4 \text{ million} \times P)$  and  $Q^S = (2 \text{ million}) + (4 \text{ million} \times P)$ , the equilibrium quantity for the product is \_\_\_\_\_. 84) \_\_\_\_\_

- A) 26 million                      B) 4 million                      C) 8 million                      D) 12 million

Answer: A

85) If the  $Q^d = (12 \text{ million}) - (1 \text{ million} \times P)$  and  $Q^S = (2 \text{ million}) + (1 \text{ million} \times P)$ , the equilibrium quantity for the product is \_\_\_\_\_. 85) \_\_\_\_\_

- A) 10 million                      B) 1 million                      C) 11 million                      D) 7 million

Answer: D

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

86) For any good or service, at the market equilibrium price the quantity demanded exceeds the quantity supplied. 86) \_\_\_\_\_

Answer: True  False

- 87) If the current price for salmon exceeds the equilibrium price, there will be a surplus of salmon in the market. 87) \_\_\_\_\_  
 Answer:  True       False
- 88) If the current price for a product is not equal to its equilibrium price, the quantity demanded is not equal to the quantity supplied. 88) \_\_\_\_\_  
 Answer:  True       False
- 89) If the market for salmon is in equilibrium, there is not a shortage or a surplus of salmon. 89) \_\_\_\_\_  
 Answer:  True       False
- 90) If the  $Q^d = (15 \text{ million}) - (2 \text{ million} \times P)$  and  $Q^S = (0) + (3 \text{ million} \times P)$ , the equilibrium price for the product is \$3. 90) \_\_\_\_\_  
 Answer:  True       False

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

- 91) The maximum price a consumer is willing to pay for a second slice of pizza is \_\_\_\_\_. 91) \_\_\_\_\_  
 A) equal to the consumer surplus  
 B) the consumer's marginal cost of a second slice of pizza  
 C) the consumer's marginal benefit of a second slice of pizza  
 D) always more than the maximum price the consumer is willing to pay for the first slice of pizza  
 Answer: C
- 92) The maximum price a consumer is willing to pay for a second bottle of water is \_\_\_\_\_. 92) \_\_\_\_\_  
 A) the consumer's marginal benefit of a second bottle of water  
 B) equal to the consumer surplus  
 C) equal to the consumer's total value of two bottles of water  
 D) the consumer's marginal cost of a second bottle of water  
 Answer: A
- 93) The minimum price a producer is willing to accept for the one hundredth bottle of water is \_\_\_\_\_. 93) \_\_\_\_\_  
 A) equal to the producer surplus  
 B) equal to the producer's total value of 100 bottles of water  
 C) the producer's marginal cost of the one hundredth bottle of water  
 D) the producer's marginal benefit of the one hundredth bottle of water  
 Answer: C
- 94) The minimum price a producer is willing to accept for the fifth slice of pizza is \_\_\_\_\_. 94) \_\_\_\_\_  
 A) equal to the consumer surplus of the fifth slice of pizza  
 B) the producer's marginal benefit of the fifth slice of pizza  
 C) equal to the producer's total value of five slices of pizza  
 D) the producer's marginal cost of the fifth slice of pizza  
 Answer: D

95) If a competitive market is producing at the efficient quantity, \_\_\_\_\_. 95) \_\_\_\_\_  
A) a deadweight loss exists  
B) the quantity produced exceeds the equilibrium quantity  
C) total surplus is minimized  
D) total surplus is maximized

Answer: D

96) If a competitive market is producing at the efficient quantity, all of the following are true except 96) \_\_\_\_\_  
which one?  
A) The efficient quantity is being produced.  
B) Total surplus is maximized.  
C) The marginal benefit to society exceeds the marginal cost.  
D) Deadweight loss is equal to zero.

Answer: C

97) If a competitive market is producing at the efficient quantity, all of the following are true except 97) \_\_\_\_\_  
which one?  
A) Total surplus is maximized.  
B) The marginal benefit to society equals the marginal cost.  
C) The efficient quantity is being produced.  
D) There is overproduction in the market.

Answer: D

98) If deadweight loss exists in a competitive market, which one of the following is true? 98) \_\_\_\_\_  
A) The efficient quantity is being produced.  
B) The marginal benefit to society equals the marginal cost.  
C) Total surplus is maximized.  
D) The market is either under- or overproducing.

Answer: D

99) If there is underproduction in a competitive market, \_\_\_\_\_. 99) \_\_\_\_\_  
A) the marginal benefit to society exceeds the marginal cost  
B) the market is producing the efficient quantity  
C) there will be no deadweight loss  
D) the marginal cost to society exceeds the marginal benefit

Answer: A

100) If there is overproduction in a competitive market, \_\_\_\_\_. 100) \_\_\_\_\_  
A) the marginal benefit to society exceeds the marginal cost  
B) there will be no deadweight loss  
C) the marginal cost to society exceeds the marginal benefit  
D) the market is producing the efficient quantity

Answer: C

101) If there is overproduction in a competitive market, \_\_\_\_\_ will increase if the quantity produced 101) \_\_\_\_\_  
\_\_\_\_\_ to the equilibrium quantity.  
A) deadweight loss; increases                      B) deadweight loss; decreases  
C) total surplus; decreases                         D) total surplus; increases

Answer: C

- 102) If there is underproduction in a competitive market, \_\_\_\_\_ will increase if the quantity produced \_\_\_\_\_ to the equilibrium quantity. 102) \_\_\_\_\_  
 A) total surplus; decreases B) deadweight loss; decreases  
 C) deadweight loss; increases D) total surplus; increases  
 Answer: D
- 103) If there is underproduction in a competitive market, the quantity produced is \_\_\_\_\_ than the efficient quantity and the marginal benefit to society is \_\_\_\_\_ than the marginal cost. 103) \_\_\_\_\_  
 A) greater; greater B) greater; less C) less; less D) less; greater  
 Answer: D
- 104) If there is overproduction in a competitive market, the quantity produced is \_\_\_\_\_ than the efficient quantity and the marginal benefit to society is \_\_\_\_\_ than the marginal cost. 104) \_\_\_\_\_  
 A) greater; less B) greater; greater C) less; less D) less; greater  
 Answer: A
- 105) All else equal, the higher the price, the \_\_\_\_\_ the consumer surplus and the \_\_\_\_\_ the producer surplus. 105) \_\_\_\_\_  
 A) higher; higher B) lower; lower C) higher; lower D) lower; higher  
 Answer: D
- 106) All else equal, the lower the price, the \_\_\_\_\_ the consumer surplus and the \_\_\_\_\_ the producer surplus. 106) \_\_\_\_\_  
 A) lower; higher B) higher; lower C) higher; higher D) lower; lower  
 Answer: B



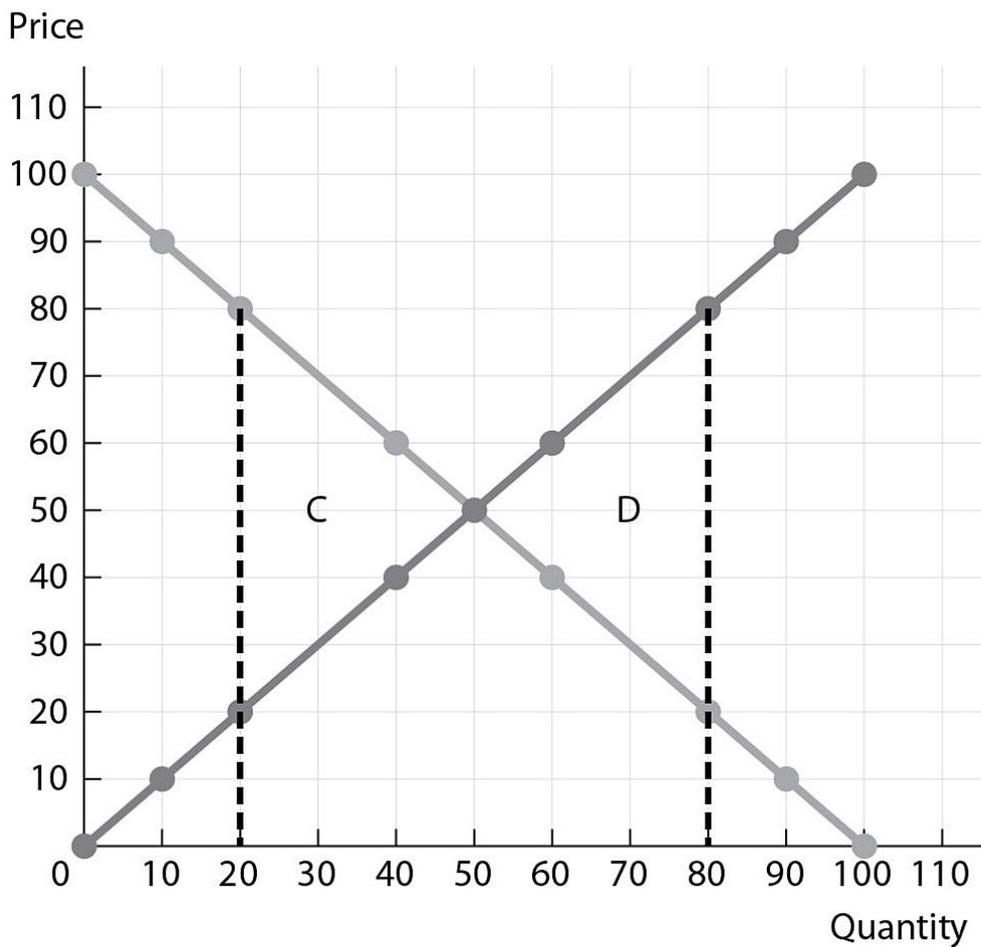
- 110) Refer to the figure above. If the market price of sunglasses is \$50, which of the following is true? 110) \_\_\_\_\_
- A) There is no deadweight loss.
  - B) The total surplus is minimized.
  - C) The marginal cost to society exceeds the marginal benefit.
  - D) The marginal benefit to society exceeds the marginal cost.

Answer: A

- 111) Refer to the figure above. If market price of sunglasses is \$50, all of the following are true except which one? 111) \_\_\_\_\_
- A) The efficient quantity is produced.
  - B) The marginal cost to society equals the marginal benefit.
  - C) Area B represents the deadweight loss.
  - D) Total surplus is maximized.

Answer: C

### Demand and Supply for Sunglasses



- 112) Refer to the figure above. If 20 units of sunglasses are produced, the marginal benefit to society is \_\_\_\_\_ than the marginal cost and sunglasses are \_\_\_\_\_. 112) \_\_\_\_\_
- A) less; underproduced
  - B) greater; overproduced
  - C) less; overproduced
  - D) greater; underproduced

Answer: D

113) Refer to the figure above. If 80 units of sunglasses are produced, the marginal benefit to society is \_\_\_\_\_ than the marginal cost and sunglasses are \_\_\_\_\_. 113) \_\_\_\_\_  
A) less; overproduced B) greater; underproduced  
C) greater; overproduced D) less; underproduced

Answer: A

114) Refer to the figure above. If 20 units of sunglasses are produced, sunglasses are \_\_\_\_\_, and area \_\_\_\_\_ graphically represents the deadweight loss. 114) \_\_\_\_\_  
A) overproduced; D B) underproduced; D  
C) underproduced; C D) overproduced; C

Answer: C

115) Refer to the figure above. If 80 units of sunglasses are produced, sunglasses are \_\_\_\_\_, and area \_\_\_\_\_ graphically represents the deadweight loss. 115) \_\_\_\_\_  
A) overproduced; D B) overproduced; C  
C) underproduced; C D) underproduced; D

Answer: A

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

116) For any market, the total surplus is equal to the consumer surplus plus the producer surplus. 116) \_\_\_\_\_  
Answer:  True  False

117) For any market, the total surplus is equal to the consumer surplus minus the producer surplus. 117) \_\_\_\_\_  
Answer:  True  False

118) All else equal, the higher the actual price producers receive for their product, the greater the producer surplus. 118) \_\_\_\_\_  
Answer:  True  False

119) All else equal, the higher the actual price consumers must pay to purchase a product, the greater the consumer surplus. 119) \_\_\_\_\_  
Answer:  True  False

120) In a competitive market, if the deadweight loss is equal to zero, society enjoys the largest total surplus. 120) \_\_\_\_\_  
Answer:  True  False

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

121) An increase in the demand for bananas will \_\_\_\_\_ the equilibrium price and \_\_\_\_\_ the equilibrium quantity of bananas. 121) \_\_\_\_\_  
A) decrease; increase B) increase; increase  
C) decrease; decrease D) increase; decrease

Answer: B

122) A decrease in the demand for pork chops will \_\_\_\_\_ the equilibrium price and \_\_\_\_\_ the equilibrium quantity of pork chops. 122) \_\_\_\_\_  
A) increase; decrease B) decrease; increase  
C) decrease; decrease D) increase; increase

Answer: C

- 123) If the price of hot dogs increases, this will cause a(n) \_\_\_\_\_ the demand curve for hot dog buns and a(n) \_\_\_\_\_ in the equilibrium price of hot dog buns. 123) \_\_\_\_\_  
 A) increase; increase B) increase; decrease  
 C) decrease; decrease D) decrease; increase  
 Answer: C
- 124) If the price of hot dogs increases, this will cause a \_\_\_\_\_ the demand curve for hot dog buns and a \_\_\_\_\_ the supply curve of hot dog buns. 124) \_\_\_\_\_  
 A) movement along; shift of B) movement along; movement along  
 C) shift of; movement along D) shift of; shift of  
 Answer: C
- 125) An increase in consumer incomes will shift the demand curve for luxury vehicles to the \_\_\_\_\_ and \_\_\_\_\_ both the equilibrium price and quantity of luxury vehicles. 125) \_\_\_\_\_  
 A) left; increase B) left; decrease C) right; increase D) right; decrease  
 Answer: C
- 126) A decrease in consumer incomes will shift the demand curve for designer handbags to the \_\_\_\_\_ and \_\_\_\_\_ both the equilibrium price and quantity of designer handbags. 126) \_\_\_\_\_  
 A) right; increase B) left; increase C) left; decrease D) right; decrease  
 Answer: C
- 127) A technological advancement in the production of hybrid cars will cause a \_\_\_\_\_ the supply curve for hybrid cars and a(n) \_\_\_\_\_ in the equilibrium price of hybrid cars. 127) \_\_\_\_\_  
 A) movement along; decrease B) shift of; decrease  
 C) movement along; increase D) shift of; increase  
 Answer: B
- 128) A technological advancement in the production of engineered diamonds will cause the equilibrium price of engineered diamonds to \_\_\_\_\_ and the equilibrium quantity to \_\_\_\_\_. 128) \_\_\_\_\_  
 A) increase; decrease B) decrease; increase  
 C) decrease; decrease D) increase; increase  
 Answer: B
- 129) An increase in the cost of flour will shift the supply curve for bread to the \_\_\_\_\_ and \_\_\_\_\_ the equilibrium quantity of bread. 129) \_\_\_\_\_  
 A) right; decrease B) left; increase C) left; decrease D) right; increase  
 Answer: C
- 130) A bad state of nature for the production of tomatoes will shift the supply curve for tomatoes to the \_\_\_\_\_ and \_\_\_\_\_ the equilibrium price of tomatoes. 130) \_\_\_\_\_  
 A) left; increase B) right; decrease C) left; decrease D) right; increase  
 Answer: A

- 131) If consumers' incomes increase at the same time there is a decrease in the cost to produce granite counter tops, which of the following is true? 131) \_\_\_\_\_
- A) The equilibrium quantity will decrease.
  - B) Both the demand and supply curves will shift to the left.
  - C) The equilibrium quantity will increase.
  - D) The effect on the equilibrium quantity is ambiguous without more information.

Answer: C

- 132) If the number of demanders for electric cars increases at the same time as the number of suppliers of electric cars increases, which of the following is true? 132) \_\_\_\_\_
- A) The equilibrium quantity will decrease.
  - B) Both the demand and supply curves will shift to the left.
  - C) The equilibrium quantity will increase.
  - D) The effect on the equilibrium quantity is ambiguous without more information.

Answer: C

- 133) If the number of demanders for electric cars increases at the same time as the number of suppliers of electric cars increases and the shift in demand is equal to the shift in supply, which of the following is true? 133) \_\_\_\_\_
- A) Both the equilibrium quantity and price will decrease.
  - B) Both the equilibrium quantity and price will increase.
  - C) The equilibrium price will decrease and the equilibrium quantity will not change.
  - D) The equilibrium quantity will increase and the equilibrium price will not change.

Answer: D

- 134) If the cost to produce frozen chicken nuggets decreases at the same time as consumer tastes shift away from frozen chicken nuggets and the shift in demand is greater than the shift in supply, which of the following is true? 134) \_\_\_\_\_
- A) Both the equilibrium quantity and price will decrease.
  - B) Both the equilibrium quantity and price will increase.
  - C) The equilibrium quantity will decrease and the equilibrium price will increase.
  - D) The equilibrium price will decrease and the equilibrium quantity will not change.

Answer: A

- 135) If the cost to produce frozen chicken nuggets decreases at the same time as consumer tastes shift away from frozen chicken nuggets and the shift in supply is greater than the shift in demand, which of the following is true? 135) \_\_\_\_\_
- A) Both the equilibrium quantity and price will decrease.
  - B) Both the equilibrium quantity and price will increase.
  - C) The equilibrium price will decrease and the equilibrium quantity will not change.
  - D) The equilibrium price will decrease and the equilibrium quantity will increase.

Answer: D

- 136) If the cost to produce frozen chicken nuggets decreases at the same time as consumer tastes shift away from frozen chicken nuggets and the shift in demand is equal to the shift in supply, which of the following is true? 136) \_\_\_\_\_
- A) Both the equilibrium quantity and price will decrease.
  - B) Both the equilibrium quantity and price will increase.
  - C) The equilibrium price will decrease and the equilibrium quantity will not change.
  - D) The equilibrium price will decrease and the equilibrium quantity will increase.

Answer: C

- 137) If the number of demanders for granite counter tops increases at the same time as the number of suppliers of granite counter tops decreases and the shift in demand is greater than the shift in supply, which of the following is true? 137) \_\_\_\_\_
- A) Both the equilibrium quantity and price will decrease.
  - B) Both the equilibrium quantity and price will increase.
  - C) The equilibrium price will decrease and the equilibrium quantity will not change.
  - D) The equilibrium price will increase and the equilibrium quantity will increase.

Answer: B

- 138) If a press release reports that the future price of gasoline is expected to rise and suppliers respond more to the change in the expected future price than demanders, which of the following is true? 138) \_\_\_\_\_
- A) Both the equilibrium quantity and price will decrease.
  - B) Both the equilibrium quantity and price will increase.
  - C) The equilibrium price will increase and the equilibrium quantity will decrease.
  - D) The equilibrium price will decrease and the equilibrium quantity will increase.

Answer: C

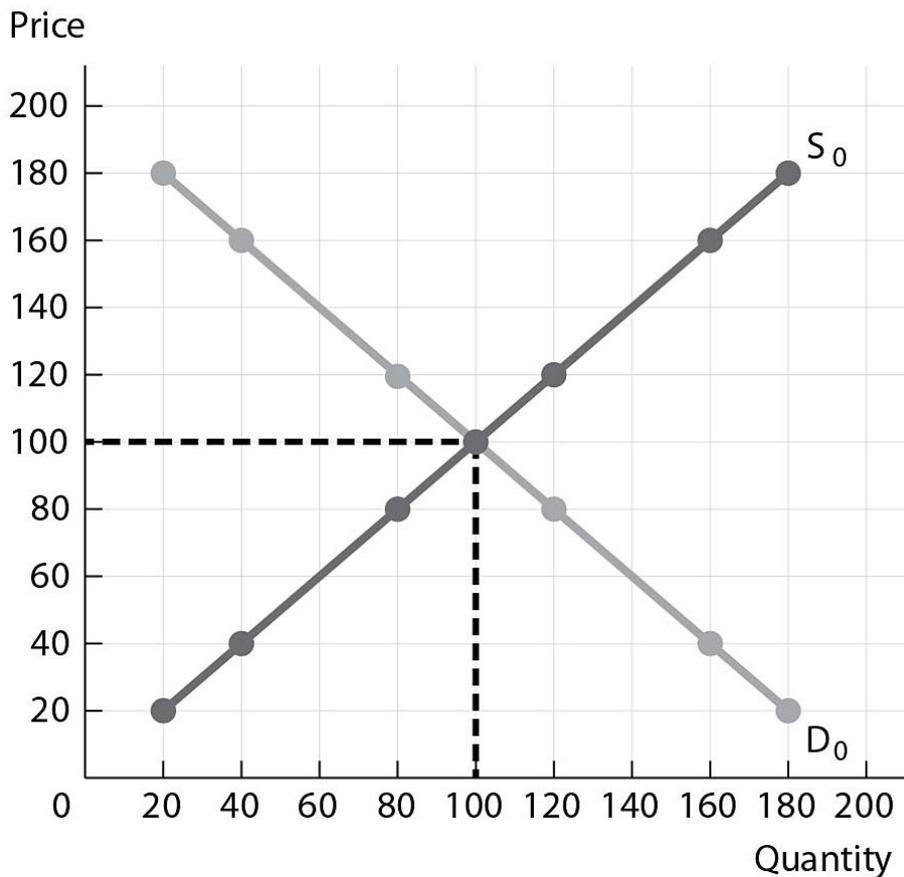
- 139) If a press release reports that the future price of new homes is expected to decrease and demanders respond more to the change in the expected future price than suppliers, which of the following is true? 139) \_\_\_\_\_
- A) Both the equilibrium quantity and price will decrease.
  - B) Both the equilibrium quantity and price will increase.
  - C) The equilibrium price will decrease and the equilibrium quantity will increase.
  - D) The equilibrium price will increase and the equilibrium quantity will decrease.

Answer: A

- 140) If a press release reports that the future price of new homes is expected to decrease and demanders and suppliers respond equally to the change in the expected future price, which of the following is true? 140) \_\_\_\_\_
- A) Both the equilibrium quantity and price will decrease.
  - B) Both the equilibrium quantity and price will increase.
  - C) The equilibrium price will decrease and the equilibrium quantity will remain the same.
  - D) The equilibrium price will increase and the equilibrium quantity will decrease.

Answer: C

## Demand and Supply Good Z



- 141) Refer to the figure above. If the number of demanders for Good Z increases at the same time as the number of suppliers of Good Z decreases and the shift in demand is greater than the shift in supply, the equilibrium price will be \_\_\_\_\_ than \$100 and the equilibrium quantity will be \_\_\_\_\_ than 100. 141) \_\_\_\_\_

A) greater; greater      B) greater; less      C) less; greater      D) less; less  
 Answer: A

- 142) Refer to the figure above. If the number of demanders for Good Z increases at the same time as the number of suppliers of Good Z decreases and the shift in supply is greater than the shift in demand, the equilibrium price will be \_\_\_\_\_ than \$100 and the equilibrium quantity will be \_\_\_\_\_ than 100. 142) \_\_\_\_\_

A) greater; greater      B) greater; less      C) less; greater      D) less; less  
 Answer: B

- 143) Refer to the figure above. If Good Z is a normal good and consumers' incomes decrease at the same time as the number of suppliers of Good Z decreases and the shift in supply is greater than the shift in demand, the equilibrium price will be \_\_\_\_\_ than \$100 and the equilibrium quantity will be \_\_\_\_\_ than 100. 143) \_\_\_\_\_

A) greater; greater      B) greater; less      C) less; greater      D) less; less  
 Answer: B

144) Refer to the figure above. If Good Z is a normal good and consumers' incomes decrease at the same time as the number of suppliers of Good Z decreases and the shift in demand is greater than the shift in supply, the equilibrium price will be \_\_\_\_\_ than \$100 and the equilibrium quantity will be \_\_\_\_\_ than 100. 144) \_\_\_\_\_

- A) greater; greater      B) greater; less      C) less; greater      D) less; less

Answer: D

145) Refer to the figure above. If Good Z is an inferior good and consumers' incomes decrease at the same time as the number of suppliers of Good Z decreases and the shift in demand is greater than the shift in supply, the equilibrium price will be \_\_\_\_\_ than \$100 and the equilibrium quantity will be \_\_\_\_\_ than 100. 145) \_\_\_\_\_

- A) greater; greater      B) greater; less      C) less; greater      D) less; less

Answer: A

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

146) If consumers' preferences move away from candy bars, this will lead to a movement along the demand curve and a shift of the supply curve. 146) \_\_\_\_\_

Answer: True  False

147) A technological advancement in the production of laundry detergent will lead to a decrease in the equilibrium price of laundry detergent and an increase in the equilibrium quantity. 147) \_\_\_\_\_

Answer:  True      False

148) If both the demand and the supply curves shift to the left the equilibrium quantity will fall, but the effect on equilibrium price is ambiguous without more information. 148) \_\_\_\_\_

Answer:  True      False

149) If the number of demanders for granite counter tops decreases at the same time as the number of suppliers of granite counter tops decreases and the shift in supply is greater than the shift in demand, both the equilibrium price and quantity of granite counter tops will fall. 149) \_\_\_\_\_

Answer: True  False

150) If the number of demanders for granite counter tops decreases at the same time as the number of suppliers of granite counter tops decreases and the shift in demand is equal to the shift in supply, both the equilibrium price and quantity of granite counter tops will fall. 150) \_\_\_\_\_

Answer: True  False

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

151) A price ceiling is a \_\_\_\_\_ legal price set by the government that causes a \_\_\_\_\_ in the market. 151) \_\_\_\_\_

- A) minimum; surplus      B) maximum; surplus  
C) minimum; shortage      D) maximum; shortage

Answer: D

152) All of the following are true of a price ceiling except which one? 152) \_\_\_\_\_

- A) It causes a shortage in the market.      B) It causes a surplus in the market.  
C) It creates a deadweight loss.      D) It can lead to black markets.

Answer: B

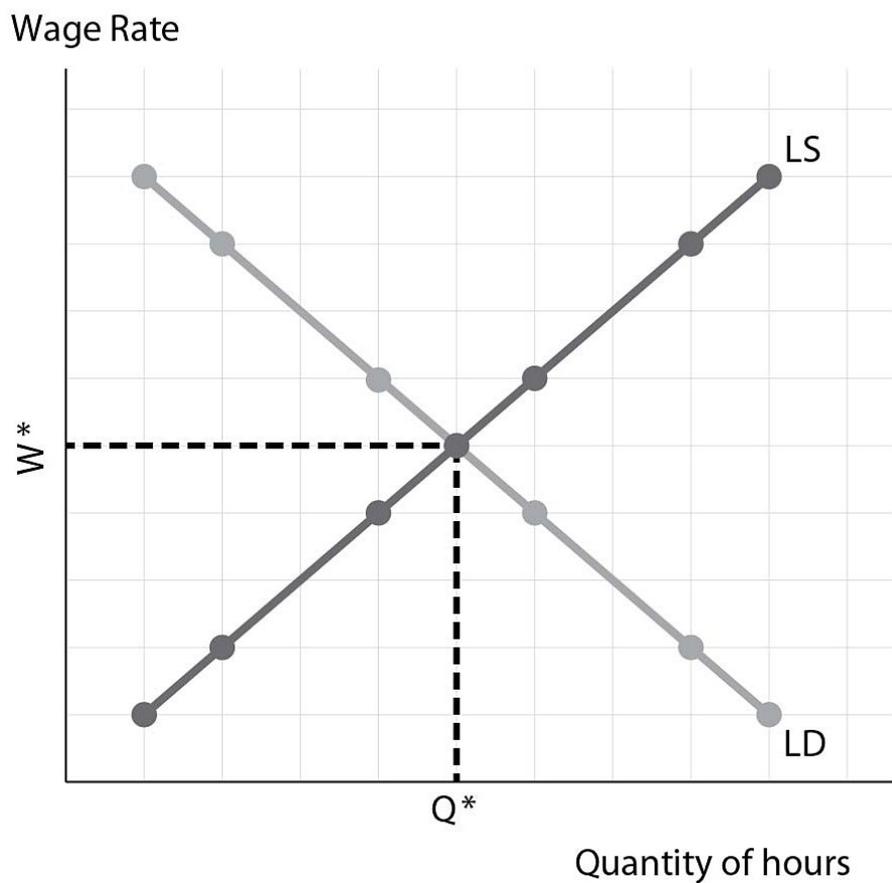
- 153) All of the following are true of a price ceiling except which one? 153) \_\_\_\_\_  
 A) It does not create deadweight loss. B) It can lead to black markets.  
 C) It causes a shortage in the market. D) It causes buyers search time to increase.  
 Answer: A
- 154) A price ceiling is set \_\_\_\_\_ the equilibrium quantity and results in a \_\_\_\_\_. 154) \_\_\_\_\_  
 A) above; shortage B) below; shortage C) below; surplus D) above; surplus  
 Answer: B
- 155) All of the following are true of a price ceiling except which one? 155) \_\_\_\_\_  
 A) Some demanders are harmed. B) Suppliers are harmed.  
 C) Suppliers benefit. D) Some demanders benefit.  
 Answer: C
- 156) A black market \_\_\_\_\_. 156) \_\_\_\_\_  
 A) can arise due to a price ceiling B) can arise due to a surplus in the market  
 C) is legal D) can arise due to a price floor  
 Answer: A
- 157) All of the following are true of a price ceiling except which one? 157) \_\_\_\_\_  
 A) Some demanders are harmed. B) Some demanders benefit.  
 C) Some suppliers benefit. D) A deadweight loss is created.  
 Answer: C
- 158) A price floor is a \_\_\_\_\_ legal price set by the government that causes a \_\_\_\_\_ in the market. 158) \_\_\_\_\_  
 A) minimum; shortage B) maximum; surplus  
 C) maximum; shortage D) minimum; surplus  
 Answer: D
- 159) A price floor \_\_\_\_\_. 159) \_\_\_\_\_  
 A) causes a surplus in the market B) is set below the market equilibrium price  
 C) can lead to black markets D) causes a shortage in the market  
 Answer: A
- 160) If the government removes the surplus that results from an agricultural price floor, \_\_\_\_\_. 160) \_\_\_\_\_  
 A) all suppliers are harmed B) some suppliers benefit  
 C) all demanders benefit D) all demanders are harmed  
 Answer: D
- 161) If the government removes the surplus that results from an agricultural price floor, all producers receive a \_\_\_\_\_ price and all consumers pay a \_\_\_\_\_ price than the equilibrium price. 161) \_\_\_\_\_  
 A) lower; lower B) higher; lower C) lower; higher D) higher; higher  
 Answer: D
- 162) In product market, households \_\_\_\_\_ the product and firms \_\_\_\_\_ it. 162) \_\_\_\_\_  
 A) supply; demand B) demand; demand  
 C) supply; supply D) demand; supply  
 Answer: D

- 163) In an input market, households \_\_\_\_\_ the product and firms \_\_\_\_\_ it. 163) \_\_\_\_\_  
 A) demand; demand B) supply; supply  
 C) demand; supply D) supply; demand  
 Answer: D
- 164) The labor demand curve is \_\_\_\_\_ sloping because there is a \_\_\_\_\_ relationship between the 164) \_\_\_\_\_  
 wage rate and the quantity of labor demanded.  
 A) downward; positive B) downward; negative  
 C) upward; positive D) upward; negative  
 Answer: B
- 165) The labor supply curve is \_\_\_\_\_ sloping because there is a \_\_\_\_\_ relationship between the 165) \_\_\_\_\_  
 wage rate and the quantity of labor supplied.  
 A) upward; negative B) upward; positive  
 C) downward; negative D) downward; positive  
 Answer: B
- 166) When the wage rate rises and nothing else changes, there is \_\_\_\_\_ the labor demand curve. 166) \_\_\_\_\_  
 A) movement down B) right shift  
 C) movement up D) left shift  
 Answer: C
- 167) When the wage rate falls and nothing else changes, there is \_\_\_\_\_ the labor demand curve. 167) \_\_\_\_\_  
 A) right shift B) left shift  
 C) movement down D) movement up  
 Answer: C
- 168) When the wage rate rises and nothing else changes, there is \_\_\_\_\_ the labor supply curve. 168) \_\_\_\_\_  
 A) movement down B) right shift  
 C) left shift D) movement up  
 Answer: D
- 169) When the wage rate falls and nothing else changes, there is \_\_\_\_\_ the labor supply curve. 169) \_\_\_\_\_  
 A) left shift B) movement down  
 C) right shift D) movement up  
 Answer: B
- 170) The minimum wage \_\_\_\_\_. 170) \_\_\_\_\_  
 A) makes the equilibrium wage rate legal  
 B) is a type of price ceiling  
 C) is the lowest legal wage rate  
 D) is the highest legal wage rate for low-skilled labor  
 Answer: C
- 171) All of the following are true for the minimum wage, except which one? 171) \_\_\_\_\_  
 A) It is a type of price floor.  
 B) It makes the equilibrium wage rate illegal.  
 C) It is the lowest legal wage rate.  
 D) It benefits all workers.  
 Answer: D

172) All of the following are true for the minimum wage, except which one? 172) \_\_\_\_\_  
 A) It benefits some workers. B) It creates a surplus of workers.  
 C) It creates a shortage of workers. D) It is a type of price floor.  
 Answer: C

173) A minimum wage benefits \_\_\_\_\_ workers and harms \_\_\_\_\_ employers. 173) \_\_\_\_\_  
 A) some; all B) some; some C) all; some D) all; all  
 Answer: A

### Labor Market



174) Refer to the figure above. If the government imposes a minimum wage in this market, the 174) \_\_\_\_\_  
 minimum wage will be \_\_\_\_\_ than the equilibrium wage rate of  $W^*$  and will create a \_\_\_\_\_  
 of workers.  
 A) below; surplus B) above; surplus C) below; shortage D) above; shortage  
 Answer: B

175) Refer to the figure above. If the government imposes a minimum wage in this market, there will be 175) \_\_\_\_\_  
 a \_\_\_\_\_ the labor demand curve and a \_\_\_\_\_ the labor supply curve.  
 A) shift in; shift in B) shift in; movement along  
 C) movement along; shift in D) movement along; movement along  
 Answer: D

176) Refer to the figure above. If the government imposes a minimum wage in this market, there will be a \_\_\_\_\_ the labor demand curve. 176) \_\_\_\_\_  
A) movement up B) rightward shift in  
C) movement down D) leftward shift in

Answer: A

177) Refer to the figure above. If the government imposes a minimum wage in this market, there will be a \_\_\_\_\_ the labor supply curve. 177) \_\_\_\_\_  
A) movement up B) leftward shift in  
C) movement down D) rightward shift in

Answer: A

178) Refer to the figure above. If the government imposes a minimum wage in this market, employment will be \_\_\_\_\_ than the equilibrium quantity of hours  $Q^*$  and \_\_\_\_\_ workers will benefit. 178) \_\_\_\_\_  
A) less; some B) greater; all C) greater; some D) less; all

Answer: A

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

179) A price ceiling is set above the market equilibrium price. 179) \_\_\_\_\_  
Answer: True  False

180) Because price ceilings lower the price consumers have to pay, all consumers benefit from price ceilings. 180) \_\_\_\_\_  
Answer: True  False

181) If the government removes the surplus that results from an agricultural price floor, all demanders are harmed and all suppliers benefit. 181) \_\_\_\_\_  
Answer:  True  False

182) Changes in the wage rate cause shifts in the labor demand and labor supply curve. 182) \_\_\_\_\_  
Answer: True  False

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

183) As a result of a change in consumer tastes in favor of your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 183) \_\_\_\_\_  
A) higher; higher B) higher; lower C) lower; higher D) lower; lower

Answer: A

184) As a result of an effective advertising campaign for your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 184) \_\_\_\_\_  
A) higher; higher B) higher; lower C) lower; higher D) lower; lower

Answer: A

- 185) As a result of bad state of nature for your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 185) \_\_\_\_\_  
 A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
 Answer: B
- 186) As a result of good state of nature for your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 186) \_\_\_\_\_  
 A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
 Answer: C
- 187) As a result of an increase in the number of demanders for your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 187) \_\_\_\_\_  
 A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
 Answer: A
- 188) As a result of a decrease in the number of demanders for your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 188) \_\_\_\_\_  
 A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
 Answer: D
- 189) As a result of a technology advance in the production of your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 189) \_\_\_\_\_  
 A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
 Answer: C
- 190) If you produce a normal good and consumers' incomes are expected to increase, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 190) \_\_\_\_\_  
 A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
 Answer: A
- 191) If you produce a normal good and consumers' incomes are expected to decrease, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 191) \_\_\_\_\_  
 A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
 Answer: D
- 192) If you produce an inferior good and consumers' incomes are expected to increase, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 192) \_\_\_\_\_  
 A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
 Answer: D

193) If you produce an inferior good and consumers' incomes are expected to decrease, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 193) \_\_\_\_\_  
A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
Answer: A

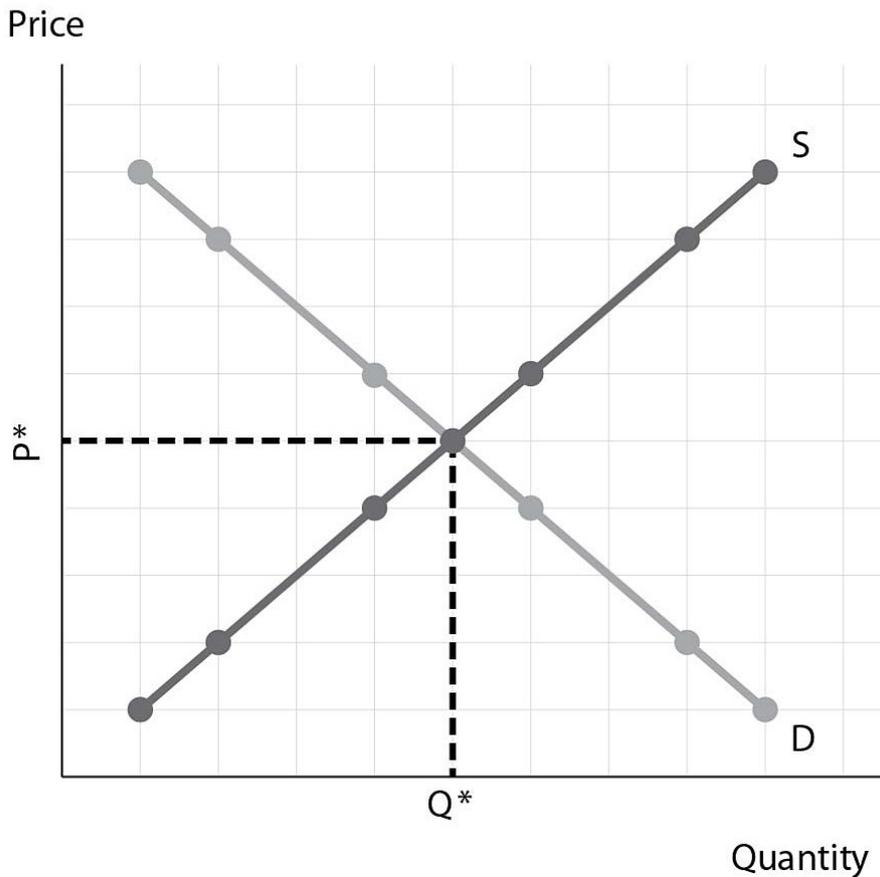
194) As a result of a decrease in the price of a substitute for your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 194) \_\_\_\_\_  
A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
Answer: D

195) As a result of an increase in the price of a substitute for your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 195) \_\_\_\_\_  
A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
Answer: A

196) As a result of a decrease in the price of a complement to your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 196) \_\_\_\_\_  
A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
Answer: A

197) As a result of an increase in the price of a complement to your firm's product, you should anticipate a \_\_\_\_\_ price for your product than the current equilibrium price and a \_\_\_\_\_ equilibrium quantity than the current equilibrium quantity. 197) \_\_\_\_\_  
A) higher; higher      B) higher; lower      C) lower; higher      D) lower; lower  
Answer: D

## Market for Avocados



Your firm produces ready-made guacamole and avocados are the primary ingredient. During a news report, weather forecasters just announced that there will be a freeze in the region in which your firm buys avocados. This freeze will likely damage many of the avocados that are almost ready for harvest.

- 198) Refer to the figure above. Which of the following is likely to occur as a result of the freeze? 198) \_\_\_\_\_
- |  |  |
|--|--|
| A) The demand curve will shift to the right. | B) The supply curve will shift to the left.  |
| C) The demand curve will shift to the left.  | D) The supply curve will shift to the right. |

Answer: B

- 199) Refer to the figure above. As a result of the freeze, the price for avocados will be \_\_\_\_\_ than the current equilibrium price and the equilibrium quantity of avocados will be \_\_\_\_\_ than the current equilibrium quantity. 199) \_\_\_\_\_
- |                  |                  |               |                     |
|------------------|------------------|---------------|---------------------|
| A) less; greater | B) greater; less | C) less; less | D) greater; greater |
|------------------|------------------|---------------|---------------------|

Answer: B

- 200) Refer to the figure above. As a result of what occurs in the avocado market, your firm should expect costs to \_\_\_\_\_, which will cause your firm to \_\_\_\_\_ supply of ready-made guacamole. 200) \_\_\_\_\_
- |                       |                       |
|-----------------------|-----------------------|
| A) decrease; increase | B) decrease; decrease |
| C) increase; decrease | D) increase; increase |

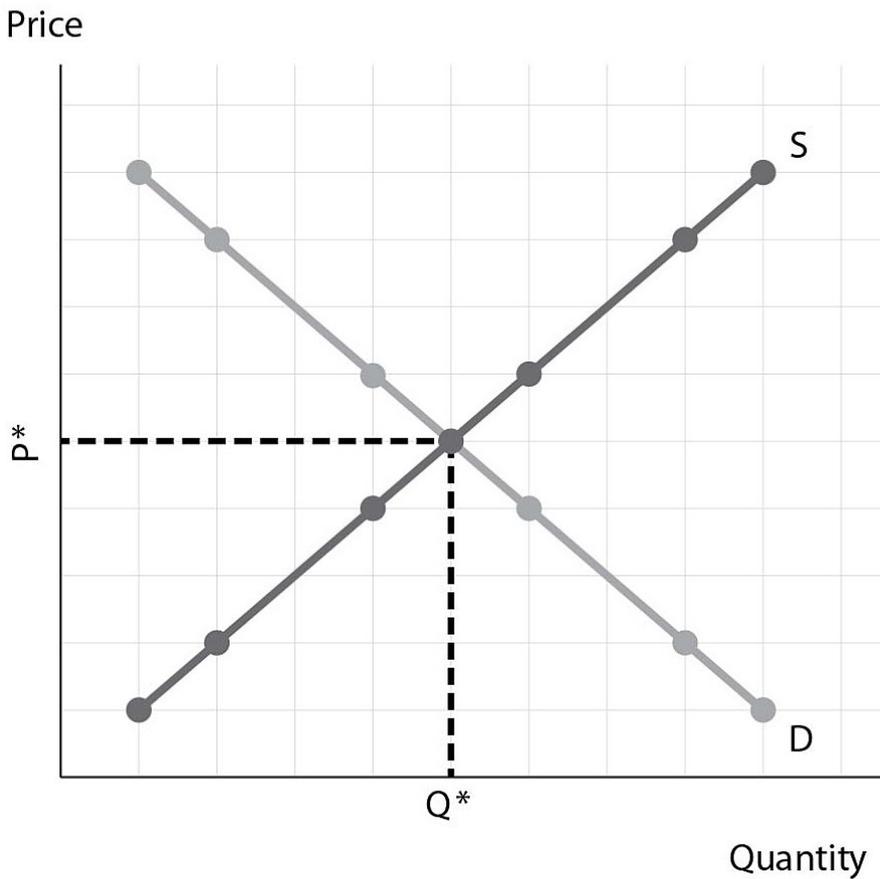
Answer: C

201) Refer to the figure above. As a result of what occurs in the avocado market, which of the following could benefit your firm? 201) \_\_\_\_\_

- A) Explore methods to incorporate more avocados into other products that your firm produces.
- B) Consider methods to increase the amount of avocados needed per container of ready-made guacamole.
- C) Explore options to purchase avocados from other sellers located in a different region of the world.
- D) Shift more resources into making ready-made guacamole.

Answer: C

### Market for Eggs



You are a farmer who raises chickens and sells the eggs. A recent news report announced that eggs have a positive health benefit of improving immunity systems in humans.

202) Refer to the figure above. As a result of the news report, the \_\_\_\_\_ curve will shift to the \_\_\_\_\_ 202) \_\_\_\_\_

- A) supply; left
- B) demand; left
- C) supply; right
- D) demand; right

Answer: D

203) Refer to the figure above. As a result of the news report, the price of eggs will be \_\_\_\_\_ than the current equilibrium price and the equilibrium quantity of eggs will be \_\_\_\_\_ than the current equilibrium quantity. 203) \_\_\_\_\_  
A) less; less                      B) greater; less                      C) less; greater                      D) greater; greater  
Answer: D

204) Refer to the figure above. As a result of news report, which of the following could benefit your firm? 204) \_\_\_\_\_  
A) Explore options to sell your chickens.  
B) Consider approaches to increase egg production at your farm.  
C) Shift resources away from egg production.  
D) Consider approaches to decrease egg production at your farm.  
Answer: B

205) Refer to the figure above. Suppose that at the same time as the news report, you learn that the cost to feed your chickens has fallen. The news report and the change in feed cost will shift the demand curve to the \_\_\_\_\_ and the supply curve to the \_\_\_\_\_. 205) \_\_\_\_\_  
A) left; right                      B) right; left                      C) left; left                      D) right; right  
Answer: D

206) Refer to the figure above. Suppose that at the same time as the news report, you learn that the cost to feed your chickens has fallen. The news report and the change in feed cost will \_\_\_\_\_. 206) \_\_\_\_\_  
A) increase the equilibrium price of eggs, but more information is needed to determine the effect on the equilibrium quantity  
B) increase the equilibrium quantity of eggs, but more information is needed to determine the effect on the equilibrium price  
C) decrease the equilibrium quantity of eggs, but more information is needed to determine the effect on the equilibrium price  
D) decrease the equilibrium price of eggs, but more information is needed to determine the effect on the equilibrium quantity  
Answer: B

207) The demand and supply model can help managers do all of the following except \_\_\_\_\_. 207) \_\_\_\_\_  
A) predict changes in the cost to produce their product  
B) increase their firm's profitability  
C) predict changes in the price of their product  
D) increase efficiency in assembly lines  
Answer: D

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

208) The demand and supply model gives managers the opportunity to forecast changes in their production costs and the equilibrium price of their product. 208) \_\_\_\_\_  
Answer:  True                      False

209) If you manage a trucking company that transports lumber and the future price of oil is expected to rise, you should anticipate a decrease in market price to transport lumber. 209) \_\_\_\_\_  
Answer:    True                       False

210) The demand and supply model can help managers increase their firm's profitability. 210) \_\_\_\_\_  
Answer:  True                      False

211) If the demand for your firm's product is expected to increase, you should anticipate a drop in the price you are currently receiving for your product. 211) \_\_\_\_\_

Answer: True  False

212) If the demand for your firm's product is expected to decrease, you should anticipate a drop in the price you are currently receiving for your product. 212) \_\_\_\_\_

Answer:  True  False