

Microeconomics, 13e (Parkin)

Chapter 3 Demand and Supply

1 Markets and Prices

1) A relative price is the

- A) slope of the demand curve.
- B) difference between one money price and another.
- C) slope of the supply curve.
- D) ratio of one money price to another.

Answer: D

Topic: Price and Opportunity Cost

Skill: Recognition

Status: Old

AACSB: Reflective thinking

2) A relative price is

- A) the number of dollars that must be given up in exchange for the good.
- B) also called the money price.
- C) not an opportunity cost.
- D) the ratio of one price to another price.

Answer: D

Topic: Price and Opportunity Cost

Skill: Recognition

Status: Old

AACSB: Reflective thinking

3) The opportunity cost of good A in terms of good B is equal to the

- A) money price of good A minus the money price of good B.
- B) money price of good B minus the money price of good A.
- C) ratio of the money price of good A to the money price of good B.
- D) ratio of the money price of good B to the money price of good A.

Answer: C

Topic: Price and Opportunity Cost

Skill: Analytical

Status: Old

AACSB: Reflective thinking

4) The relative price of a good is

- A) an opportunity cost.
- B) equal to the money price of a good.
- C) equal to the price of that good divided by the quantity demanded of the good.
- D) what you get paid for babysitting your cousin.

Answer: A

Topic: Price and Opportunity Cost

Skill: Recognition

Status: Old

AACSB: Reflective thinking

- 5) The opportunity cost of a hot dog in terms of hamburgers is the
- A) ratio of the slope of the demand curve for hot dogs to the slope of the demand curve for hamburgers.
 - B) ratio of the slope of the supply curve for hot dogs to the slope of the supply curve for hamburgers.
 - C) money price of a hot dog minus the money price of a hamburger.
 - D) ratio of the money price of a hot dog to the money price of a hamburger.

Answer: D

Topic: Price and Opportunity Cost

Skill: Analytical

Status: Old

AACSB: Reflective thinking

- 6) Joe pays \$8,000.00 in tuition. The 8,000 dollar tuition Joe pays is an example of what economists call
- A) a relative price.
 - B) a money price.
 - C) an indexed price.
 - D) an opportunity price.

Answer: B

Topic: Price and Opportunity Cost

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 7) If the price of a candy bar is \$1 and the price of a fast food meal is \$5, then the
- A) relative price of a candy bar is 5 fast food meals per candy bar.
 - B) money price of a candy bar is 1/5 of a fast food meal per candy bar.
 - C) relative price of a fast food meal is 5 candy bars per fast food meal.
 - D) money price of a fast food meal is 1/5 of a candy bar per fast food meal.

Answer: C

Topic: Price and Opportunity Cost

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 8) If the price of a hot dog is \$2 and the price of a hamburger is \$4, then the
- A) relative price of a hot dog is 1/2 of a hamburger per hot dog.
 - B) money price of a hot dog is 2 hamburgers per hot dog.
 - C) relative price of a hamburger is 1/2 of a hot dog per hamburger.
 - D) money price of a hamburger is 2 hot dogs per hamburger.

Answer: A

Topic: Price and Opportunity Cost

Skill: Analytical

Status: Old

AACSB: Analytical thinking

9) Suppose the price of a football is \$20.00 and the price of a basketball is \$10.00. The _____ of a football is _____.

- A) relative price; 2 basketballs per football
- B) relative price; 1/2 basketball per football
- C) opportunity cost; \$20.00
- D) opportunity cost; \$10.00

Answer: A

Topic: Price and Opportunity Cost

Skill: Analytical

Status: Old

AACSB: Analytical thinking

10) The price of a bag of corn chips is \$3, and the price of a bottle of soda is \$1. What is the relative price of a bag of corn chips?

- A) 3 bottles of soda per bag of corn chips
- B) 1/3 bottle of soda per bag of corn chips
- C) \$3
- D) 33¢

Answer: A

Topic: Price and Opportunity Cost

Skill: Analytical

Status: Old

AACSB: Analytical thinking

11) The price of a bag of corn chips is \$3, and the price of a bottle of soda is \$1. What is the relative price of a bottle of soda?

- A) 3 bags of corn chips per bottle of soda
- B) 1/3 bag of corn chips per bottle of soda
- C) \$3
- D) 33¢

Answer: B

Topic: Price and Opportunity Cost

Skill: Analytical

Status: Old

AACSB: Analytical thinking

12) An ice cream cone costs \$1.50. A can of soda costs \$0.75. The relative price of an ice cream cone is

- A) 1/2 can of soda per ice cream cone, the opportunity cost of an ice cream cone.
- B) \$1.50, the opportunity cost of a can of soda.
- C) 2 cans of soda per soda, the opportunity cost of an ice cream cone.
- D) \$0.75, the opportunity cost of a can of soda.

Answer: C

Topic: Price and Opportunity Cost

Skill: Analytical

Status: Old

AACSB: Analytical thinking

13) Twenty years ago a stove cost \$300 and a refrigerator cost \$1,500. Today a stove costs \$600, while a refrigerator costs \$1,800. Which of the following statements is TRUE?

- A) The relative price of stoves and refrigerators has not changed.
- B) The relative price of a refrigerator has increased.
- C) The relative price of a stove has increased.
- D) The money price of a refrigerator has fallen.

Answer: C

Topic: Price and Opportunity Cost

Skill: Analytical

Status: Old

AACSB: Analytical thinking

14) If the money price of wheat increases and no other prices change, the

- A) relative price of wheat falls.
- B) opportunity cost of wheat rises.
- C) demand for wheat increases.
- D) relative price of wheat is unaffected.

Answer: B

Topic: Price and Opportunity Cost

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

15) If the money price of hats rises and no other prices change, the

- I. relative price of a hat rises.
- II. opportunity cost of a hat rises.

- A) only I
- B) both I and II
- C) only II
- D) neither I nor II

Answer: B

Topic: Price and Opportunity Cost

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

16) The price of a DVD rental is \$1.50 and the price of a downloaded movie is \$1.00. If the price of a DVD rental increases by \$0.50, the relative price a downloaded movie

- A) rises.
- B) falls.
- C) does not change.
- D) might change but more information is needed.

Answer: B

Topic: Price and Opportunity Cost

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

17) The price of a DVD rental is \$2.50 and the price of a downloaded movie is \$1.00. If the price of a DVD rental falls by \$0.50, the relative price a downloaded movie

- A) rises.
- B) falls.
- C) does not change.
- D) might change but more information is needed.

Answer: A

Topic: Price and Opportunity Cost

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

18) The opportunity cost of a good is the same as its

- A) money price.
- B) relative price.
- C) price index.
- D) none of the above.

Answer: B

Topic: Study Guide Question, Price and Opportunity Cost

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

19) The money price of a pizza is \$12 per pizza and the money price of a taco is \$2 per taco. The relative price of a pizza is

- A) \$12 per pizza.
- B) \$24 per pizza.
- C) 6 tacos per pizza.
- D) 1/6 pizza per taco.

Answer: C

Topic: Study Guide Question, Price and Opportunity Cost

Skill: Analytical

Status: Old

AACSB: Analytical thinking

2 Demand

1) Wants, as opposed to demands

- A) are the unlimited desires of the consumer.
- B) are the goods the consumer plans to acquire.
- C) are the goods the consumer has acquired.
- D) depend on the price.

Answer: A

Topic: Demand

Skill: Recognition

Status: Old

AACSB: Reflective thinking

2) Demands differ from wants because

- A) demands are unlimited, whereas wants are limited by income.
- B) wants require a plan to acquire a good but demands require no such plan.
- C) wants imply a decision about which demands to satisfy, while demands involve no specific plan to acquire the good.
- D) demands reflect a decision about which wants to satisfy and a plan to buy the good, while wants are unlimited and involve no specific plan to acquire the good.

Answer: D

Topic: Demand

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

3) Scarcity guarantees that

- A) demands will exceed wants.
- B) wants will exceed demands.
- C) demands will be equal to wants.
- D) most demands will be satisfied.

Answer: B

Topic: Demand

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

4) The quantity demanded of a good or service is the amount that

- A) a consumer would like to buy but might not be able to afford.
- B) is actually bought during a given time period at a given price.
- C) consumers plan to buy during a given time period at a given price.
- D) firms are willing to sell during a given time period at a given price.

Answer: C

Topic: Quantity Demanded

Skill: Recognition

Status: Old

AACSB: Reflective thinking

5) The quantity demanded is

- A) always equal to the equilibrium quantity.
- B) independent of the price of the good.
- C) the amount of a good that consumers plan to purchase at a particular price.
- D) independent of consumers' buying plans.

Answer: C

Topic: Demand

Skill: Recognition

Status: Old

AACSB: Reflective thinking

6) When graphing a demand curve for corn, we are showing the relationship between the quantity demanded of corn and the

- A) money price of corn.
- B) relative price of corn.
- C) income effect.
- D) substitution effect.

Answer: B

Topic: Law of Demand

Skill: Recognition

Status: Old

AACSB: Reflective thinking

7) The "law of demand" states that changes in

- A) demand are related directly to changes in supply.
- B) the quantity demanded of a good are not related to changes in the quantity supplied.
- C) the quantity demanded of a good are inversely related to changes in its price.
- D) demand are inversely related to changes in supply.

Answer: C

Topic: Law of Demand

Skill: Recognition

Status: Old

AACSB: Reflective thinking

8) The "law of demand" is illustrated by a

- A) rightward shift of the demand curve.
- B) leftward shift of the demand curve.
- C) movement along the demand curve.
- D) Both answers A and B are correct.

Answer: C

Topic: Law of Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

9) The law of demand states that, other things remaining the same, the higher the price of a good, the

- A) smaller is the demand for the good.
- B) larger is the demand for the good.
- C) smaller is the quantity of the good demanded.
- D) larger is the quantity of the good demanded.

Answer: C

Topic: Law of Demand

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

10) The law of demand states that the quantity of a good demanded varies

- A) inversely with its price.
- B) inversely with the price of substitute goods.
- C) directly with income.
- D) directly with population.

Answer: A

Topic: Law of Demand

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

11) The "law of demand" refers to the fact that, all other things remaining the same, when the price of a good rises

- A) the demand curve shifts rightward.
- B) the demand curve shifts leftward.
- C) there is a movement down along the demand curve to a larger quantity demanded.
- D) there is a movement up along the demand curve to a smaller quantity demanded.

Answer: D

Topic: Law of Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

12) The "law of demand" states that, other things remaining the same, the quantity demanded of any good is

- A) inversely related to its price.
- B) directly related to its price.
- C) positively related to its price.
- D) directly related to the supply of the good.

Answer: A

Topic: Law of Demand

Skill: Recognition

Status: Old

AACSB: Reflective thinking

13) The "law of demand" states that, other thing remaining the same, the higher

- A) the price of a good, the lower is the demand for this good.
- B) consumers' incomes, the greater is the demand.
- C) the price of a good, the higher is the quantity demanded.
- D) the price of a good, the smaller is the quantity demanded.

Answer: D

Topic: Law of Demand

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 14) The law of demand implies that, other things remaining the same
- A) as the price of a cheeseburger rises, the quantity of cheeseburgers demanded will increase.
 - B) as the price of a cheeseburger rises, the quantity of cheeseburgers demanded will decrease.
 - C) as income increases, the quantity of cheeseburgers demanded will increase.
 - D) as the demand for cheeseburgers increases, the price of a cheeseburger will fall.

Answer: B

Topic: Law of Demand

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 15) The "law of demand" predicts that, other things being equal
- A) an increase in the price of downloaded music decreases the demand for downloaded music.
 - B) a decrease in the price of gasoline decreases the quantity of gasoline demanded.
 - C) an increase in the price of pizza decreases the quantity of pizza demanded.
 - D) an increase in the price of coffee decreases the quantity of tea demanded.

Answer: C

Topic: Law of Demand

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 16) The law of demand implies that demand curves
- A) slope down.
 - B) slope up.
 - C) shift rightward whenever the price rises.
 - D) shift leftward whenever the price rises.

Answer: A

Topic: Law of Demand

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 17) Which of the following is consistent with the law of demand?
- A) An increase in the price of a DVD causes an increase in the quantity of DVDs demanded.
 - B) An increase in the price of a soda causes a decrease in the quantity of soda demanded.
 - C) A decrease in the price of a gallon of milk causes a decrease in the quantity of milk demanded.
 - D) A decrease in the price of juice causes no change in the quantity of juice demanded.

Answer: B

Topic: Law of Demand

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

- 18) The law of demand implies that if nothing else changes, there is
- A) a positive relationship between the price of a good and the quantity demanded.
 - B) a negative relationship between the price of a good and the quantity demanded.
 - C) a linear relationship between price of a good and the quantity demanded.
 - D) an exponential relationship between price of a good and the quantity demanded.

Answer: B

Topic: Law of Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 19) As the *relative* price of a good falls, the substitution effect implies that people buy
- A) less of that good and more of its substitutes.
 - B) more of that good and less of its substitutes.
 - C) less of that good and less of its substitutes.
 - D) more of that good and more of its substitutes.

Answer: B

Topic: Demand; Substitution Effect

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

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

Answer: B

Topic: Demand; Substitution Effect

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

- 21) The price of cereal rises. As a result, people have cereal for breakfast on fewer days and eat eggs instead. This behavior is an example of
- A) a decrease in the quantity demanded of cereal because of the substitution effect.
 - B) an increase in the quantity demanded of eggs because of the income effect.
 - C) a decrease in the quantity supplied of cereal because of the substitution effect.
 - D) an increase in the quantity supplied of eggs because of the income effect.

Answer: A

Topic: Demand; Substitution Effect

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

- 22) In the market for magazines, the "income effect" means that
- A) magazines are usually purchased by people with higher than average incomes.
 - B) a decrease in the price of a substitute product like books will make magazine readers feel a little poorer than they were before.
 - C) an increase in the price of magazines will reduce the total purchasing power of magazine readers, making them able to afford fewer magazines.
 - D) an increase in the price of magazines will raise the relative price of magazines to books, causing magazine readers to read more books and fewer magazines.

Answer: C

Topic: Demand; Income Effect

Skill: Recognition

Status: Old

AACSB: Reflective thinking

- 23) The "income effect" in the market for aspirin means that
- A) aspirin are generally taken by people with higher than average incomes.
 - B) a decrease in the price of a substitute good like acetaminophen will make aspirin takers feel a little poorer than they were before.
 - C) an increase in the price of aspirin will reduce the total purchasing power of aspirin takers, making them able to afford fewer aspirin.
 - D) an increase in the price of aspirin will cause headache sufferers to look for a lower priced remedy.

Answer: C

Topic: Demand; Income Effect

Skill: Recognition

Status: Old

AACSB: Reflective thinking

- 24) When the price of a pizza decreases from \$14 to \$12
- A) the income effect means people buy less pizza.
 - B) the income effect points out that the total purchasing power of people who buy pizza increases.
 - C) the income effect means that the demand for pizza will not change.
 - D) None of the above answers is correct.

Answer: B

Topic: Demand; Income Effect

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 25) When the price of a good falls, the income effect for a normal good implies that people buy
- 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.

Answer: D

Topic: Demand; Income Effect

Skill: Analytical

Status: Old

AACSB: Reflective thinking

26) For normal goods which of the following explains why demand curves slope downward?

- A) prices and income
- B) substitutes and complements
- C) resources and technology
- D) substitution effect and income effect

Answer: D

Topic: Demand; Income and Substitution Effects

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

27) Apples are a normal good, so if the price of an apple increases from 50¢ to 60¢, the quantity of apples demanded decrease because of

- A) the substitution effect only.
- B) the income effect only.
- C) a change in income.
- D) the substitution and income effects.

Answer: D

Topic: Demand; Income and Substitution Effects

Skill: Recognition

Status: Old

AACSB: Analytical thinking

28) When the price of an inferior good falls, the substitution effect leads to _____ in the quantity purchased and the income effect leads to _____ in the quantity purchased.

- A) an increase; an increase
- B) an increase; a decrease
- C) a decrease; an increase
- D) a decrease; a decrease

Answer: B

Topic: Demand; Income and Substitution Effects

Skill: Analytical

Status: Old

AACSB: Analytical thinking

29) When the price of a normal good falls, the substitution effect leads to _____ in the quantity purchased and the income effect leads to _____ in the quantity purchased.

- A) an increase; an increase
- B) an increase; a decrease
- C) a decrease; an increase
- D) a decrease; a decrease

Answer: A

Topic: Demand; Income and Substitution Effects

Skill: Analytical

Status: Old

AACSB: Analytical thinking

30) Which of the following influences people's buying plans and does NOT shift the demand curve?

- A) the price of the good
- B) the prices of related goods
- C) income
- D) preferences

Answer: A

Topic: Demand Curve and Demand Schedule

Skill: Recognition

Status: Old

AACSB: Analytical thinking

31) Each point on the demand curve reflects

- A) all the wants of a given household.
- B) the highest price consumers are willing and able to pay for that particular unit of a good.
- C) the highest price sellers will accept for all units they are producing.
- D) the lowest-cost technology available to produce a good.

Answer: B

Topic: Willingness and Ability to Pay

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

32) The quantity of iPads that people plan to buy this month depends on all of the following EXCEPT the

- A) price of a rival's tablet.
- B) price of an iPad.
- C) the technology used to produce an iPad.
- D) price of apps.

Answer: C

Topic: Change in Demand

Skill: Recognition

Status: Old

AACSB: Reflective thinking

33) A substitute is a good

- A) that can be used in place of another good.
- B) that is not used in place of another good.
- C) of lower quality than another good.
- D) of higher quality than another good.

Answer: A

Topic: Change in Demand, Prices of Related Goods

Skill: Recognition

Status: Old

AACSB: Reflective thinking

34) People buy more of good 1 when the price of good 2 rises. These goods are

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

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

35) Which of the following pairs of goods are most likely substitutes?

- A) DVDs and DVD players
- B) cola and lemon lime soda
- C) lettuce and salad dressing
- D) peanut butter and gasoline

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Recognition

Status: Old

AACSB: Reflective thinking

36) A complement is a good

- A) of lower quality than another good.
- B) used in conjunction with another good.
- C) used instead of another good.
- D) of higher quality than another good.

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Recognition

Status: Old

AACSB: Reflective thinking

37) Suppose people buy more of good 1 when the price of good 2 falls. These goods are

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

Answer: A

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 38) Ham and eggs are complements. If the price of ham rises, the demand for eggs will
- A) increase or decrease but the demand curve for ham will not change.
 - B) decrease and the demand curve for ham will shift rightward.
 - C) not change but there will be a movement along the demand curve for eggs.
 - D) decrease and the demand curve for eggs will shift leftward.

Answer: D

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 39) A changes in which of the following shifts the demand curve for hamburgers?
- A) an increase in the price of the meat used to produce hamburgers
 - B) an increase in the price of a hamburger
 - C) a fall in the price of french fries, a complement for hamburgers
 - D) an increase in the number of hamburger restaurants

Answer: C

Topic: Change in Demand, Prices of Related Goods

Skill: Recognition

Status: Old

AACSB: Analytical thinking

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

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 41) What happens to the demand for Xbox games if the price of an Xbox falls?
- A) The demand for Xboxes decreases because the price of a substitute falls.
 - B) The demand for Xboxes increases because the price of a complement falls.
 - C) The demand for Xboxes decreases because the price of a complement falls.
 - D) The demand for Xboxes remains unchanged.

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

42) Oatmeal is a normal good and cold cereal is a substitute for oatmeal. Raisins are a complement for oatmeal. Which of the following increases the demand for oatmeal?

- A) an increase in the price of raisins
- B) a decrease in income
- C) a decrease in population
- D) an increase in the price of cold cereal

Answer: D

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

43) Which of the following shifts the demand curve for hot dogs leftward?

- A) an increase in the price of a hot dog bun
- B) a decrease in the price of a hot dog bun
- C) an increase in the price of a hot dog
- D) an increase in the price of a hamburger

Answer: A

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

44) If the price of product X falls and this change increases the demand for product Y, then

- A) X and Y are complements.
- B) X and Y are substitutes.
- C) X is an inferior good.
- D) Y is an inferior good.

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

45) You observe that an increase in the price of salsa decreases the demand for tortilla chips and increases the demand for potato chips. You can conclude that

- A) salsa and tortilla chips are substitutes.
- B) salsa and potato chips are complements.
- C) tortilla chips and potato chips are complements.
- D) salsa and tortilla chips are complements.

Answer: D

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

46) Cupcakes and granola bars are substitutes in consumption. The price of a granola bar increases so the demand for

- A) granola bars will increase, that is, the demand curve will shift rightward.
- B) cupcakes will increase, that is, the demand curve will shift rightward.
- C) granola bars will decrease, that is, the demand curve will shift leftward.
- D) cupcakes will decrease, that is, the demand curve will shift leftward.

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

47) Sweatshirts and tee-shirts are complements in consumption and the price of a sweatshirt increases. As a result, the demand for

- A) sweatshirts will increase that is, the demand curve will shift rightward.
- B) tee-shirts will increase that is, the demand curve will shift rightward.
- C) sweatshirts will decrease that is, the demand curve will shift leftward.
- D) tee-shirts will decrease that is, the demand curve will shift leftward.

Answer: D

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

48) If the price of an Xbox player falls, then in the market for Xbox games

- A) the demand curve for Xbox games shifts rightward.
- B) the demand curve for Xbox games shifts leftward.
- C) there is a movement downward along the demand curve for Xbox games.
- D) there is a movement upward along the demand curve for Xbox games.

Answer: A

Topic: Change in Demand, Prices of Related Goods

Skill: Analytical

Status: Old

AACSB: Analytical thinking

49) The observation that the demand curve for grape jelly shifts rightward every time the price of peanut butter falls means that grape jelly and peanut butter are

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

Answer: A

Topic: Change in Demand, Prices of Related Goods

Skill: Analytical

Status: Old

AACSB: Analytical thinking

50) A decrease in the price of bowling shifts the

- A) demand curve for bowling balls leftward.
- B) demand curve for bowling balls rightward.
- C) supply curve of bowling balls leftward.
- D) supply curve of bowling balls rightward.

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Analytical

Status: Old

AACSB: Analytical thinking

51) The price of a tomato increases and people buy more lettuce. You infer that lettuce and tomatoes are

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

Answer: C

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

52) Students can rent a Blu-ray movie at Campus Video for \$4. As the price of Blu-ray players fall, the

- A) quantity supplied of Blu-ray movies will decrease.
- B) demand for Blu-ray movies will increase.
- C) supply of Blu-ray movies will decrease.
- D) quantity demanded of Blu-ray movies will increase.

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

53) If the price of *chicken* falls, then in the market for *beef*

- A) the demand curve for beef shifts rightward.
- B) the demand curve for beef shifts leftward.
- C) there is a movement downward along the demand curve for beef.
- D) there is a movement upward along the demand curve for beef.

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Analytical

Status: Old

AACSB: Analytical thinking

54) The demand for a good increases when the price of a substitute _____ and also increases when the price of a complement _____.

- A) rises; rises
- B) rises; falls
- C) falls; rises
- D) falls; falls

Answer: B

Topic: Change in Demand, Prices of Related Goods

Skill: Analytical

Status: Old

AACSB: Analytical thinking

55) An increase the expected future price of a good

- A) increases its demand.
- B) decreases its demand.
- C) increases its supply.
- D) has no effect on either its demand or its supply.

Answer: A

Topic: Change in Demand, Expected Future Prices

Skill: Recognition

Status: Old

AACSB: Reflective thinking

56) Which of the following increases the demand for a normal good?

- A) a decrease in income
- B) an decrease in the price of a substitute
- C) an increase in the price of a complement
- D) the price of the good is expected to increase in the future

Answer: D

Topic: Change in Demand, Expected Future Prices

Skill: Recognition

Status: Old

AACSB: Reflective thinking

57) A decrease in the expected future price of cars

- A) increases the current quantity demanded of cars, that is, there is a movement downward along the demand curve for cars.
- B) increases the current demand for cars, that is, there is a rightward shift of the demand curve for cars.
- C) decreases the current quantity demanded of cars, that is, there is a movement upward along the demand curve for cars.
- D) decreases the current demand for cars, that is, there is a leftward shift of the demand curve for cars.

Answer: D

Topic: Change in Demand, Expected Future Prices

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

58) If consumers but not producers expect that the price of soda will rise in November, the

- A) supply of soda in October will increase.
- B) demand for soda in October will decrease.
- C) demand for soda in October will increase.
- D) supply of soda in October will decrease.

Answer: C

Topic: Change in Demand, Expected Future Prices

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

59) Consumers expect that the price of a gallon of gasoline will rise next week. As a result

- A) today's supply of gasoline increases.
- B) today's demand for gasoline increases.
- C) the price of a gallon of gasoline falls today.
- D) next week's supply of gasoline decreases.

Answer: B

Topic: Change in Demand, Expected Future Prices

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

60) The demand curve for a normal good shifts leftward if income _____ or the expected future price _____.

- A) decreases; falls
- B) decreases; rises
- C) increases; falls
- D) increases; rises

Answer: A

Topic: Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

61) If income increases or the price of a complement falls, the

- A) demand curve for a normal good shifts leftward.
- B) demand curve for a normal good shifts rightward.
- C) supply curve of a normal good shifts leftward.
- D) supply curve of a normal good shifts rightward.

Answer: B

Topic: Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 62) If income decreases or the price of a complement rises
- A) the demand curve for a normal good shifts leftward.
 - B) the demand curve for a normal good shifts rightward.
 - C) there is an upward movement along the demand curve for the good.
 - D) there is a downward movement along the demand curve for the good.

Answer: A

Topic: Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 63) A consumer might consider in-line skates and elbow-pads to be
- A) products with upward sloping demand curves.
 - B) unrelated goods.
 - C) complements.
 - D) substitutes.

Answer: C

Topic: Change in Demand, Prices of Related Goods

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 64) When people's incomes increase, the demand for a good increases. The good is called
- A) an inferior good.
 - B) a complement.
 - C) a substitute.
 - D) a normal good.

Answer: D

Topic: Change in Demand, Income

Skill: Recognition

Status: Old

AACSB: Reflective thinking

- 65) Normal goods are those for which demand decreases as
- A) the price of a complement falls.
 - B) the price of a substitute falls.
 - C) income decreases.
 - D) the good's own price rises.

Answer: C

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

66) Which of the following decreases the demand for an inferior good?

- A) an increase in income
- B) a decrease in the price of a complement
- C) a decrease in income
- D) an increase in the price of a substitute

Answer: A

Topic: Change in Demand, Income

Skill: Recognition

Status: Old

AACSB: Reflective thinking

67) If consumers' incomes increase and the demand for bus rides decreases

- A) bus rides are a normal good.
- B) consumers are behaving irrationally.
- C) bus rides are an inferior good.
- D) none of the above.

Answer: C

Topic: Change in Demand, Income

Skill: Recognition

Status: Old

AACSB: Reflective thinking

68) Which of the following is TRUE?

- A) For an inferior good, when income increases, the demand curve shifts leftward.
- B) The demand curve for a good shifts leftward when the price of a substitute rises.
- C) If consumers expect the price of a good will rise in the future, the demand curve shifts leftward.
- D) An increase in population shifts the demand curve for most goods leftward.

Answer: A

Topic: Change in Demand, Income

Skill: Recognition

Status: Old

AACSB: Analytical thinking

69) A normal good is a good for which demand

- A) decreases when income increases.
- B) increases when income increases.
- C) decreases when population increases.
- D) increases when population increases.

Answer: B

Topic: Change in Demand, Income

Skill: Recognition

Status: Old

AACSB: Reflective thinking

70) Inferior goods are those for which demand increases as

- A) the price of a substitute falls.
- B) the price of a substitute rises.
- C) income decreases.
- D) income increases.

Answer: C

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

71) By definition, an inferior good is a

- A) want that is not expressed by demand.
- B) normal substitute good.
- C) good for which demand decreases when its price rises.
- D) good for which demand decreases when income increases.

Answer: D

Topic: Change in Demand, Income

Skill: Recognition

Status: Old

AACSB: Reflective thinking

72) An inferior good is a good for which demand

- A) decreases when income increases.
- B) increases when income increases.
- C) decreases when population increases.
- D) increases when population increases.

Answer: A

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

73) Kelly graduates and her income increases by \$25,000 a year. Other things remaining the same, she increases the quantity of clothes she buys. For Kelly, clothes are

- A) an inferior good.
- B) a normal good.
- C) a substitute good.
- D) a complement good.

Answer: B

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

74) Which of the following shifts the demand curve for movie downloads rightward?

- A) a decrease in the price of downloading a movie
- B) a 10 percent increase in people's income if movie downloads are a normal good
- C) a decrease in the price of cable television service
- D) an increase in the quantity and quality of programming included in the basic cable television service package

Answer: B

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

75) If macaroni and cheese is an inferior good, an increase in income will

- A) not affect the demand for macaroni and cheese.
- B) decrease the demand for macaroni and cheese.
- C) increase the demand for macaroni and cheese.
- D) create no income effect.

Answer: B

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

76) If macaroni and cheese is an inferior good, then a decrease in income will result in

- A) an increase in the demand for macaroni and cheese.
- B) a decrease in the demand for macaroni and cheese.
- C) an increase in the supply of macaroni and cheese.
- D) a decrease in the supply of macaroni and cheese.

Answer: A

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

77) Jeep Cherokees are a normal good. If people's incomes increase, the direct result will be

- A) an increase in the supply of the vehicles.
- B) a decrease in the demand for the vehicles.
- C) an increase in the demand for the vehicles.
- D) Both answers A and C are correct.

Answer: C

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

78) Homer changes jobs and his new job pays him a higher income. Before he changed jobs, Homer purchased 3 pounds of tuna and 2 pounds of chicken. After he changed jobs, Homer now purchases 2 pounds of tuna and 3 pounds of chicken. For Homer

- A) tuna is a normal good and chicken is an inferior good.
- B) tuna is an inferior good and chicken is a normal good.
- C) both tuna and chicken are normal goods.
- D) both tuna and chicken are inferior goods.

Answer: B

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

79) If the demand for digital cameras increases when consumers' income rise, then digital cameras are

- A) a normal good.
- B) an inferior good.
- C) a substitute good for video cameras.
- D) a complement to video cameras.

Answer: A

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

80) When income increases, the demand curve for X shifts rightward and the demand curve for Y shifts leftward. These shifts mean that

- A) X and Y are complements.
- B) X and Y both normal goods.
- C) X is an inferior good and Y is a normal good.
- D) X is a normal good and Y is an inferior good.

Answer: D

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

81) Georgine buys more sweaters when her income increases. For Georgine, sweaters are

- A) a substitute.
- B) a complement.
- C) an inferior good.
- D) a normal good.

Answer: D

Topic: Change in Demand, Income

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

82) Gruel is an inferior good. Hence, a decrease in people's incomes

- A) shifts the supply curve of gruel leftward.
- B) decreases the quantity of gruel supplied.
- C) shifts the demand curve for gruel rightward.
- D) shifts the demand curve for gruel leftward.

Answer: C

Topic: Change in Demand, Income

Skill: Recognition

Status: Old

AACSB: Reflective thinking

83) An increase in the number of consumers

- A) results only in a movement along the demand curve.
- B) shifts the supply curve leftward.
- C) shifts the demand curve rightward.
- D) Both answers B and C are correct.

Answer: C

Topic: Change in Demand, Population

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

84) When economists speak of preferences as influencing demand, they are referring to

- A) directly observable changes in prices and income.
- B) an individual's attitudes toward goods and services.
- C) the excess of wants over the available supplies.
- D) the availability of a good to all income classes.

Answer: B

Topic: Change in Demand, Preferences

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

85) A change in which of the following shifts the demand curve?

- A) the number of sellers in the market
- B) the price of the resources used to produce the product
- C) the technology with which the product is produced
- D) the tastes and preferences of consumers

Answer: D

Topic: Change in Demand, Preferences

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

86) An unusually warm winter shifts the

- A) supply curve of gloves rightward.
- B) supply curve of gloves leftward.
- C) demand curve for gloves rightward.
- D) demand curve for gloves leftward.

Answer: D

Topic: Change in Demand, Preferences

Skill: Analytical

Status: Old

AACSB: Analytical thinking

87) Which of the following does NOT shift the demand curve for broccoli?

- A) an increase in the cost of fertilizer used to grow broccoli
- B) a warning by the U.S. Surgeon General that broccoli causes schizophrenia
- 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

Answer: A

Topic: Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

88) Which of the following lists has variables that all *shift* a good's demand curve?

- A) price of the good, preferences, prices of substitution goods, income
- B) income, preferences, number of buyers, price of complementary good
- C) expectation of future price, price of the good, number of buyers, income
- D) Both answers A and B are correct.

Answer: B

Topic: Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

89) The price of the steel used to produce car engines increases. How does this price hike affect the demand curve for cars?

- A) The demand curve shifts leftward.
- B) The demand curve shifts rightward.
- C) The demand curve does not shift.
- D) There is not enough information to tell how the change shifts the demand curve for cars.

Answer: C

Topic: Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 90) The quantity demanded of a good or service is the quantity that a consumer
- A) is willing to buy at a particular price during a given time period.
 - B) actually buys at a particular price during a given time period.
 - C) needs to buy at a particular price during a given time period.
 - D) should buy at a particular price during a given time period.

Answer: A

Topic: Change in the Quantity Demanded

Skill: Recognition

Status: Old

AACSB: Reflective thinking

- 91) If the price of chocolate chip cookies rises, then
- A) the demand curve for chocolate chip cookies shifts rightward.
 - B) the demand curve for chocolate chip cookies shifts leftward.
 - C) there is a movement downward along the demand curve for chocolate chip cookies.
 - D) there is a movement upward along the demand curve for chocolate chip cookies.

Answer: D

Topic: Change in the Quantity Demanded

Skill: Recognition

Status: Old

AACSB: Analytical thinking

- 92) Which of the following leads to a movement along the demand curve for spinach but does NOT shift the demand curve for spinach?
- A) a rise in the price of spinach
 - B) a newly discovered health benefit from eating spinach
 - C) an increase in the price of broccoli, a substitute for spinach
 - D) an increase in income for all spinach lovers

Answer: A

Topic: Change in the Quantity Demanded

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 93) A change in the price of a good
- A) shifts the good's demand curve and also causes a movement along it.
 - B) shifts the good's demand curve but does not cause a movement along it.
 - C) does not shift the good's demand curve but does cause a movement along it.
 - D) neither shifts the good's demand curve nor causes a movement along it.

Answer: C

Topic: A Change in Quantity Demanded Versus a Change in Demand

Skill: Recognition

Status: Old

AACSB: Analytical thinking

94) If shoes rise in price, the demand curve for shoes _____ and the quantity of shoes demanded _____.

- A) shifts leftward; decreases
- B) shifts leftward; does not change
- C) does not shift; decreases
- D) does not shift; does not change

Answer: C

Topic: A Change in Quantity Demanded Versus a Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

95) A decrease in quantity demanded because of an increase in price is represented by a

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

Answer: C

Topic: A Change in Quantity Demanded Versus a Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

96) A change in which of the following alters buying plans for cars but does NOT shift the demand curve for cars?

- A) a 5 percent increase in people's income
- B) a 10 percent decrease in the price of car insurance
- C) a 20 percent increase in the price of a car
- D) an increased preference for walking rather than driving

Answer: C

Topic: A Change in Quantity Demanded Versus a Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

97) Which of the following would NOT shift the demand curve for turkey?

- A) an increase in income
- B) a decrease in the price of ham
- C) a change in people's preferences for turkey
- D) a change in the price of a turkey

Answer: D

Topic: A Change in Quantity Demanded Versus a Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

98) The statement that "demand increases" means that there is a

- A) movement to the right along a demand curve.
- B) movement to the left along a demand curve.
- C) rightward shift of the demand curve.
- D) leftward shift of the demand curve.

Answer: C

Topic: A Change in Quantity Demanded Versus a Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

99) Cable television companies must pay increased charges by the networks for the programs the cable companies carry. As a result, the price of cable television rises. Thus

- A) the demand curve for cable television service shifts rightward.
- B) the demand curve for cable television service shifts leftward.
- C) there is a movement down the demand curve for cable television to a higher quantity demanded.
- D) there is a movement up the demand curve for cable television to a smaller quantity demanded.

Answer: D

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

100) As the price of a pound of peanuts falls, the

- A) demand for peanuts increases.
- B) demand for peanuts decreases.
- C) quantity of peanuts demanded increases.
- D) Both answers A and C are correct.

Answer: C

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

101) For "an increase in the quantity demanded" but not "an increase in demand" to occur, there must be a

- A) rightward shift of the demand curve.
- B) movement along the demand curve.
- C) rightward shift of the demand curve *and* a movement along the demand curve.
- D) Both answers B and C are correct.

Answer: B

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 102) If the price per bushel of apples increased from \$7.00 to \$8.00 because of a poor harvest, the
- A) demand for apples decreases.
 - B) quantity of apples demanded decreases.
 - C) quantity of apples supplied decreases.
 - D) Both answers A and B are correct.

Answer: B

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 103) Which of the following statements is CORRECT?

- A) A change in the quantity demanded means a shift in the demand curve.
- B) A change in demand means a movement along the demand curve.
- C) A change in demand and change in quantity demanded means the same thing.
- D) A change in demand means a shift in the demand curve while change in the quantity demanded means a movement along the demand curve.

Answer: D

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Recognition

Status: Old

AACSB: Analytical thinking

- 104) Which of the following best reflects an increase in quantity demanded and NOT an increase in demand?

- A) A college expects enrollment to increase, despite no change in the tuition.
- B) Skiing becomes a fashionable winter sports activity.
- C) The price of hair stylings falls.
- D) Consumers expect lower prices next month for computers.

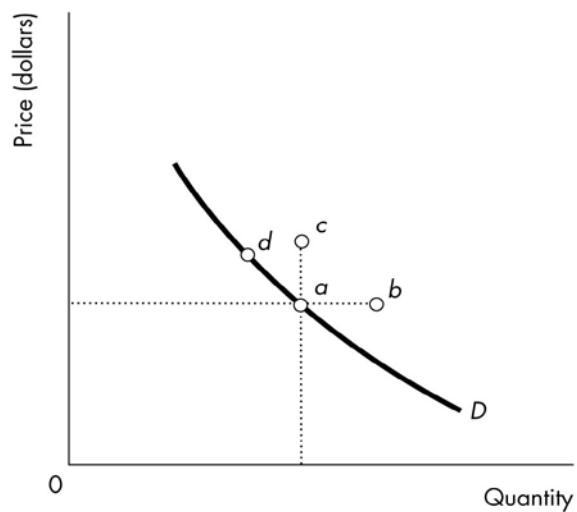
Answer: C

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking



105) In the above figure, an increase in the quantity demanded is represented by a movement from point *d* to

- A) point *b* only.
- B) point *c* only.
- C) point *a*.
- D) both points *b* and *c*.

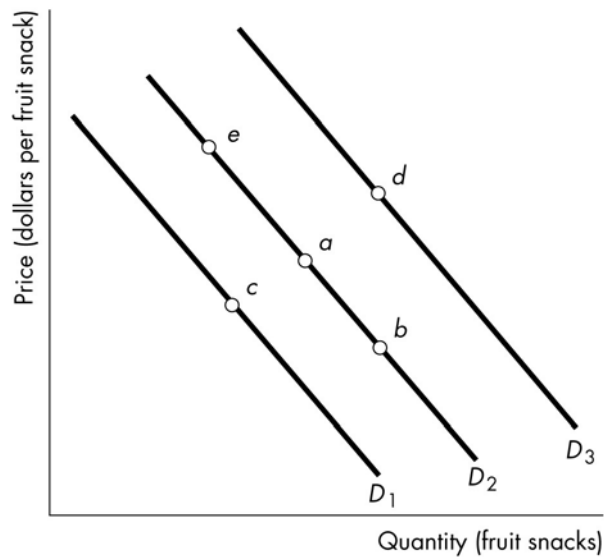
Answer: C

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Recognition

Status: Old

AACSB: Analytical thinking



106) The figure above shows the demand for fruit snacks. Which movement reflects an increase in demand?

- A) from point *a* to point *e*
- B) from point *a* to point *b*
- C) from point *a* to point *c*
- D) from point *a* to point *d*

Answer: D

Topic: A Change in Quantity Demanded Versus a Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

107) The figure above shows the demand for fruit snacks. Which movement reflects a decrease in demand?

- A) from point *a* to point *e*
- B) from point *a* to point *b*
- C) from point *a* to point *c*
- D) from point *a* to point *d*

Answer: C

Topic: A Change in Quantity Demanded Versus a Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

108) The figure above shows the demand for fruit snacks. Which movement reflects a decrease in quantity demanded but NOT a decrease in demand?

- A) from point *a* to point *e*
- B) from point *a* to point *b*
- C) from point *a* to point *c*
- D) from point *a* to point *d*

Answer: A

Topic: A Change in Quantity Demanded Versus a Change in Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

109) The figure above shows the demand for fruit snacks. Which movement reflects how consumers would react to an increase in the price of a non-fruit snack?

- A) from point *a* to point *e*
- B) from point *a* to point *b*
- C) from point *a* to point *c*
- D) from point *a* to point *d*

Answer: D

Topic: Change in Demand, Prices of Related Goods

Skill: Analytical

Status: Old

AACSB: Analytical thinking

110) The figure above shows the demand for fruit snacks. Which movement reflects an increase in the price of a substitute for fruit snacks?

- A) from point *a* to point *e*
- B) from point *a* to point *b*
- C) from point *a* to point *c*
- D) from point *a* to point *d*

Answer: D

Topic: Change in Demand, Prices of Related Goods

Skill: Analytical

Status: Old

AACSB: Analytical thinking

111) The figure above shows the demand for fruit snacks. Which movement reflects an increase in the price of a complement for fruit snacks?

- A) from point *a* to point *e*
- B) from point *a* to point *b*
- C) from point *a* to point *c*
- D) from point *a* to point *d*

Answer: C

Topic: Change in Demand, Prices of Related Goods

Skill: Analytical

Status: Old

AACSB: Analytical thinking

112) The figure above shows the demand for fruit snacks. Which movement reflects how consumers would react to an increase in the price of a fruit snack that is expected to occur in the future?

- A) from point *a* to point *e*
- B) from point *a* to point *b*
- C) from point *a* to point *c*
- D) from point *a* to point *d*

Answer: D

Topic: Change in Demand, Expected Future Prices

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

113) The figure above shows the demand for fruit snacks. Which movement reflects an increase in income if fruit snacks are an inferior good?

- A) from point *a* to point *e*
- B) from point *a* to point *b*
- C) from point *a* to point *c*
- D) from point *a* to point *d*

Answer: C

Topic: Change in Demand, Income

Skill: Analytical

Status: Old

AACSB: Analytical thinking

114) The figure above shows the demand for fruit snacks. Which movement reflects an increase in income if fruit snacks are a normal good?

- A) from point *a* to point *e*
- B) from point *a* to point *b*
- C) from point *a* to point *c*
- D) from point *a* to point *d*

Answer: D

Topic: Change in Demand, Income

Skill: Analytical

Status: Old

AACSB: Analytical thinking

115) The figure above shows the demand for fruit snacks. Which movement reflects a decrease in population?

- A) from point *a* to point *e*
- B) from point *a* to point *b*
- C) from point *a* to point *c*
- D) from point *a* to point *d*

Answer: C

Topic: Change in Demand, Population

Skill: Analytical

Status: Old

AACSB: Analytical thinking



116) Consider the demand curves for soft drinks shown in the figure above. Moving from point *a* to point *c* means that

- A) the marginal benefit of each additional soft drink falls.
- B) the opportunity cost of another soft drink increases.
- C) people's incomes have decreased.
- D) the price of a soft drink has increased.

Answer: A

Topic: Change in the Quantity Demanded

Skill: Analytical

Status: Old

AACSB: Analytical thinking

117) Consider the demand curves for soft drinks shown in the figure above. Suppose the economy is at point *a*. An increase in the price of a soda results in a movement to a point such as

- A) none of the points illustrated.
- B) *b*.
- C) *c*.
- D) *d*.

Answer: D

Topic: Change in the Quantity Demanded

Skill: Analytical

Status: Old

AACSB: Analytical thinking

118) Consider the demand curves for soft drinks shown in the figure above. Suppose the economy is at point *a*. Which of the following could result in a movement to point *c*?

- A) a decrease in income
- B) an increase in the relative price of a soft drink
- C) a decrease in the relative price of a soft drink
- D) a decrease in the price of bottled water

Answer: C

Topic: Change in the Quantity Demanded

Skill: Analytical

Status: Old

AACSB: Analytical thinking

119) Consider the demand curves for soft drinks shown in the figure above. Suppose the economy is at point *a*. Which of the following could result in a movement to point *d*?

- A) a decrease in income
- B) an increase in the relative price of a soft drink
- C) a decrease in the relative price of a soft drink
- D) a decrease in the price of bottled water

Answer: B

Topic: Change in the Quantity Demanded

Skill: Analytical

Status: Old

AACSB: Analytical thinking

120) Consider the demand curves for soft drinks shown in the figure above. Suppose the economy is at point *a*. What of the following could result in a movement to point *b*?

- A) an increase in the price of bottled water
- B) a decrease in the price of bottled water
- C) an increase in the opportunity cost of soft drinks
- D) a decrease in the relative price of a soft drink

Answer: A

Topic: Change in Demand, Prices of Related Goods

Skill: Analytical

Status: Old

AACSB: Analytical thinking

121) Consider the demand curves for soft drinks shown in the figure above. Initially the economy is at point *a*. If people come to expect that the price of a soft drink will increase in the future, there will be a movement to a point such as

- A) none of the points illustrated.
- B) *b*.
- C) *c*.
- D) *d*.

Answer: B

Topic: Change in Demand, Expected Future Prices

Skill: Analytical

Status: Old

AACSB: Analytical thinking

122) Consider the demand curves for soft drinks shown in the figure above. A movement from point *a* to point *c* represents

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

Answer: C

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

123) Consider the demand curves for soft drinks shown in the figure above. A movement from point *a* to point *b* represents

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

Answer: B

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

124) The law of demand concludes that a rise in the price of a golf ball _____ the quantity demanded and _____.

- A) increases; shifts the demand curve for golf balls rightward
- B) decreases; shifts the demand curve for golf balls leftward
- C) decreases; creates a movement up along the demand curve for golf balls
- D) increases; creates a movement down along the demand curve for golf balls

Answer: C

Topic: Study Guide Question, Law of Demand

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

125) If a decrease in the price of gasoline increases the demand for large cars, then

- A) gasoline and large cars are substitutes in consumption.
- B) gasoline and large cars are complements in consumption.
- C) gasoline is an inferior good.
- D) large cars are an inferior good.

Answer: B

Topic: Study Guide Question-Change in Demand-Prices of Related Good

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

126) A normal good is one

- A) with a downward sloping demand curve.
- B) for which demand increases when the price of a substitute rises.
- C) for which demand increases when income increases.
- D) none of the above

Answer: C

Topic: Study Guide Question, Change in Demand, Income

Skill: Recognition

Status: Old

AACSB: Reflective thinking

127) Some sales managers are talking shop. Which of the following quotations refers to a movement along the demand curve?

- A) "Since our competitors raised their prices our sales have doubled."
- B) "It has been an unusually mild winter; our sales of wool scarves are down from last year."
- C) "We decided to cut our prices, and the increase in our sales has been remarkable."
- D) none of the above

Answer: C

Topic: Study Guide Question, Change in Quantity Demanded

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

128) A recession occurs and people's incomes decrease. Knowing that an iPad is a normal good, you predict that the demand for an iPad

- A) increases.
- B) decreases.
- C) might increase or decrease.
- D) remains unchanged.

Answer: B

Topic: Parallel MyEconLab Questions, Change in Demand, Income

Skill: Analytical

Status: Old

AACSB: Reflective thinking

3 Supply

1) Which of the following is NOT one of the factors that influences the supply of a product?

- A) technology
- B) income
- C) number of suppliers
- D) expected future prices

Answer: B

Topic: What Determines Selling Plans?

Skill: Recognition

Status: Old

AACSB: Analytical thinking

2) The quantity of CDs that firms plan to sell this month depends on all of the following EXCEPT the

- A) number of producers of CDs.
- B) quantity of CDs that people plan to buy.
- C) wage rate of workers who produce CDs.
- D) price of a CD.

Answer: B

Topic: What Determines Selling Plans?

Skill: Recognition

Status: Old

AACSB: Analytical thinking

3) The quantity supplied of a good is

- A) the same thing as the quantity demanded at each price.
- B) the amount that the producers are planning to sell at a particular price during a given time period.
- C) equal to the difference between the quantity available and the quantity desired by all consumers and producers.
- D) the amount the firm would sell if it faced no resource constraints.

Answer: B

Topic: Quantity Supplied

Skill: Recognition

Status: Old

AACSB: Analytical thinking

4) The quantity supplied of a good or service is the amount that

- A) producers wish they could sell at a higher price.
- B) is actually bought during a given time period at a given price.
- C) people are willing to buy during a given time period at a given price.
- D) producers plan to sell during a given time period at a given price.

Answer: D

Topic: Quantity Supplied

Skill: Definition

Status: Old

AACSB: Analytical thinking

5) The quantity supplied of a good or service is the quantity that a producer _____ at a particular price during a given time period.

- A) is willing to sell
- B) actually sells
- C) needs to sell
- D) should sell

Answer: A

Topic: Quantity Supplied

Skill: Recognition

Status: Old

AACSB: Analytical thinking

6) The "law of supply" states that, other things remaining the same, firms produce

- A) more of a good the less it costs to produce it.
- B) less of a good the more it costs to produce it.
- C) more of a good the higher its price.
- D) less of a good as the required resources become scarcer.

Answer: C

Topic: The Law of Supply

Skill: Recognition

Status: Old

AACSB: Analytical thinking

7) The "law of supply" refers to the fact that, all other things remaining the same, when the price of a good rises

- A) the supply curve shifts leftward.
- B) the supply curve shifts rightward.
- C) there is a movement up along the supply curve to a larger quantity supplied.
- D) there is a movement down along the supply curve to a smaller quantity supplied.

Answer: C

Topic: The Law of Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

8) Which of the following explains why supply curves slope upward?

- A) prices and income
- B) increasing marginal cost
- C) resources and technology
- D) substitutes in production and complements in production

Answer: B

Topic: The Law of Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

9) The supply curve slopes upward when graphed against _____, because of _____.

- A) the price of the good; increasing marginal cost
- B) the price of the good; decreasing marginal cost
- C) income; increasing marginal cost
- D) income; decreasing marginal cost

Answer: A

Topic: The Law of Supply

Skill: Recognition

Status: Old

AACSB: Analytical thinking

10) A fall in the price of a good causes producers to reduce the quantity of the good they are willing to produce. This fact illustrates

- A) the law of supply.
- B) the law of demand.
- C) a change in supply.
- D) the nature of an inferior good.

Answer: A

Topic: The Law of Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

11) Because of increasing marginal cost, most supply curves

- A) are horizontal.
- B) are vertical.
- C) have a negative slope.
- D) have a positive slope.

Answer: D

Topic: Supply Curve and Supply Schedule

Skill: Analytical

Status: Old

AACSB: Analytical thinking

12) A supply curve shows the relation between the quantity of a good supplied and

- A) income. Usually a supply curve has negative slope.
- B) income. Usually a supply curve has positive slope.
- C) the price of the good. Usually a supply curve has negative slope.
- D) the price of the good. Usually a supply curve has positive slope.

Answer: D

Topic: Supply Curve and Supply Schedule

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

13) Which of the following is NOT held constant while moving along a supply curve?

- A) expected future prices
- B) the number of sellers
- C) the price of the good itself
- D) prices of factors of production

Answer: C

Topic: Supply Curve and Supply Schedule

Skill: Recognition

Status: Old

AACSB: Analytical thinking

- 14) Each point on a supply curve represents
- A) the highest price buyers will pay for the good.
 - B) the lowest price for which a supplier can profitably sell another unit.
 - C) the lowest price buyers will accept per unit of the good.
 - D) the highest price sellers can get for each unit over time.

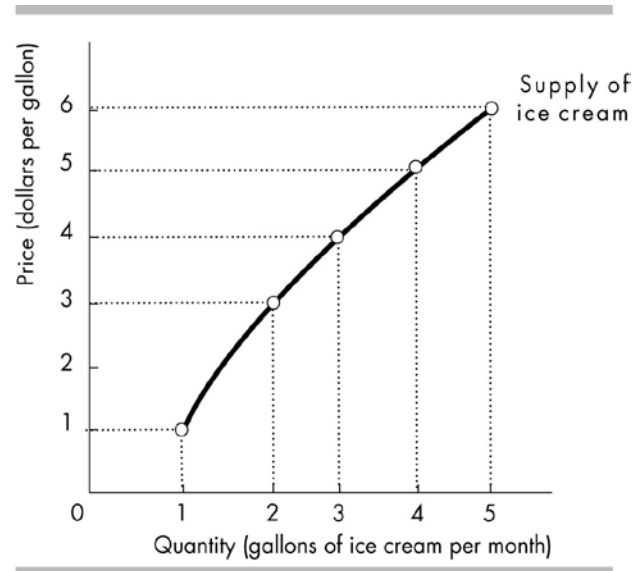
Answer: B

Topic: Minimum Supply Price

Skill: Analytical

Status: Old

AACSB: Analytical thinking



- 15) In the above figure, what is the minimum supply price for the fourth gallon of ice cream?

- A) \$2.00
- B) \$3.00
- C) \$4.00
- D) \$5.00

Answer: D

Topic: Minimum Supply Price

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 16) Which of the following shifts the supply curve for gasoline rightward?

- A) a situation in which the quantity demanded exceeds the quantity supplied
- B) an increase in the price of gasoline
- C) a decrease in the price of a resource used to produce gasoline, such as crude oil
- D) an increase in the demand for gas-guzzling, sport utility vehicles

Answer: C

Topic: Change in Supply, Prices of Factors of Production

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

17) Changes in which of the following shifts the supply curve of hamburgers?

- A) a rise in the price of soda, a complement for hamburgers
- B) new research that establishes a link between hamburgers and heart problems
- C) an increase in the price of meat used to produce hamburgers
- D) an economy-wide decrease in income because of a long recession

Answer: C

Topic: Change in Supply, Prices of Factors of Production

Skill: Recognition

Status: Old

AACSB: Analytical thinking

18) Which of the following decreases the supply of restaurant meals?

- A) Waiters get a pay raise.
- B) Consumers' incomes increase and restaurant meals are a normal good.
- C) Consumers' incomes decrease and restaurant meals are a normal good.
- D) The price of movies, a complement to restaurant meals, falls.

Answer: A

Topic: Change in Supply, Prices of Factors of Production

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

19) Which of the following shifts the supply curve rightward?

- A) an increase in the population
- B) a positive change in preferences for the good
- C) a decrease in the price of the good
- D) a decrease in the price of a factor of production used to produce the good

Answer: D

Topic: Change in Supply, Prices of Factors of Production

Skill: Recognition

Status: Old

AACSB: Analytical thinking

20) Auto workers negotiate a wage increase. How does this wage hike affect the supply of cars?

- A) It decreases the supply.
- B) It increase the supply.
- C) It has no effect.
- D) There is not enough information to tell if the change increases, decreases, or has no effect on the supply of cars.

Answer: A

Topic: Change in Supply, Prices of Factors of Production

Skill: Analytical

Status: Old

AACSB: Analytical thinking

21) If a producer can use resources to produce either good A or good B, then A and B are

- A) complements in production.
- B) substitutes in production.
- C) substitutes in consumption.
- D) complements in consumption.

Answer: B

Topic: Change in Supply, Prices of Related Goods Produced

Skill: Recognition

Status: Old

AACSB: Analytical thinking

22) Good A and good B are substitutes in production. The demand for good A increases so that the price of good A rises. The increase in the price of good A shifts the

- A) demand curve for good B leftward.
- B) demand curve for good B rightward.
- C) supply curve of good B leftward.
- D) supply curve of good B rightward.

Answer: C

Topic: Change in Supply, Prices of Related Goods Produced

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

23) Blank DVDs and prerecorded DVDs are substitutes in production. An increase in the price of a blank DVD will lead to

- A) an increase in the supply of prerecorded DVDs.
- B) a decrease in the supply of prerecorded DVDs.
- C) an increase in the quantity supplied of prerecorded DVDs but not in the supply of prerecorded DVDs.
- D) a decrease in the quantity supplied of prerecorded DVDs but not in the supply of prerecorded DVDs.

Answer: B

Topic: Change in Supply, Prices of Related Goods Produced

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

24) If the price of lumber rises, then, in the market for sawdust

- A) the supply curve of sawdust shifts leftward.
- B) the supply curve of sawdust shifts rightward.
- C) there is a movement downward along the supply curve for sawdust.
- D) there is a movement upward along the supply curve for sawdust.

Answer: B

Topic: Change in Supply, Prices of Related Goods Produced

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

25) A bakery can produce either cakes or cookies. If the price of cookies rises, then

- A) the supply curve of cake shifts leftward.
- B) the supply curve of cake shifts rightward.
- C) there is a movement downward along the supply curve of cakes.
- D) there is a movement upward along the supply curve of cakes.

Answer: A

Topic: Change in Supply, Prices of Related Goods Produced

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

26) Good A and good B are substitutes in production. The demand for good A decreases, which lowers the price of good A. The decrease in the price of good A

- A) decreases the supply of good B.
- B) increases the supply of good B.
- C) decreases the demand for good B.
- D) increases the demand for good B.

Answer: B

Topic: Change in Supply, Prices of Related Goods Produced

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

27) Growers expect that the price of a bushel of wheat will increase in one month. This belief results in

- A) an increase in current supply of wheat.
- B) a decrease in current supply of wheat.
- C) a decrease in future supply of wheat.
- D) no change in current or future supply of wheat.

Answer: B

Topic: Change in Supply, Expected Future Price

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

28) An increase in the number of suppliers in a market results in a

- A) movement up along the supply curve.
- B) rightward shift in the supply curve.
- C) leftward shift in the supply curve.
- D) Both answers A and C are correct.

Answer: B

Topic: Change in Supply, Number of Suppliers

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 29) An increase in the number of fast-food restaurants
- A) raises the price of fast-food meals.
 - B) increases the demand for fast-food meals.
 - C) increases the supply of fast-food meals.
 - D) increases the demand for substitutes for fast-food meals.

Answer: C

Topic: Change in Supply, Number of Suppliers

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 30) Which of the following increases the supply of a product?
- A) a fall in the price of the product
 - B) a smaller number of sellers producing the product
 - C) an increase in foreign imports of the product
 - D) higher taxes imposed upon producers of the product

Answer: C

Topic: Change in Supply, Number of Suppliers

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 31) Which of the following decreases the supply of popcorn?
- A) a decrease in the price of popcorn
 - B) an increase in the price of popcorn
 - C) a technological advance in the production of popcorn
 - D) a decrease in the number of popcorn producers

Answer: D

Topic: Change in Supply, Number of Suppliers

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 32) Over the past decade technological improvements that have lowered the cost of producing an automobile have increased
- A) both the supply and the demand for automobiles.
 - B) the supply but not the demand for automobiles.
 - C) the demand but not the supply of automobiles.
 - D) neither the supply nor the demand for automobiles.

Answer: B

Topic: Change in Supply, Technology

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

33) An increase in technology for producing personal computers leads to

- A) an increase in the demand for personal computers.
- B) a decrease in the demand for personal computers.
- C) an increase in the supply of personal computers.
- D) a decrease in the supply of personal computers.

Answer: C

Topic: Change in Supply, Technology

Skill: Recognition

Status: Old

AACSB: Analytical thinking

34) Which of the following shifts the supply curve of broccoli?

- A) an increase in income
- B) a newly discovered increase in the nutritional value of broccoli
- C) a newly discovered link between broccoli consumption and tooth decay
- D) the destruction of much of this year's broccoli crop by hurricanes

Answer: D

Topic: Change in Supply, State of Nature

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

35) A severe drought has damaged this year's lettuce crop. The initial effect on the lettuce market is a

- A) decrease in the demand for lettuce.
- B) decrease in the supply of lettuce.
- C) decrease in both the demand and supply of lettuce.
- D) rightward movement along the demand curve for lettuce.

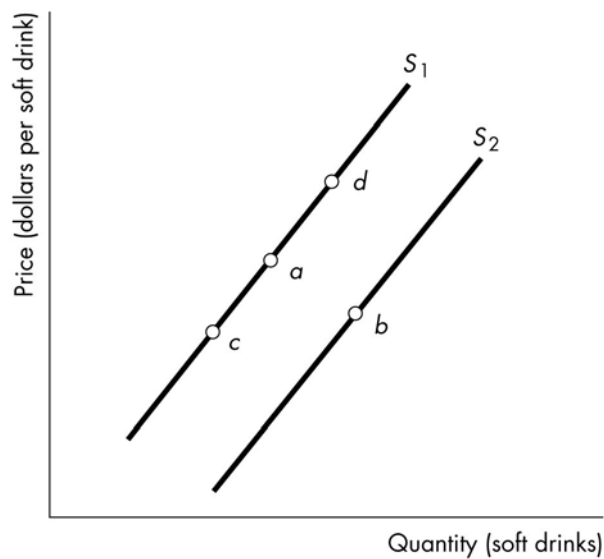
Answer: B

Topic: Change in Supply, State of Nature

Skill: Analytical

Status: Old

AACSB: Analytical thinking



36) The figure above shows supply curves for soft drinks. Suppose the economy is at point *a*. A movement to point *c* could be the result of

- A) a decrease in technology.
- B) a decrease in the relative price of a soft drink.
- C) an increase in the relative price of a soft drink.
- D) an increase in the money price of a soft drink.

Answer: B

Topic: Change in the Quantity Supplied

Skill: Analytical

Status: Old

AACSB: Analytical thinking

37) The figure above shows supply curves for soft drinks. Suppose the economy is at point *a*. An increase in the price of a soft drink is shown as a movement from point *a* to

- A) none of the points that are illustrated.
- B) point *b*.
- C) point *c*.
- D) point *d*.

Answer: D

Topic: Change in the Quantity Supplied

Skill: Analytical

Status: Old

AACSB: Analytical thinking

38) The figure above shows supply curves for soft drinks. Suppose the economy is at point *a*. A movement to point *d* would be the result of

- A) an increase in technology.
- B) a decrease in the relative price of a soft drink.
- C) an increase in the relative price of a soft drink.
- D) an increase in the number of soft drink suppliers.

Answer: C

Topic: Change in the Quantity Supplied

Skill: Recognition

Status: Old

AACSB: Analytical thinking

39) The figure above shows supply curves for soft drinks. Suppose the economy is at point *a*. A decrease in the price of sugar used to make soft drinks is shown as a movement from point *a* to a point such as

- A) none of the points that are illustrated.
- B) point *b*.
- C) point *c*.
- D) point *d*.

Answer: B

Topic: Change in Supply, Prices of Factors of Production

Skill: Analytical

Status: Old

AACSB: Analytical thinking

40) The figure above shows supply curves for soft drinks. Suppose the economy is at point *a*. An increase in the number of suppliers would be shown as a movement from point *a* to a point such as

- A) none of the points that are illustrated.
- B) point *b*.
- C) point *c*.
- D) point *d*.

Answer: B

Topic: Change in Supply, Number of Suppliers

Skill: Analytical

Status: Old

AACSB: Analytical thinking

41) The figure above shows supply curves for soft drinks. Suppose the economy is at point *a*. A movement to point *b* could be the result of

- A) an increase in technology.
- B) a decrease in the relative price of a soft drink.
- C) an increase in the relative price of a soft drink.
- D) an increase in the money price of a soft drink.

Answer: A

Topic: Change in Supply, Technology

Skill: Analytical

Status: Old

AACSB: Analytical thinking

42) Which of the following shifts the supply curve for good X leftward?

- A) a situation in which quantity demanded exceeds quantity supplied
- B) an increase in the cost of the machinery used to produce X
- C) a technological advance in the production of X
- D) a decrease in the wages of workers employed to produce X

Answer: B

Topic: Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

43) Which of the following will NOT shift the supply curve for pick-up trucks?

- A) a technological advance
- B) an increase in the price of a resource used to produce pick-up trucks
- C) a change in the number of firms supplying pick-up trucks
- D) a change in the price of pick-up trucks

Answer: D

Topic: Change in Supply

Skill: Recognition

Status: Old

AACSB: Analytical thinking

44) A change in which of the following would NOT shift the supply curve for sneakers?

- A) an increase in technology for making sneakers
- B) an increase in the price of rubber, used to make sneakers
- C) an increase in the price of sneakers
- D) None of the above, that is, each change shifts the supply curve

Answer: C

Topic: Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

45) Which of the following shifts the supply curve for oranges?

- A) disastrous weather that destroys about half of this year's orange crop
- B) a newly discovered increase in the nutritional value of oranges
- C) an increase in the price of bananas, a substitute in consumption for oranges
- D) an increase in income for all orange consumers

Answer: A

Topic: Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

46) Which of the following leads to a movement along the supply curve for shredded wheat but does NOT shift the supply curve for shredded wheat?

- A) a fall in the price of shredded wheat
- B) an increase in the cost of machinery used to shred wheat
- C) perfect weather conditions that resulted in a large wheat crop
- D) a decrease in the number of shredded wheat producers

Answer: A

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Recognition

Status: Old

AACSB: Analytical thinking

47) Which of the following results in a movement along the supply curve of spinach but does NOT shift the supply curve of spinach?

- A) disastrous weather that destroys half of this year's spinach crop
- B) a rise in the price of spinach
- C) an increase in wages for workers in spinach fields
- D) great weather that produces a bumper spinach crop this year

Answer: B

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

48) Which of the following does NOT shift the supply curve?

- A) a technological advance
- B) a decrease in the wages of labor used in production of the good
- C) a fall in the price of a substitute in production
- D) an increase in the price of the good

Answer: D

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Recognition

Status: Old

AACSB: Analytical thinking

49) If the price of chocolate chip cookies falls, then

- A) the supply curve of chocolate chip cookies shifts rightward.
- B) the supply curve of chocolate chip cookies shifts leftward.
- C) there is a movement downward along the supply curve of chocolate chip cookies.
- D) there is a movement upward along the supply curve of chocolate chip cookies.

Answer: C

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Recognition

Status: Old

AACSB: Analytical thinking

50) As the price of a pound of peanuts falls, the

- A) supply of peanuts increases.
- B) supply of peanuts decreases.
- C) quantity of peanuts supplied increases.
- D) quantity of peanuts supplied decreases.

Answer: D

Topic: A Change in the Quantity Supplied Versus a Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

51) For a "change in the quantity supplied" but not "a change in supply" to occur, there must be a

- A) rightward shift of the supply curve.
- B) rightward shift of the demand curve.
- C) leftward shift of the demand curve.
- D) Both answers B and C are correct.

Answer: D

Topic: A Change in the Quantity Supplied Versus a Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

52) If the price of a good changes but everything else influencing suppliers' planned sales remains constant, there is a

- A) new supply curve that is to the right of the initial supply curve.
- B) new supply curve that is to the left of the initial supply curve.
- C) movement along the supply curve.
- D) rotation of the initial supply curve around the initial price.

Answer: C

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Analytical

Status: Old

AACSB: Analytical thinking

53) A decrease in the quantity supplied is represented by a

- A) movement down the supply curve.
- B) movement up the supply curve.
- C) rightward shift in the supply curve.
- D) leftward shift in the supply curve.

Answer: A

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Recognition

Status: Old

AACSB: Analytical thinking

54) Which of the following increases the quantity supplied of good X but does NOT increase the supply of good X?

- A) a fall in the price of a factor production used to produce X
- B) an advance in the technology for producing X
- C) an increase in the price of good Y, a complement in the production of X
- D) an increase in the price of X

Answer: D

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Recognition

Status: Old

AACSB: Analytical thinking

55) Consider the market for broccoli. If the price of a pound of broccoli increases, what happens to the supply of broccoli?

- A) The supply of broccoli decreases.
- B) The supply of broccoli increases.
- C) There will be no change in the supply of broccoli, but instead there is an increase in the quantity supplied of broccoli.
- D) There will be no change in the supply of broccoli, but instead there is a decrease in the quantity supplied of broccoli.

Answer: C

Topic: A Change in the Quantity Supplied Versus a Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

56) Which of the following statements is TRUE?

- A) An increase in the price of gasoline will decrease the demand for gasoline.
- B) An increase in the price of gasoline will increase the quantity demanded of gasoline.
- C) An increase in the price of gasoline will increase the supply of gasoline.
- D) An increase in the price of gasoline will increase the quantity supplied of gasoline.

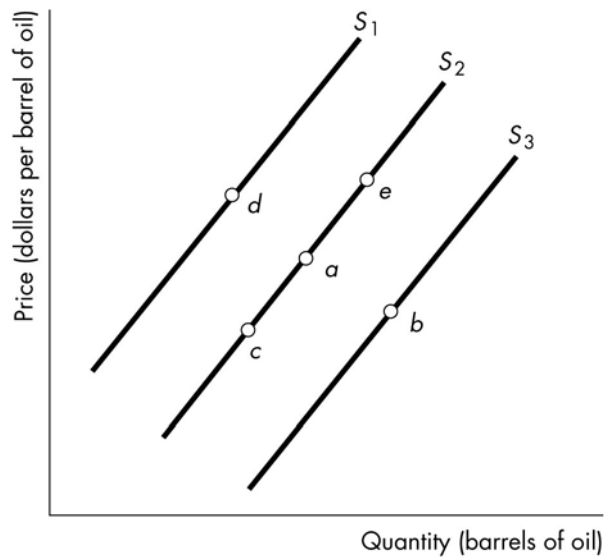
Answer: D

Topic: A Change in the Quantity Supplied Versus a Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking



57) In the figure above, an increase in the supply of oil would result in a movement from

- A) point a to point e .
- B) point a to point b .
- C) point a to point c .
- D) point a to point d .

Answer: B

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

58) In the figure above, an increase in the quantity of oil supplied but NOT an increase in the supply of oil is shown by a movement from

- A) point a to point e .
- B) point a to point b .
- C) point a to point c .
- D) point a to point d .

Answer: A

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

59) In the figure above, a decrease in the quantity of oil supplied but NOT a decrease in the supply of oil is shown by a movement from

- A) point *a* to point *e*.
- B) point *a* to point *b*.
- C) point *a* to point *c*.
- D) point *a* to point *d*.

Answer: C

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

60) In the figure above, which movement could be the result of an increase in the wages paid to oil workers?

- A) point *a* to point *e*
- B) point *a* to point *b*
- C) point *a* to point *c*
- D) point *a* to point *d*

Answer: D

Topic: Change in Supply, Prices of Factors of Production

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

61) In the figure above, which movement could be the result of the development of a new, more efficient refining technology?

- A) point *a* to point *e*
- B) point *a* to point *b*
- C) point *a* to point *c*
- D) point *a* to point *d*

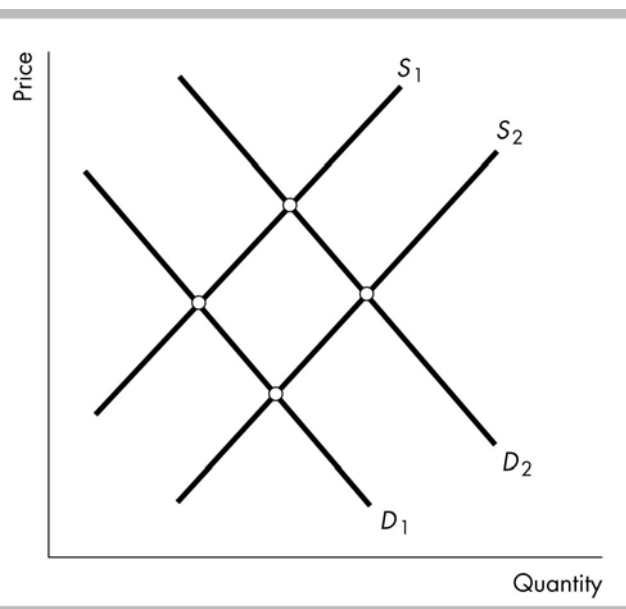
Answer: B

Topic: Change in Supply, Technology

Skill: Conceptual

Status: Old

AACSB: Analytical thinking



62) The figure above shows the market for candy. People become more concerned that eating candy causes them to gain weight, which they do not like. As a result, the

- A) demand curve shifts from D_2 to D_1 and the supply curve does not shift.
- B) demand curve shifts from D_1 to D_2 and the supply curve shifts from S_1 to S_2 .
- C) demand curve shifts from D_2 to D_1 and the supply curve shifts from S_2 to S_1 .
- D) demand curve does not shift, and the supply curve shifts from S_1 to S_2 .

Answer: A

Topic: Changes in Demand, Preferences

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

63) The above figure shows the market for oil. Because of the development of a new deep sea drilling technology the

- A) demand curve shifts from D_1 to D_2 and the supply curve does not shift.
- B) demand curve shifts from D_1 to D_2 and the supply curve shifts from S_1 to S_2 .
- C) demand curve does not shift, and the supply curve shifts from S_2 to S_1 .
- D) demand curve does not shift, and the supply curve shifts from S_1 to S_2 .

Answer: D

Topic: Change in Supply, Technology

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

64) The above figure shows the market for gasoline. When a hurricane destroys a major refinery that refines oil into gasoline, the

- A) demand curve for gasoline shifts from D_1 to D_2 and the supply curve of gasoline does not shift.
- B) demand curve for gasoline shifts from D_1 to D_2 and the supply curve of gasoline shifts from S_2 to S_1 .
- C) demand curve for gasoline does not shift, and the supply curve of gasoline shifts from S_2 to S_1 .
- D) demand curve for gasoline does not shift, and the supply curve of gasoline shifts from S_1 to S_2 .

Answer: C

Topic: Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

65) The above figure shows the market for bicycles. When there is a physical fitness craze so that everyone wants to exercise the

- A) demand curve for bicycles shifts from D_1 to D_2 .
- B) demand curve for bicycles shifts from D_2 to D_1 .
- C) demand curve and the supply curve of bicycles do not shift.
- D) supply curve of bicycles shifts from S_1 to S_2 .

Answer: A

Topic: Changes in Demand, Preferences

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

66) The above figure shows the market for french fries at fast food joints. If the price of potatoes rises and simultaneously people become concerned that french fries can cause heart attacks the

- A) demand curve for french fries shifts from D_2 to D_1 and the supply curve of french fries does not shift.
- B) demand curve for french fries shifts from D_2 to D_1 and the supply curve of french fries shifts from S_2 to S_1 .
- C) demand curve for french fries shifts from D_2 to D_1 and the supply curve of french fries shifts from S_1 to S_2 .
- D) demand curve for french fries does not shift, and the supply curve of french fries shifts from S_1 to S_2 .

Answer: B

Topic: Change in Demand/Supply; Preferences/Prices of Resources

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 67) A rise in the price of a good causes producers to supply more of the good. This statement illustrates
- A) the law of supply.
 - B) the law of demand.
 - C) a change in supply.
 - D) the nature of an inferior good.

Answer: A

Topic: Study Guide Question, The Law of Supply

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 68) Which of the following influences does NOT shift the supply curve?
- A) a rise in the wages paid workers who produce the good
 - B) the development of new technology
 - C) people deciding that they want to buy more of the product
 - D) a decrease in the number of suppliers

Answer: C

Topic: Study Guide Question, Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 69) To say that "supply increases" for any reason, means there is a
- A) movement rightward along a supply curve.
 - B) movement leftward along a supply curve.
 - C) shift rightward in the supply curve.
 - D) shift leftward in the supply curve.

Answer: C

Topic: Study Guide Question, Change in Supply

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 70) The price of jet fuel falls. This fall shifts the
- A) demand curve for airplane trips rightward.
 - B) demand curve for airplane trips leftward.
 - C) supply curve of airplane trips rightward.
 - D) supply curve of airplane trips leftward.

Answer: C

Topic: Study Guide Question, Change in Supply, Prices of Resources

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

71) An increase in the price of the cheese used to produce pizza shifts the supply curve of pizza _____ and shifts the demand curve for pizza _____.

- A) rightward; leftward
- B) leftward; leftward
- C) leftward; not at all
- D) not at all; leftward

Answer: C

Topic: Study Guide Question, Change in Supply, Prices of Resources

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

72) An increase in the number of producers of gruel _____ the supply of gruel and shifts the supply curve of gruel _____.

- A) increases; rightward
- B) increases; leftward
- C) decreases; rightward
- D) decreases; leftward

Answer: A

Topic: Study Guide Question, Change in Supply, Number of Suppliers

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

73) Wages for workers producing iPods and similar products will rise next year. Walkman Watch asks you to predict the effect of this change in next year's market for iPods. You predict that the major effect will be that the

- A) demand curve for an iPod will shift rightward.
- B) demand curve for an iPod will shift leftward.
- C) supply curve for an iPod will shift leftward.
- D) supply curve for an iPod will shift rightward.

Answer: C

Topic: Parallel MyEconLab Question-Change in Supply, Resource Price

Skill: Analytical

Status: Old

AACSB: Analytical thinking

74) Producers of DVDs are able to lower the wage rate that they pay to their workers. You predict that the

- A) price will rise.
- B) quantity supplied will decrease.
- C) supply curve will shift leftward.
- D) supply curve will shift rightward.

Answer: D

Topic: Parallel MyEconLab Question-Change in Supply, Resource Price

Skill: Analytical

Status: Old

AACSB: Analytical thinking

75) The wage rate paid by Walkman producers falls and at the same time the price of raw materials used in the production of Walkmans rises. You predict that the supply curve of Walkmans will

- A) shift either leftward or rightward.
- B) surely shift rightward.
- C) surely shift leftward.
- D) surely become steeper.

Answer: A

Topic: Parallel MyEconLab Question-Change in Supply, Resource Price

Skill: Analytical

Status: Old

AACSB: Analytical thinking

4 Market Equilibrium

1) In a supply and demand figure, the equilibrium price and quantity are found at the

- A) point where quantity supplied equals quantity demanded.
- B) horizontal intercept of the demand curve.
- C) vertical intercept of the supply curve.
- D) horizontal intercept of the supply *and* the demand curves.

Answer: A

Topic: Market Equilibrium

Skill: Recognition

Status: Old

AACSB: Analytical thinking

2) When a market is in equilibrium

- A) everyone has all they want of the commodity in question.
- B) there is no shortage and no surplus at the equilibrium price.
- C) the number of buyers is exactly equal to the number of sellers.
- D) the supply curve has the same slope as the demand curve.

Answer: B

Topic: Market Equilibrium

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

3) The equilibrium price is the price at which the quantity

- A) sold equals the quantity bought.
- B) demanded equals the quantity sold.
- C) demanded equals the quantity supplied.
- D) supplied equals the quantity bought.

Answer: C

Topic: Market Equilibrium

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 4) Which of the following is the best way to describe equilibrium in a market? At equilibrium, the
- A) price is the lowest possible.
 - B) price is usually affordable to most people.
 - C) supply and demand curves can never shift again.
 - D) quantity supplied equals the quantity demanded.

Answer: D

Topic: Market Equilibrium

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 5) The interaction of supply and demand explains
- A) the prices of goods and services but not their quantities.
 - B) the quantities of goods and services but not their prices.
 - C) both the prices and the quantities of goods and services.
 - D) neither the prices nor the quantities of goods and services.

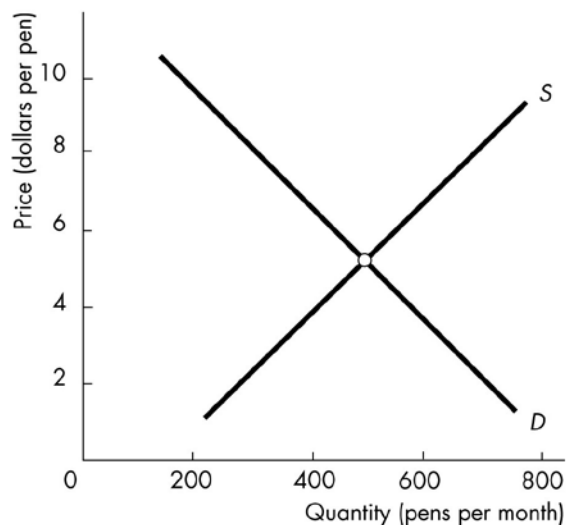
Answer: C

Topic: Market Equilibrium

Skill: Conceptual

Status: Old

AACSB: Analytical thinking



- 6) The figure illustrates the market for pens. The equilibrium quantity is
- A) between 400 and 600 pens, but it is impossible to be precise.
 - B) 5 pens a month.
 - C) 2 pens a month.
 - D) 500 pens a month.

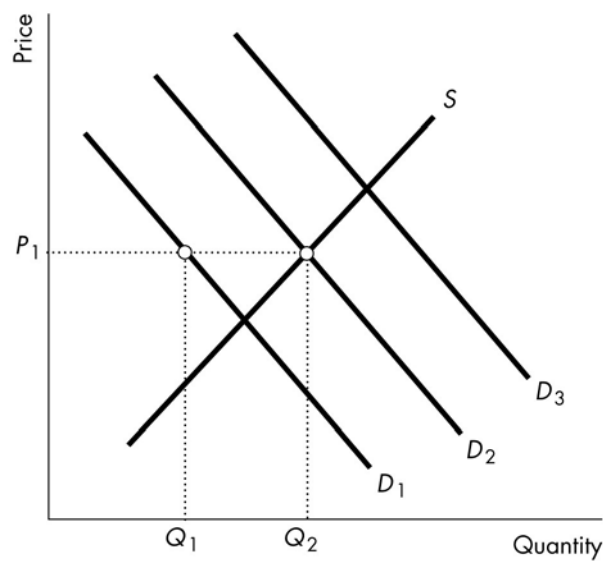
Answer: D

Topic: Equilibrium

Skill: Conceptual

Status: Old

AACSB: Analytical thinking



7) In the above figure, if the demand curve is D_2 , then

- A) the equilibrium price will be P_1 and the equilibrium quantity will be Q_2 .
- B) the equilibrium price will be P_1 and the equilibrium quantity will be Q_1 .
- C) there will be a shortage equal to $Q_2 - Q_1$.
- D) an increase in price will shift the demand curve to D_3 .

Answer: A

Topic: Market Equilibrium

Skill: Analytical

Status: Old

AACSB: Analytical thinking

8) If the price of a CD is equal to the equilibrium price, there will be _____ of CDs and the price will _____.

- A) surplus; rise
- B) surplus; fall
- C) shortage; fall
- D) neither a shortage nor surplus; not change

Answer: D

Topic: Market Equilibrium

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 9) When the price is below the equilibrium price, the quantity demanded
- A) is less than the equilibrium quantity and the quantity supplied also is less than the equilibrium quantity.
 - B) is less than the equilibrium quantity but the quantity supplied exceeds the equilibrium quantity.
 - C) exceeds the equilibrium quantity and the quantity supplied also exceeds the equilibrium quantity.
 - D) exceeds the equilibrium quantity but the quantity supplied is less than the equilibrium quantity.

Answer: D

Topic: Market Equilibrium

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 10) If a market is NOT in equilibrium, then which of the following is likely to occur?

- A) The demand curve will shift to bring the market to equilibrium.
- B) The supply curve will shift to bring the market to equilibrium.
- C) The price will adjust to bring the market to equilibrium.
- D) Both A and B are correct.

Answer: C

Topic: Price Adjustments

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 11) If the price of a video download is below its equilibrium price, the quantity supplied is _____ than the quantity demanded. If the price of a video download is above its equilibrium price, the quantity supplied is _____ than the quantity demanded.

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

Answer: A

Topic: Shortage and Surplus

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 12) A price below the equilibrium price results in

- A) a surplus.
- B) a shortage.
- C) excess supply.
- D) a further price fall.

Answer: B

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

13) If the price of a video rental is below its equilibrium price, there will be a _____ of video rentals and the price will _____.

- A) shortage; rise
- B) shortage; fall
- C) surplus; rise
- D) surplus; fall

Answer: A

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

14) Which of the following CORRECTLY describes how price adjustments eliminate a shortage?

- A) As the price rises, the quantity demanded decreases while the quantity supplied increases.
- B) As the price rises, the quantity demanded increases while the quantity supplied decreases.
- C) As the price falls, the quantity demanded decreases while the quantity supplied increases.
- D) As the price falls, the quantity demanded increases while the quantity supplied decreases.

Answer: A

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

15) Ticket scalpers at the NCAA basketball tournament last year charged prices high above the printed ticket price. This observation is evidence of

- A) a surplus at printed ticket prices.
- B) a shortage at printed ticket prices.
- C) the tournament not being televised.
- D) the tournament getting too much television exposure.

Answer: B

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

16) If the quantity of textbooks supplied is 10,000 per year and the quantity of textbooks demanded is 12,000 per year, there is a _____ in the market and the price will _____.

- A) shortage; rise
- B) shortage; fall
- C) surplus; rise
- D) surplus; fall

Answer: A

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

17) When there is a shortage in the market, the quantity sold is

- A) greater than the quantity supplied.
- B) equal to the quantity supplied.
- C) less than the quantity supplied.
- D) less than the quantity bought.

Answer: B

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

18) When the price is less than the equilibrium price

- A) there will be a shortage.
- B) some consumers will be willing to pay a price higher than the prevailing price.
- C) the price will be forced higher.
- D) All of the above answers are correct.

Answer: D

Topic: Price Adjustments; Shortage

Skill: Recognition

Status: Old

AACSB: Analytical thinking

19) If there exists a shortage in the market for snowmobiles, then the price of a snowmobile will

- A) rise.
- B) fall.
- C) neither rise nor fall.
- D) at first fall then rise.

Answer: A

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

20) The existence of a shortage

- A) means resources are being allocated efficiently.
- B) is impossible in a market economy.
- C) pushes the price up.
- D) pushes the price down.

Answer: C

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 21) A shortage causes the
- A) demand curve to shift leftward.
 - B) supply curve to shift rightward.
 - C) price to fall.
 - D) price to rise.

Answer: D

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 22) If the quantity demanded exceeds the quantity supplied, then there is
- A) a shortage and the price is below the equilibrium price.
 - B) a shortage and the price is above the equilibrium price.
 - C) a surplus and the price is below the equilibrium price.
 - D) a surplus and the price is above the equilibrium price.

Answer: A

Topic: Price Adjustments; Shortage

Skill: Analytical

Status: Old

AACSB: Analytical thinking

Price (dollars per pound)	Quantity supplied (pounds)	Quantity demanded (pounds)
3	1	7
4	2	5
5	4	4
6	5	2
7	6	1

- 23) The above table shows the demand schedule and supply schedule for chocolate chip cookies. What is the equilibrium quantity and equilibrium price for chocolate chip cookies?

- A) 7 pounds, \$3.00 per pound
- B) 2 pounds, \$3.00 per pound
- C) 2 pounds, \$6.00 per pound
- D) 4 pounds, \$5.00 per pound

Answer: D

Topic: Market Equilibrium

Skill: Analytical

Status: Old

AACSB: Analytical thinking

24) The above table shows the demand schedule and supply schedule for chocolate chip cookies. If the price is \$4.00 per pound, there is a

- A) shortage of 2 pounds of chocolate chip cookies.
- B) shortage of 3 pounds of chocolate chip cookies.
- C) shortage of 5 pounds of chocolate chip cookies.
- D) surplus of 3 pounds of chocolate chip cookies.

Answer: B

Topic: Price Adjustments; Shortage

Skill: Analytical

Status: Old

AACSB: Analytical thinking

25) The above table shows the demand schedule and supply schedule for chocolate chip cookies. An increase in income results in an increase in the demand for chocolate cookies by an amount of 3 pounds at every price. What are the new equilibrium quantity and equilibrium price?

- A) 5 pounds, \$4.00 per pound
- B) 5 pounds, \$6.00 per pound
- C) 5 pounds, \$5.00 per pound
- D) 4 pounds, \$5.00 per pound

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

26) If the quantity supplied exceeds the quantity demanded, then there is

- A) a shortage and the price is below the equilibrium price.
- B) a shortage and the price is above the equilibrium price.
- C) a surplus and the price is below the equilibrium price.
- D) a surplus and the price is above the equilibrium price.

Answer: D

Topic: Price Adjustments; Surplus

Skill: Analytical

Status: Old

AACSB: Analytical thinking

27) The price of a good will fall if

- A) there is a surplus at the current price.
- B) the current price is less than the equilibrium price.
- C) the quantity demanded exceeds the quantity supplied.
- D) the price of a complement in consumption falls.

Answer: A

Topic: Price Adjustments; Surplus

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

28) When there is a surplus in the market, the quantity sold is

- A) equal to the quantity supplied.
- B) equal to the quantity demanded.
- C) less than the quantity demanded.
- D) greater than the quantity bought.

Answer: B

Topic: Price Adjustments; Surplus

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

29) Suppose the equilibrium price for soft drinks is \$1.00. If the current price in the soft drink market is \$1.25 each

- A) there will be a surplus of soft drinks.
- B) there will be a shortage of soft drinks.
- C) the supply curve of soft drinks will shift leftward.
- D) the demand curve for soft drinks will shift leftward.

Answer: A

Topic: Price Adjustments; Surplus

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

30) If the quantity of textbooks supplied is 10,000 per year and the quantity of textbooks demanded is 8,000 per year, there is a _____ in the market and the price will _____.

- A) shortage; rise
- B) shortage; fall
- C) surplus; rise
- D) surplus; fall

Answer: D

Topic: Price Adjustments; Surplus

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

31) A surplus occurs when the price is

- A) less than the equilibrium price.
- B) equal to the equilibrium price.
- C) greater than the equilibrium price.
- D) None of the above because the existence of a surplus is independent of the price of the good.

Answer: C

Topic: Price Adjustments; Surplus

Skill: Recognition

Status: Old

AACSB: Analytical thinking

32) If the price is above the equilibrium price, then there is a

- A) surplus, and market forces will operate to lower price.
- B) surplus, and market forces will operate to raise price.
- C) shortage, and market forces will operate to lower price.
- D) shortage, and market forces will operate to raise price.

Answer: A

Topic: Price Adjustments; Surplus

Skill: Recognition

Status: Old

AACSB: Analytical thinking

33) When the price of a good is

- A) below the equilibrium price, quantity supplied exceeds quantity demanded and price rises.
- B) below the equilibrium price, quantity demanded exceeds quantity supplied and price falls.
- C) above the equilibrium price, quantity supplied exceeds quantity demanded and price falls.
- D) above the equilibrium price, quantity demanded exceeds quantity supplied and price rises.

Answer: C

Topic: Price Adjustments; Surplus

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

34) Suppose a market begins in equilibrium. If supply increases, then at the original equilibrium price the quantity demanded is

- A) is less than the quantity supplied and a surplus results.
- B) is less than the quantity supplied and a shortage results.
- C) exceeds the quantity supplied and a surplus results.
- D) exceeds the quantity supplied and a shortage results.

Answer: A

Topic: Price Adjustments; Surplus

Skill: Analytical

Status: Old

AACSB: Analytical thinking

Price (dollars per pair)	Quantity demanded (pairs per week)	Quantity supplied (pairs per week)
30	130	70
40	120	80
50	110	90
60	100	100
70	90	110
80	80	120
90	70	130

35) The table shows the demand and supply schedules for jeans.

A) At \$60 a pair, there is a shortage of jeans and the price will fall.

B) At \$60 a pair, there is a surplus of jeans and the price will rise.

C) At \$40 a pair, there is a shortage of jeans and the price will rise.

D) At \$40 a pair, there is a shortage of jeans and the price will fall.

Answer: C

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

Price (dollars per disc)	Quantity demanded	Price (dollars per disc)	Quantity supplied
4	36,000	4	4,000
8	32,000	8	8,000
12	28,000	12	12,000
16	24,000	16	16,000
20	20,000	20	20,000
24	16,000	24	24,000
28	12,000	28	28,000
32	8,000	32	32,000
36	4,000	36	36,000

36) The above table gives the demand and supply schedules for Blu-ray discs. If the price of a Blu-ray disc is \$8, there is a _____ and the price of a compact disc will _____.

A) shortage; rise

B) shortage; fall

C) surplus; rise

D) surplus; fall

Answer: A

Topic: Price Adjustments; Shortage

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

37) The above table gives the demand and supply schedules for Blu-ray discs. Suppose that the price of a Blu-ray disc player increases, resulting in the demand for Blu-ray discs decreasing by 8,000 units at all prices. What are the new equilibrium quantity and equilibrium price of Blu-ray discs?

- A) 8,000 and \$8
- B) 16,000 and \$16
- C) 20,000 and \$20
- D) 28,000 and \$28

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

38) The above table gives the demand and supply schedules for Blu-ray discs. Based on the table, the equilibrium quantity and price of a Blu-ray discs is

- A) 28,000 and \$12.
- B) 20,000 and \$20.
- C) 16,000 and \$24.
- D) 16,000 and \$16.

Answer: B

Topic: Market Equilibrium

Skill: Recognition

Status: Old

AACSB: Analytical thinking

Price (dollars per cellular phone)	Quantity demanded (thousands)	Quantity supplied (thousands)
100	50	100
80	55	80
50	60	60
20	100	40

39) Using the data in the above table, the equilibrium quantity and equilibrium price for a cellular telephone is

- A) 50 thousand and \$100.
- B) 80 thousand and \$80.
- C) 60 thousand and \$50.
- D) 40 thousand and \$20.

Answer: C

Topic: Market Equilibrium

Skill: Analytical

Status: Old

AACSB: Analytical thinking

40) Using the data in the above table, at the price of \$80 a phone, a

- A) shortage of 25 thousand cellular telephones occurs.
- B) surplus of 80 thousand cellular telephones occurs.
- C) surplus of 25 thousand cellular telephones occurs.
- D) shortage of 55 thousand cellular telephones occurs.

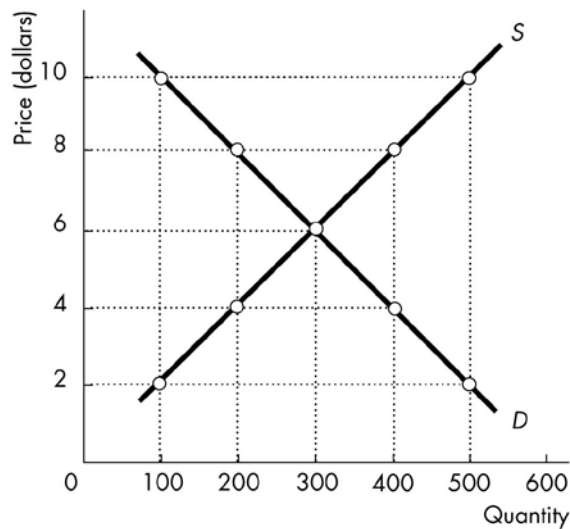
Answer: C

Topic: Price Adjustments; Surplus

Skill: Analytical

Status: Old

AACSB: Analytical thinking



41) The equilibrium price in the above figure is

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

Answer: C

Topic: Market Equilibrium

Skill: Recognition

Status: Old

AACSB: Analytical thinking

42) The equilibrium quantity in the above figure is

- A) 200 units.
- B) 300 units.
- C) 400 units.
- D) 600 units.

Answer: B

Topic: Market Equilibrium

Skill: Recognition

Status: Old

AACSB: Analytical thinking

43) At a price of \$10 in the above figure, there is

- A) a surplus of 200 units.
- B) a shortage of 200 units.
- C) a surplus of 400 units.
- D) a shortage of 400 units.

Answer: C

Topic: Surplus

Skill: Analytical

Status: Old

AACSB: Analytical thinking

44) At a price of \$4 in the above figure

- A) the equilibrium quantity is 400 units.
- B) there is a surplus of 200 units.
- C) the quantity supplied is 400 units.
- D) there is a shortage of 200 units.

Answer: D

Topic: Shortage

Skill: Analytical

Status: Old

AACSB: Analytical thinking

45) If the good in the above figure is a normal good and income rises, then the new equilibrium quantity

- A) is less than 300 units.
- B) is 300 units.
- C) is more than 300 units.
- D) could be less than, equal to, or more than 300 units.

Answer: C

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

46) The initial supply and demand curves for a good are illustrated in the above figure. If there are technological advances in the production of the good, then the new equilibrium price for the good

- A) is less than \$6.
- B) is \$6.
- C) is more than \$6.
- D) could be less than, equal to, or more than \$6.

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

47) The initial supply and demand curves for a good are illustrated in the above figure. If there is a rise in the price of a factor of production used to produce the good, then the new equilibrium price

- A) is less than \$6.
- B) is \$6.
- C) is more than \$6.
- D) could be less than, equal to, or more than \$6.

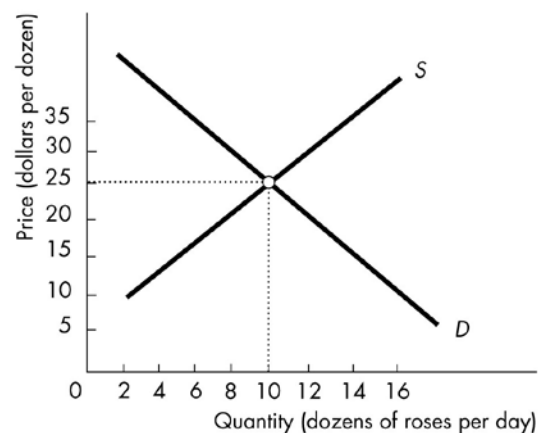
Answer: C

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking



48) In the above figure, a price of \$15 per dozen for roses would result in

- A) equilibrium.
- B) a shortage.
- C) a surplus.
- D) downward pressure on prices.

Answer: B

Topic: Price Adjustments

Skill: Analytical

Status: Old

AACSB: Analytical thinking

49) In the above figure, a price of \$15 per dozen roses would result in a _____ so that the price of roses will _____.

- A) surplus; rise
- B) surplus; fall
- C) shortage; rise
- D) shortage; fall

Answer: C

Topic: Price Adjustments

Skill: Analytical

Status: Old

AACSB: Analytical thinking

50) In the above figure, a price of \$35 per dozen would result in

- A) a shortage.
- B) equilibrium.
- C) a surplus.
- D) upward pressure on prices.

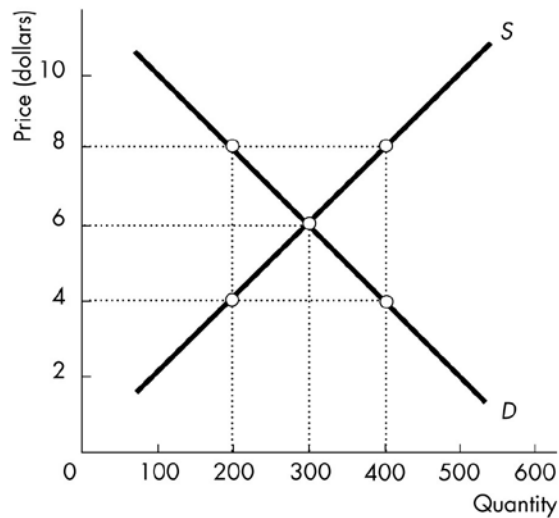
Answer: C

Topic: Price Adjustments

Skill: Analytical

Status: Old

AACSB: Analytical thinking



51) In the above figure, if the price is \$8 then there is a

- A) surplus of 100.
- B) surplus of 200.
- C) shortage of 100.
- D) shortage of 200.

Answer: B

Topic: Price Adjustments

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

52) Based on the above figure, which of the following is TRUE?

- A) At a price of \$6, quantity demanded is equal to quantity supplied.
- B) At a price of \$4, quantity demanded is greater than quantity supplied.
- C) At a price of \$8, quantity demanded is less than quantity supplied.
- D) All of the above answers are correct.

Answer: D

Topic: Price Adjustments

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 53) If the market for Twinkies is in equilibrium, then
- A) Twinkies must be a normal good.
 - B) producers would like to sell more at the current price.
 - C) consumers would like to buy more at the current price.
 - D) the quantity supplied equals the quantity demanded.

Answer: D

Topic: Study Guide Question, Equilibrium

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 54) In a market, at the equilibrium price
- A) neither buyers nor sellers can do business at a better price.
 - B) buyers are willing to pay a higher price, but sellers do not ask for a higher price.
 - C) buyers are paying the minimum price they are willing to pay for any amount of output and sellers are charging the maximum price they are willing to charge for any amount of production.
 - D) None of the above is true.

Answer: A

Topic: Study Guide Question, Equilibrium

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 55) If there is surplus of a good, then the quantity demanded _____ the quantity supplied and the price will _____.

- A) is less than; rise
- B) is less than; fall
- C) is greater than; rise
- D) is greater than; fall

Answer: B

Topic: Study Guide Question, Price Adjustments, Surplus

Skill: Analytical

Status: Old

AACSB: Analytical thinking

5 Predicting Changes in Price and Quantity

- 1) When the demand for a good decreases, its equilibrium price _____ and equilibrium quantity _____.

- A) falls; decreases
- B) falls; increases
- C) rises; decreases
- D) rises; increases

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

2) When demand increases, the equilibrium price _____ and the equilibrium quantity _____.

- A) rises; decreases
- B) falls; decreases
- C) rises; increases
- D) falls; increases

Answer: C

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

3) Which of the following statements is CORRECT?

- A) When demand increases, both the price and the quantity increase.
- B) When demand decreases, the price rises and the quantity decreases.
- C) When supply increases, the quantity decreases and the price rises.
- D) When supply decreases, both the price and the quantity decrease.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

4) 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?

- A) The equilibrium price rises and the equilibrium quantity increases.
- B) The equilibrium price falls and the equilibrium quantity decreases.
- C) The equilibrium price rises and the equilibrium quantity decreases.
- D) The equilibrium price falls and the equilibrium quantity increases.

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

5) In March, the quantity of orange juice sold in the town of Jackson was 3000 cartons and the price \$3. In May, the quantity of orange juice sold in the town of Jackson was 3500 cartons and the price was \$3.20.

This change in the price and quantity sold could have been the result of

- A) the release of a medical study suggesting that consuming orange juice helps prevent cancer.
- B) a reduction in the number of orange juice coupons provided by local markets.
- C) the after effects of a cold winter in Florida that killed half of the orange crop.
- D) the after effects of a warm winter in Florida that increased the orange crop yield by 50 percent.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

6) Suppose the equilibrium price of bottled water has risen from \$1.00 per bottle to \$2.00 per bottle and the equilibrium quantity has increased. These changes are a result of a _____ shift of the _____ curve for bottled water.

- A) rightward; demand
- B) rightward; supply
- C) leftward; supply
- D) leftward; demand

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

7) If good A is a normal good and income increases, the equilibrium price of A _____ and the equilibrium quantity of A _____.

- A) rises; increases
- B) rises; decreases
- C) falls; decreases
- D) falls; increases

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

8) The price of a gallon of milk falls. Which of the following is a possible cause?

- A) a decrease in the price of oatmeal, a complement to milk
- B) a discovery that milk cause diabetes
- C) Milk is a normal good and people's incomes rise.
- D) a drought that reduces supplies of feed grains fed to cows that produce milk

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

9) An increase in demand combined with no change in supply

- A) raises the equilibrium price.
- B) lowers the equilibrium price.
- C) results in only a movement rightward along the demand curve.
- D) decreases demand because the supply curve does not shift.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

10) For consumers, goods A and B are complementary goods. The cost of a resource used in the production of A decreases. As a result

- A) the equilibrium price of B will fall and the equilibrium price of A will rise.
- B) the equilibrium price of B will rise and the equilibrium price of A will fall.
- C) the equilibrium prices of both A and B will rise.
- D) the equilibrium prices of both A and B will fall.

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

11) Which of the following raises the equilibrium price and increases the equilibrium quantity of used cars?

- A) a fall in income if used cars are an inferior good
- B) an increase in the wage rate paid to used car salespeople
- C) neither of the above because the question suggests a violation of the "law of demand"
- D) neither of the above because the question suggests a violation of the "law of supply"

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

12) Coffee and sugar are complements. If a poor sugar harvest leads to an increase in the price of sugar, there will also be

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

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

13) Long-distance travel by bus is an inferior good. As people's incomes increase and other things remain the same, you predict that the

- A) price of long-distance travel by bus will fall and the demand for long-distance travel by bus will increase.
- B) price of long-distance travel by bus will fall.
- C) demand for long-distance travel by bus will decrease and the price will rise.
- D) demand for long-distance travel by bus will increase as the price of long-distance travel by bus falls.

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

14) If the demand for hamburgers decreases, the equilibrium price

- A) rises and the equilibrium quantity increases.
- B) falls and the equilibrium quantity increases.
- C) rises and the equilibrium quantity decreases.
- D) falls and the equilibrium quantity decreases.

Answer: D

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

15) Suppose that people find out that eating more fish improves their health, leading them to increase their demand for fish. As a result, the equilibrium price of fish _____ and the equilibrium quantity _____.

- A) rises; decreases
- B) rises; increases
- C) falls; decreases
- D) falls; increases

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

16) Doctors find that one aspirin per day reduces the risk of heart attacks. Demand for aspirin will

- A) increase, so that equilibrium price and equilibrium quantity will increase.
- B) decrease, so that equilibrium price and equilibrium quantity will increase.
- C) increase, so that equilibrium price will decrease and equilibrium quantity will increase.
- D) increase, but the new equilibrium price and quantity are indeterminate.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

17) Until 2007, the price of sport utility vehicles (SUVs) rose and each year more were purchased. This experience suggests that

- A) there must have been technological advances in the way SUVs are produced.
- B) the "law of demand" does not hold true in this market.
- C) there must have been movement leftward along the supply curve for SUVs.
- D) there must have been a rightward shift of the demand curve for SUVs.

Answer: D

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

18) Between 2001 and 2015, equilibrium college tuition rose from \$15,000 to \$27,000 and equilibrium enrollment increased from 16 million to 21 million students. These changes could be the result of

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

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

19) If the U.S. Surgeon General announced that increased grapefruit juice consumption could help prevent heart attacks, what would happen to the equilibrium price and quantity of grapefruit juice?

- A) Price and quantity both increase.
- B) Price and quantity both decrease.
- C) Price increases but quantity decreases.
- D) Price decreases but quantity increases.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

20) If the price of a movie download falls, the rental rate of DVDs _____ and the equilibrium quantity of DVDs rented _____.

- A) rises; decreases
- B) rises; increases
- C) falls; decreases
- D) falls; increases

Answer: C

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

21) What will happen to the equilibrium price and equilibrium quantity of ice cream cones when consumers' incomes decrease?

- A) If ice cream cones are a normal good, then the equilibrium price and quantity of ice cream cones will decrease.
- B) If ice cream cones are a normal good, then the equilibrium price and equilibrium quantity of ice cream cones will increase.
- C) If ice cream cones are an inferior good, then the equilibrium price for an ice cream cone will increase and the equilibrium quantity of ice cream cones will decrease.
- D) If ice cream cones are an inferior good, then the equilibrium price and quantity of ice cream cones will decrease.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

22) Which of the following raises the price of a used car and increases the equilibrium quantity sold?

- A) a new 8 percent federal excise tax placed on all new car purchases
- B) an increase in wages for used car salespeople
- C) a special rebate program on all new cars
- D) None of the above answers is correct.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

23) Coffee and sugar are complements. If the supply curve of coffee shifts leftward because of poor weather, then there will be

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

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

24) Peanut butter and jelly are complements for consumers. In 2015, the price of peanut butter increased. As a result, the _____ which lead to _____ in the price of jelly and _____ in the quantity of jelly.

- A) demand for jelly; a decrease; a decrease
- B) supply of jelly; a decrease; an increase
- C) supply of jelly; an increase; a decrease
- D) demand for jelly; an increase; an increase

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

25) A decrease in the demand for beef because of concerns over cholesterol results in

- A) lower beef prices.
- B) higher beef prices.
- C) an increase in the supply of beef.
- D) an offsetting increase in the demand for beef if the price of beef falls.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

26) If more people buy hybrid cars that have high gas mileage, the equilibrium price of gasoline will _____ and the equilibrium quantity will _____.

- A) rise; increase
- B) rise; decrease
- C) fall; increase
- D) fall; decrease

Answer: D

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

27) During the last decade, the price of shoes rose substantially yet people bought more pairs of new shoes each year. This experience suggests that the

- A) supply curve of shoes shifted leftward.
- B) demand curve for shoes shifted leftward.
- C) supply curve of shoes shifted rightward.
- D) demand curve for shoes shifted rightward.

Answer: D

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

28) Suppose we observe that both the equilibrium price of digital cameras and the equilibrium quantity of digital cameras have increased. Which of the following events could be responsible for this?

- A) technological advances in digital camera production
- B) consumers' preferences changed in favor of digital cameras
- C) the price of film cameras fell
- D) workers who make digital cameras received a pay raise

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

29) Suppose we observe that both the equilibrium price of film cameras and the equilibrium quantity of film cameras have fallen. Which of the following could be responsible for this?

- A) Consumers' preferences changed in favor of digital cameras.
- B) technological advances in film camera production
- C) Workers who make cameras received a pay raise.
- D) The price of digital cameras increased.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

30) During the past twenty years, the prices of prescription drugs, relative to the prices of other goods, have risen, yet Americans buy more prescription drugs than ever. This might be because

- A) with higher incomes and more older Americans, we have moved rightward along our demand curve for drugs.
- B) with higher incomes and more older Americans, the demand curve for prescription drugs has shifted rightward.
- C) more new firms entered the pharmaceutical industry each year, which caused a rightward shift in the supply curve of prescription drugs.
- D) Both answers A and C are correct.

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 31) You observe that in the market for coffee that both the equilibrium price of coffee and the equilibrium quantity have increased. You predict that the demand for coffee
- A) has increased with no change in the supply of coffee.
 - B) has increased but it is not as large as the increase in supply.
 - C) has not changed but that the supply of coffee has decreased.
 - D) has increased less than supply of coffee has decreased.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 32) Every spring, motorists do more driving than during the winter months. Every spring, the price of gasoline increases and the motorists buy more gasoline. This experience suggests that the

- A) "law of supply" does not always hold for necessities like gasoline.
- B) "law of demand" does not always hold for necessities like gasoline.
- C) laws of supply and demand are both contradicted for gasoline, though only during the spring driving season.
- D) None of the above answers are correct.

Answer: D

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 33) After the sugar substitute saccharin was found to cause cancer in laboratory mice, its price dropped dramatically. This change in the price was because

- A) the supply of saccharin decreased.
- B) the demand for saccharin decreased.
- C) the government ordered the price reduction.
- D) saccharin producers felt sorry for their past customers and were making an honest attempt to compensate them.

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 34) When supply decreases and demand does NOT change, the equilibrium quantity _____ and the equilibrium price _____.

- A) increases; rises
- B) decreases; falls
- C) increases; falls
- D) decreases; rises

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

35) As a result of an increase in the supply of a good, the equilibrium quantity _____ and the equilibrium price _____.

- A) increases; falls
- B) increases; rises
- C) decreases; falls
- D) decreases; rises

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

36) Beef and leather belts are complements in production. If people's concern about health shifts the demand curve for beef leftward, the result in the market for leather belts will be a

- A) lower equilibrium price for a leather belt because there is an increase in the supply of leather belts.
- B) lower equilibrium price for a leather belt because there is a decrease in the supply of leather belts.
- C) higher equilibrium price for a leather belt because there is a decrease in the supply of leather belts.
- D) higher equilibrium price for a leather belt because there is an increase in the supply of leather belts.

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

37) In 2015, the price of peanuts was rising, which lead peanut butter buyers to expect the price of peanut butter would rise in the future. Consequently, in the *current* market for peanut butter there was _____ which resulted in _____ in the price of peanut butter and _____ in the quantity of peanut butter.

- A) an increase in demand for peanut butter; an increase; an increase
- B) an increase in supply of peanut butter; a decrease; an increase
- C) a decrease in demand for peanut butter; a decrease; a decrease
- D) a decrease in supply of peanut butter; an increase; a decrease

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Increases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

38) You observe that the price of a good rises and the quantity decreases. These observations can be the result of the

- A) demand curve shifting rightward.
- B) demand curve shifting leftward.
- C) supply curve shifting rightward.
- D) supply curve shifting leftward.

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

39) Leather belts and leather shoes are substitutes in production. If style changes increase the demand for leather belts, the supply curve of leather shoes will shift

- A) leftward and the equilibrium price of leather shoes will fall.
- B) leftward and the equilibrium price of leather shoes will rise.
- C) rightward and the equilibrium price of leather shoes will fall.
- D) rightward and the equilibrium price of leather shoes will rise.

Answer: B

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

40) If technological advances lower the cost of computer chips, in the market for computers the equilibrium price will _____ and the equilibrium quantity will _____.

- A) fall; increase
- B) fall; decrease
- C) rise; increase
- D) rise; decrease

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

41) If the price of crude oil falls, the equilibrium price of gasoline _____ and the equilibrium quantity _____.

- A) rises; increases
- B) rises; decreases
- C) falls; increases
- D) falls; decreases

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

42) Which of the following statements is CORRECT?

- A) When demand decreases, both the price and the quantity increase.
- B) When demand increases, both the price and the quantity decrease.
- C) When supply increases, the quantity increases and the price falls.
- D) When supply decreases, both the price and the quantity decrease.

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

43) 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

- A) a shift in the demand curve for bicycles.
- B) a temporary surplus of bicycles.
- C) a permanent surplus of bicycles.
- D) an increase in the price of a bicycle.

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

44) If workers who make DVDs get a pay raise, the equilibrium price of a DVD _____ and the equilibrium quantity of DVDs _____.

- A) rises; increases
- B) rises; decreases
- C) falls; decreases
- D) falls; increases

Answer: B

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

45) "The recent hurricanes in Florida are bringing financial gain to California citrus growers. Due to extensive damage to the Florida citrus crop, California citrus products are commanding their highest prices ever." Which of the following statements best explains the economics of this quotation?

- A) The supply of Florida oranges decreased, causing their price to increase, which then increased the demand for substitute California oranges.
- B) The supply of Florida oranges decreased, causing the supply of California oranges to increase and the price of California oranges to rise.
- C) The demand for Florida oranges decreased because of the hurricanes, causing a greater demand for California oranges and an increase in the price of California oranges.
- D) The demand for Florida oranges decreased, causing their prices to rise, therefore increasing the demand for California oranges.

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

46) In the market for bananas, the price is \$2.00 a bunch. An increase in the supply of bananas decreases the price of bananas and

- A) the quantity supplied increases because the price falls.
- B) increases the demand for bananas.
- C) increases the quantity of bananas demanded.
- D) creates a shortage of bananas.

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

47) Crude oil can be refined into home heating oil or gasoline. If very cold weather caused the price of home heating oil to increase then, the

- A) supply of gasoline would increase.
- B) demand for gasoline would increase.
- C) equilibrium price of gasoline would rise.
- D) Both answers A and C are correct.

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

48) A fall in the price of wheat fertilizer _____ the equilibrium price of wheat and _____ the equilibrium quantity of wheat.

- A) raise; increase
- B) raise; decrease
- C) lower; increase
- D) lower; decrease

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

49) There is a technological advance in the production of ice cream. As a result, the supply curve of ice cream shifts _____ and _____.

- A) leftward; both the equilibrium price and equilibrium quantity fall
- B) rightward; both the equilibrium price and equilibrium quantity fall
- C) rightward; the equilibrium price falls while the equilibrium quantity increases
- D) rightward; both the equilibrium price and equilibrium quantity rise

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 50) If the price of aluminum used to make bicycles increases, the price of a bicycle rises because of a
- A) rightward shift of the demand curve for bicycles.
 - B) rightward shift of the supply curve of bicycles.
 - C) leftward shift of the demand curve for bicycles.
 - D) leftward shift of the supply curve of bicycles.

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 51) An increase in the price of jet fuel will _____ airline travel and the equilibrium quantity of airline travel will _____.

- A) decrease the supply of; decrease
- B) increase the demand for; increase
- C) decrease the supply of; increase
- D) decrease the demand for; decrease

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

- 52) There is a technological advance in the production of a good and simultaneously also an increase in the expected future price. Which of the following will happen?

- A) The equilibrium price will rise because the supply curve shifts rightward.
- B) The equilibrium price falls because the supply curve shifts leftward.
- C) The technological improvement shifts the supply curve rightward while the increase in the expected future price shifts the supply curve leftward. The net effect is not known.
- D) The demand curve shifts rightward and the supply curve does not shift.

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 53) If a technological advance takes place in the computer industry, then the equilibrium price of a computer will _____ and the equilibrium quantity will _____.

- A) fall; increase
- B) fall; decrease
- C) rise; increase
- D) rise; decrease

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

54) What is the effect on the price and quantity of wooden desks of a rise in the price of wood?

- A) The equilibrium quantity of wooden desks increases and the equilibrium price falls.
- B) The equilibrium quantity of wooden desks increases and the equilibrium price rises.
- C) The equilibrium quantity of wooden desks decreases and the equilibrium price falls.
- D) The equilibrium quantity of wooden desks decreases and the equilibrium price rises.

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

55) Which of the following increases the equilibrium price of a used car and decreases the equilibrium quantity?

- A) an announcement by the U.S. Attorney General that the windows on older cars were made with cheaper glass that can explode at high speeds
- B) new federal legislation that raises the legal driving age to twenty-four in all states
- C) a new fee that used car dealers must pay to the government on all sales of used cars
- D) all of the above because each is consistent with the "law of demand"

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

56) We observe that the equilibrium price of digital cameras has fallen and the equilibrium quantity of digital cameras has increased. Which of the following events could be responsible for this?

- A) Technological advances in digital camera production.
- B) Consumers' preferences changed in favor of digital cameras.
- C) The price of film cameras rose.
- D) Workers who make digital cameras received a pay raise.

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

57) During the last decade, the price of a computer fell every year and the quantity sold increased every year. This experience suggests that the

- A) "law of demand" was definitely contradicted.
- B) "law of supply" was definitely contradicted.
- C) demand curve shifted rightward.
- D) supply curve shifted rightward.

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

58) After 2009, the price of tablets fell each year and manufacturers of tablets produced and sold more tablets each year. This result is because the

- A) "law of supply" does not apply to companies in the "high-tech" sector of the economy.
- B) "law of demand" does not apply to customers in the "high-tech" sector of the economy.
- C) supply curve of tablets shifted rightward.
- D) demand curve for tablets shifted leftward.

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

59) Suppose the equilibrium price of a gallon of gasoline drops from \$3.00 to \$2.85 and the equilibrium quantity increases from 365 millions of gallons per week to 372 millions of gallons per week. These changes can be the result of

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

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

60) Many Southern farmers face a choice between planting peanuts or cotton. In 2014, farmers anticipated higher prices for cotton. In the market for peanuts in 2014, there would be _____ in the supply of peanuts, which leads to _____ in the price of peanuts and _____ in the quantity of peanuts.

- A) a decrease; an increase; a decrease
- B) an increase; a decrease; a decrease
- C) a decrease; an increase; an increase
- D) an increase; an increase; a decrease

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

61) In 2014, the price of peanuts increased. In the market for peanut butter, this change lead to _____ and which therefore _____ the price of peanut butter and _____ the quantity of peanut butter.

- A) a decrease in the supply; increased; decreased
- B) an increase in supply; decreased; increased
- C) a decrease in demand; decreased; decreased
- D) an increase in demand; increased; increased

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

62) In 2014, the price of peanuts was rising, which lead peanut butter sellers to expect the price of peanut butter would rise in the future. Consequently, in the *current* market for peanut butter there was _____ which resulted in _____ in the price of peanut butter and _____ in the quantity of peanut butter.

- A) an increase in demand for peanut butter; an increase; an increase
- B) an increase in supply of peanut butter; a decrease; an increase
- C) a decrease in demand for peanut butter; a decrease; a decrease
- D) a decrease in supply of peanut butter; an increase; a decrease

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Increases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

63) If both demand and supply increase, what will be the effect on the equilibrium price and quantity?

- A) Both the price and the quantity will increase.
- B) The quantity will increase but the price could either rise, fall, or remain the same.
- C) The price will fall but the quantity will increase.
- D) The price will rise but the quantity could either increase, decrease, or remain the same.

Answer: B

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

64) If both the demand and supply increase, the equilibrium quantity _____ and the equilibrium price _____.

- A) increases; falls
- B) decreases; might rise, fall, or not change
- C) decreases; rises
- D) increases; might rise, fall, or not change

Answer: D

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

65) The equilibrium quantity of a good will increase and its equilibrium price might rise, fall, or stay the same when

- A) its demand and supply both increase.
- B) its demand increases and supply decreases.
- C) its demand decreases and supply increases.
- D) its demand and supply both decrease.

Answer: A

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

66) If good growing conditions increase the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawberries bought

- A) increases and the price might rise, fall or not change.
- B) increases and the price rises.
- C) doesn't change and the price falls.
- D) doesn't change and the price rises.

Answer: A

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

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

67) Suppose a medical study reveals new benefits to consuming beef and at the same time a bumper corn crop reduces the cost of feeding steers. The equilibrium price of beef will

- A) fall.
- B) perhaps rise, fall, or stay the same, but more information is needed to determine which it does.
- C) stay the same.
- D) rise.

Answer: B

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

68) Beef is a normal good and people's incomes fall. At the same time a bumper corn crop reduces the cost of feeding steers. These changes result in

- A) an increase in the equilibrium quantity of beef.
- B) an increase in the equilibrium quantity of beef if the shift in the demand curve is smaller than the shift in the supply curve.
- C) an increase in the equilibrium quantity of beef if the shift in the demand curve is larger than the shift in the supply curve.
- D) no change in the equilibrium quantity of beef.

Answer: B

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

69) When supply and demand both increase, the

- A) quantity definitely decreases.
- B) quantity definitely increases.
- C) price definitely increases.
- D) price definitely decreases.

Answer: B

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

70) Between 2000 and 2015, advances in PC production technology increased the supply of PCs sharply. The demand for PCs also increased, but not nearly as much as the supply did. As a result, the price of a PC _____ and the quantity of PCs sold _____.

- A) rose; decreased
- B) rose; increased
- C) fell; decreased
- D) fell; increased

Answer: D

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

71) Between 2000 and 2015, the price of a PC fell and the quantity of PCs sold increased. Which of the explanations below is consistent with these facts?

- A) The demand for PCs increased by more than the supply of PCs increased.
- B) The supply of PCs increased by more than the demand for PCs increased.
- C) The demand for PCs decreased by more than the supply of PCs increased.
- D) Both the supply of PCs and the demand for PCs decreased.

Answer: B

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

72) If the demand curve for bottled water shifts rightward and the supply curve of bottled water shifts rightward, the equilibrium

- A) price of bottled water definitely increases.
- B) price of bottled water definitely decreases.
- C) quantity of bottled water definitely increases.
- D) quantity of bottled water definitely decreases.

Answer: C

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

73) Which of the following statements is CORRECT?

- A) When both demand and supply increase, the quantity decreases and the price might rise, fall, or remain the same.
- B) When both demand and supply increase, the price rises and the quantity might increase, decrease, or remain the same.
- C) When both demand and supply decrease, the quantity increases and the price might rise, fall, or remain the same.
- D) When both demand and supply decrease, the quantity decreases and the price might rise, fall, or remain the same.

Answer: D

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

74) If the demand for bathing suits and supply of bathing suits both decrease, then definitely the equilibrium

- A) price will decrease.
- B) price will increase.
- C) quantity will increase.
- D) quantity will decrease.

Answer: D

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

75) The equilibrium quantity will decrease and the price might rise, fall, or stay the same when the

- A) demand and the supply of a good both increase.
- B) demand for a good increases and the supply of it decreases.
- C) demand for a good decreases and the supply of it increases.
- D) demand and the supply of a good both decrease.

Answer: D

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

76) If the demand curve for bottled water shifts leftward and the supply curve of bottled water shifts leftward, the equilibrium

- A) price of bottled water definitely increases.
- B) price of bottled water definitely decreases.
- C) quantity of bottled water definitely increases.
- D) quantity of bottled water definitely decreases.

Answer: D

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

77) Flights to Paris are a normal good and people's incomes rise. At the same time, the price of jet fuel rises. The equilibrium price of a flight to Paris _____ and the equilibrium quantity of flights to Paris _____.

- A) might rise, fall, or not change; increases
- B) falls; decreases.
- C) rises; increases
- D) rises; might increase, decrease, or not change

Answer: D

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

78) In the market for oranges, the demand and supply of oranges decrease by the same amount. The equilibrium quantity will _____ and the equilibrium price will _____.

- A) decrease; not change
- B) decrease; fall
- C) remain the same; either rise or fall
- D) remain the same; rise

Answer: A

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

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

79) What will happen to the equilibrium price and quantity of coffee if it is discovered to help prevent colds and, at the same time, Brazil and Vietnam emerge in the global market as massive producers of coffee?

- A) The price will fall and the effect on the quantity is uncertain.
- B) The quantity will increase and the effect on the price is uncertain.
- C) The quantity will decrease and the price will rise.
- D) The quantity will increase and the price will remain unchanged.

Answer: B

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

80) Which of the following always raises the equilibrium price?

- A) an increase in both demand and supply
- B) a decrease in both demand and supply
- C) an increase in demand combined with a decrease in supply
- D) a decrease in demand combined with an increase in supply

Answer: C

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

81) The equilibrium price will rise and the equilibrium quantity might increase, decrease, or stay the same when the

- A) demand and the supply of a good both increase.
- B) demand for a good increases and the supply of it decreases.
- C) demand for a good decreases and the supply of it increases.
- D) demand and the supply of a good both decrease.

Answer: B

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

82) If demand increases and supply decreases, what is the effect on equilibrium price and equilibrium quantity?

- A) The price falls and the quantity might increase, decrease, or remain the same.
- B) The price rises and the quantity might increase, decrease or remain the same.
- C) The quantity decreases and the price might rise, fall, or remain the same.
- D) The quantity increases and the price might rise, fall, or remain the same.

Answer: B

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

83) If the supply of bottled water decreases and at the same time the demand for bottled water increases, the equilibrium price _____ and the equilibrium quantity _____.

- A) might rise, fall, or stay the same; decreases
- B) might rise, fall, or stay the same; increases
- C) falls; increases
- D) rises; might increase, decrease, or stay the same

Answer: D

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

84) When the demand curve shifts rightward and the supply curve shifts leftward, then the equilibrium price _____ and the equilibrium quantity _____.

- A) rises; decreases
- B) falls; increases
- C) rises; probably changes but the direction of the change cannot be determined
- D) probably changes but the direction of the change cannot be determined; increases

Answer: C

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

85) In 2014, the price of peanuts was rising, which lead peanut butter sellers and peanut butter buyers to expect the price of peanut butter would rise in the future. Consequently, in the *current* market for peanut butter there was _____ which resulted in a _____ in the price of peanut butter and _____ in the quantity of peanut butter.

- A) a decrease in supply of peanut butter and an increase in demand for peanut butter; rise; an increase, decrease or possibly no change
- B) a decrease in supply of peanut butter and a decrease in demand for peanut butter; rise, fall, or possibly no change; a decrease
- C) an increase in supply of peanut butter and a decrease in demand for peanut butter; fall; an increase, decrease or possibly no change
- D) a decrease in supply of peanut butter and an increase in demand for peanut butter; fall; an increase, decrease or possibly no change

Answer: A

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

86) In 2014, the price of peanuts was rising, which lead peanut butter sellers and peanut butter buyers to expect the price of peanut butter would rise in the future. Suppose the effect on the buyers was larger than the effect on the sellers. Consequently, in the *current* market for peanut butter there is a _____ in the price of peanut butter and _____ in the quantity of peanut butter.

- A) rise; an increase
- B) rise; a decrease
- C) fall; a decrease
- D) fall; an increase

Answer: A

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

87) In 2014, the price of peanuts was rising, which lead peanut butter sellers and peanut butter buyers to expect the price of peanut butter would rise in the future. Suppose the effect on the sellers was larger than the effect on the buyers. Consequently, in the *current* market for peanut butter there is a _____ in the price of peanut butter and _____ in the quantity of peanut butter.

- A) rise; an increase
- B) rise; a decrease
- C) fall; a decrease
- D) fall; an increase

Answer: B

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

88) In 2014, the price of peanuts was rising, which lead peanut butter sellers and peanut butter buyers to expect the price of peanut butter would rise in the future. In the *current* market for peanut butter, the price falls and the quantity decreases. This set of results means that

- A) supply decreased by more than demand increased.
- B) demand increased by more than supply decreased.
- C) demand increased by more than supply increased.
- D) supply decreased by more than demand decreased.

Answer: A

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

89) In 2014, the price of peanuts was rising, which lead peanut butter sellers and peanut butter buyers to expect the price of peanut butter would rise in the future. In the *current* market for peanut butter, the price rises and the quantity increases. This set of results means that

- A) demand increased by more than supply decreased.
- B) supply decreased by more than demand increased.
- C) demand increased by more than supply increased.
- D) supply decreased by more than demand decreased.

Answer: A

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

90) All shredded wheat producers have decided to add a new ingredient to shredded wheat, the "crunch enhancer." Crunch enhancer keeps cereals crisper longer in milk and, as a result, consumers decide they like shredded wheat more than before. What happens to the supply and demand curves for shredded wheat now that it costs more to produce and consumers like it better?

- A) The supply and demand curves both shift rightward.
- B) The supply curve shifts rightward and the demand curve doesn't shift.
- C) The supply curve shifts leftward and the demand curve shifts rightward.
- D) The supply curve shifts leftward and the demand curve doesn't shift.

Answer: C

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

91) An increase in the demand for computers and a decrease in the number of sellers of computers will definitely

- A) increase the number of computers bought.
- B) increase the price of a computer.
- C) increase the price of a computer and the number of computers bought.
- D) not change the price of a computer and increase the number of computers bought.

Answer: B

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

92) Consider gardening books. What will happen to the market for these books as gardening becomes more popular and simultaneously printing costs increase?

- A) The price of gardening books definitely increases.
- B) The quantity of gardening books definitely increases.
- C) The price of gardening books might increase or decrease.
- D) The quantity of gardening books definitely stays the same.

Answer: A

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

93) If the demand curve for bottled water shifts rightward and the supply curve of bottled water shifts leftward, the equilibrium

- A) price of bottled water definitely increases.
- B) price of bottled water definitely decreases.
- C) quantity of bottled water definitely increases.
- D) quantity of bottled water definitely decreases.

Answer: A

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

94) The cost of producing aspirin increases simultaneously as doctors find that one aspirin per day reduces the risk of heart attacks. The supply of aspirin _____ and the demand for aspirin _____ so that the equilibrium price of aspirin _____.

- A) increases; increases; rises
- B) decreases; increases; rises
- C) increases; decreases; might rise, fall, or stay the same
- D) decreases; increases; might rise, fall, or stay the same

Answer: B

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

95) All grapefruit juice producers have decided to blend tangerine juice with the grapefruit juice. This blend results in a higher cost of production, but studies show that consumers prefer the taste of the blend to straight grapefruit juice. What will happen to the equilibrium price and quantity of the new "blended" grapefruit juice now that it costs more to produce but consumers like it better?

- A) The price rises and the quantity increases.
- B) The price falls and the quantity increases.
- C) The effect on the price is uncertain but the quantity increases.
- D) The price rises, but the effect on the quantity is uncertain.

Answer: D

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

96) Which of the following always lowers the equilibrium price?

- A) an increase in both demand and supply
- B) a decrease in both demand and supply
- C) an increase in demand combined with a decrease in supply
- D) a decrease in demand combined with an increase in supply

Answer: D

Topic: Predicting Changes: Demand Decreases, Supply Increases

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

97) The equilibrium price will fall and the equilibrium quantity might increase, decrease, or stay the same when the

- A) demand and the supply of a good both increase.
- B) demand for a good increases and the supply of it decreases.
- C) demand for a good decreases and the supply of it increases.
- D) demand and the supply of a good both decrease.

Answer: C

Topic: Predicting Changes: Demand Decreases, Supply Increases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

98) If the demand curve for bikes shifts leftward and the supply curve for bikes shifts rightward, the equilibrium

- A) price of bikes definitely increases.
- B) price of bikes definitely decreases.
- C) quantity of bikes definitely increases.
- D) quantity of bikes definitely decreases.

Answer: B

Topic: Predicting Changes: Demand Decreases, Supply Increases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

Price (dollars per ride)	Quantity demanded (rides per day)	Quantity supplied (rides per day)
2	100	40
4	90	50
6	80	60
8	70	70
10	60	80
12	50	90

99) The table gives the demand and supply schedules for boat rides. If the supply of boat rides increases by 20 rides a day, the price will

- A) remain unchanged.
- B) fall to \$6 a ride.
- C) rise to \$6 a ride.
- D) rise to \$10 a ride.

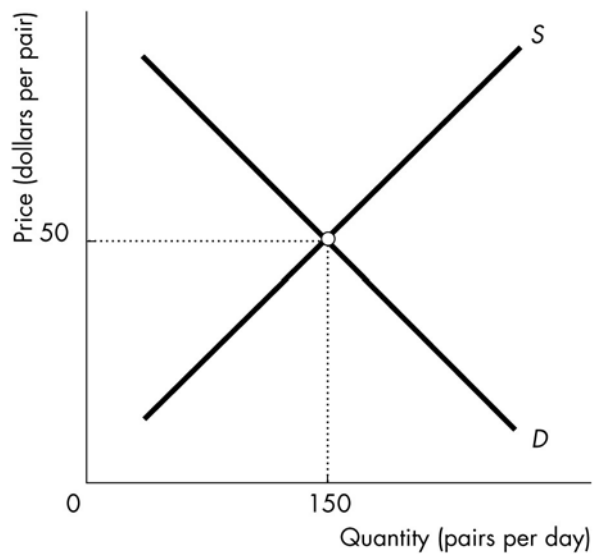
Answer: B

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking



100) The figure illustrates the demand for and supply for jeans. Suppose jeans are a normal good and people's incomes increase. At the initial price of \$50 for a pair of jeans, after the increase in income the quantity demanded is _____ than the equilibrium quantity and there is a _____ of jeans.

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

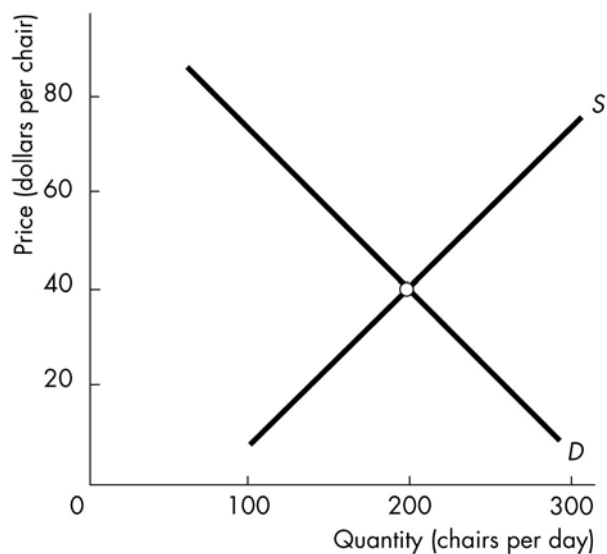
Answer: D

Topic: Predicting Changes in Price and Quantity; Demand Increases

Skill: Conceptual

Status: Old

AACSB: Analytical thinking



101) The figure illustrates the market for chairs. If the supply of chairs increases, the price of a chair _____ \$40 and the quantity _____.

- A) will rise above; demanded will decrease
- B) will rise above; supplied will increase
- C) will fall below; demanded will increase
- D) will fall below; demanded will decrease

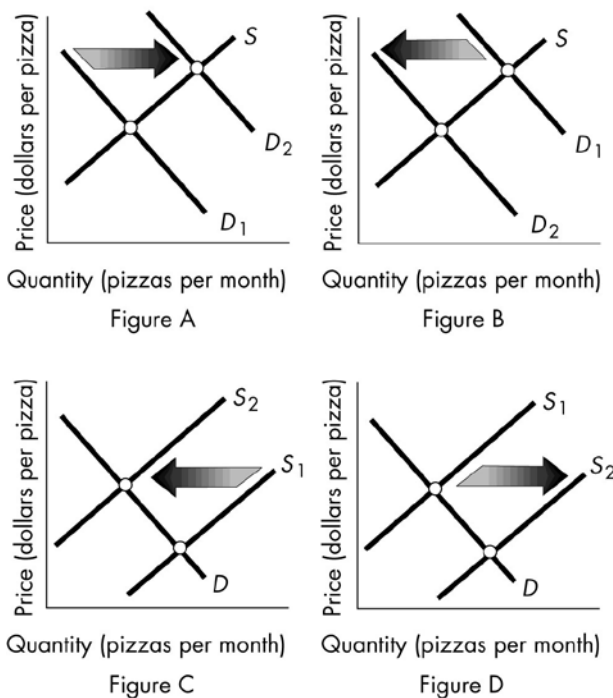
Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking



102) The above figure shows the market for pizza. Which figure shows the effect of a decrease in the price of a hamburger, which for consumers is a substitute for pizza?

- A) Figure A
- B) Figure B
- C) Figure D
- D) Figures B and C

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

103) The above figure shows the market for pizza. Which figure shows the effect of an increase in the price of a complement such as soda?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

104) The above figure shows the market for pizza. Which figure shows the effect of an increase in the price of sandwiches, which for consumers are substitutes for pizza?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

105) The above figure shows the market for pizza. Which figure shows the effect of an increase in the price of the tomato sauce used to produce pizza?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

106) The above figure shows the market for pizza. Which figure shows the effect of a new report by the U.S. Surgeon General that eating pizza lowers cholesterol levels, an outcome many people want?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

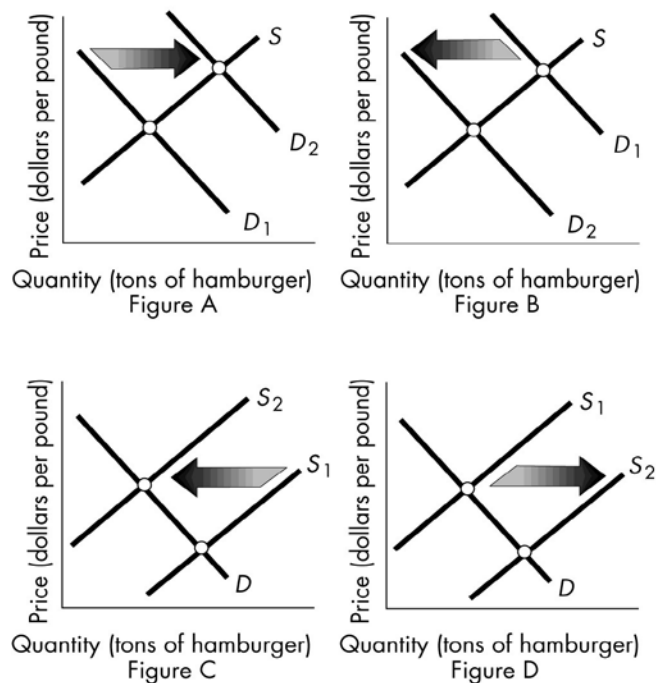
Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking



107) The above figure shows the market for hamburger. Which figure shows the effect of an announcement by the U.S. Food and Drug Administration (FDA) that eating hamburger causes early death?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

108) The above figure shows the market for hamburger. Which panel shows the effect of a drought in "cattle country"?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

109) The above figure shows the market for hamburger. Which panel shows the effect of a new excise tax on all beef products?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

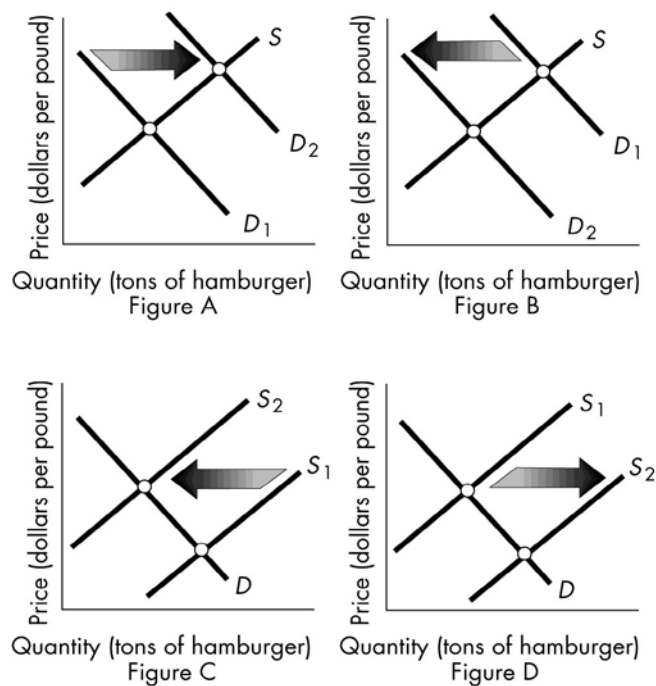
Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking



110) The above figures show the market for hamburger meat. Which figure(s) shows the effect of a new report by the U.S. Surgeon General that beef consumption is healthier than previously believed?

- A) Figure A
- B) Figure B
- C) Figure D
- D) Figure A and B

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

111) The above figures show the market for hamburger meat. Which figure(s) shows the effect of an increase in the price of a hamburger bun, a complement for hamburger meat?

- A) Figure B
- B) Figure C
- C) Figure D
- D) Figures A and B

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

112) The above figures show the market for hamburger meat. Which figure(s) shows the effect of an increase in the number of people who eat hamburger meat?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figures A and C

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

113) The above figures show the market for hamburger meat. Which figure(s) shows the effect of a decrease in the price of a hamburger complement such as hamburger buns?

- A) Figure A
- B) Figure B
- C) Figure D
- D) Figures A and B

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

114) The above figures show the market for hamburger meat. Which figure(s) shows the effect of an increase in the price of a substitute like hot dogs?

- A) Figure A
- B) Figure C
- C) Figure D
- D) Figures A and C

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

115) The above figures show the market for hamburger meat. Which figure shows the effect of a decrease in the price of a substitute like hot dogs?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

116) The above figures show the market for hamburger meat. Which figure(s) shows the effect of a nation-wide strike by butchers and meat-packers?

- A) Figure B
- B) Figure C
- C) Figure D
- D) Figures B and C

Answer: B

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

117) The above figures show the market for hamburger meat. Which figure shows the effect of a newly invented machine which grinds beef at twice the speed previously possible?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

118) The above figures show the market for hamburger meat. Which figure shows the effect when more farmers decide to raise cows that are processed into hamburger meat?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

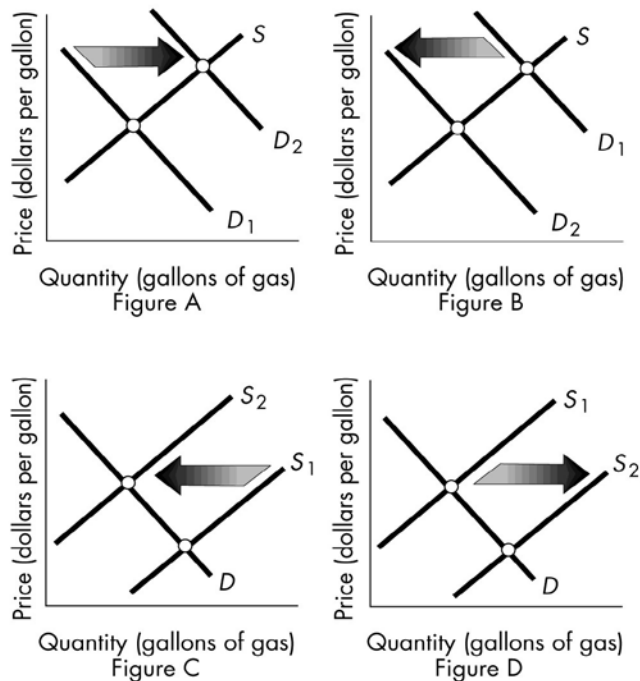
Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking



119) The above figures show the market for gasoline. Which figure shows the effect of a nation-wide strike by municipal bus drivers, which causes more people to drive their cars to work?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

120) The above figures show the market for gasoline. Which figure shows the effect of an increased preference for cars that are smaller and more fuel efficient?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

121) The above figures show the market for gasoline. Which figure shows the effect of motorists increasing the number of times they take the bus to work rather than driving their own cars?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

122) The above figures show the market for gasoline. Which figure(s) shows the effect of a decision by the OPEC countries in the Middle East to export less oil to the rest of the world?

- A) Figure B
- B) Figure C
- C) Figure D
- D) Figures B and C

Answer: B

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

123) The above figures show the market for gasoline. Which figure(s) shows the effect of a freezing cold winter which drives up the price of home heating oil (a substitute in production for gasoline because each is made from crude oil)?

- A) Figure B
- B) Figure C
- C) Figure D
- D) Figures B and C

Answer: B

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

124) The above figures show the market for gasoline. Which figure(s) shows the effect of a new U.S. tax on oil that suppliers must pay?

- A) Figures A and C
- B) Figures B and D
- C) Figure A only
- D) Figure C only

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

125) The above figures show the market for gasoline. Which figure shows the effect of the end of a nine month strike by workers at all U.S. oil refineries?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

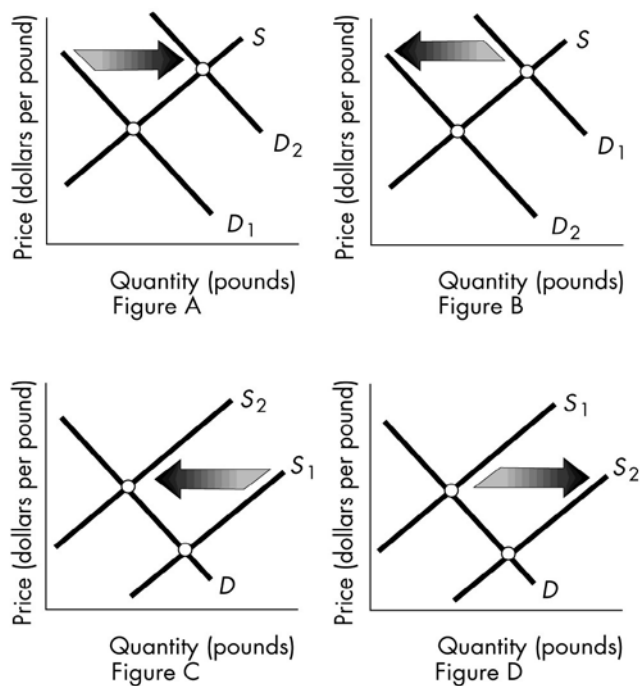
Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking



126) The above figures show the market for oranges. Which figure shows the effect of changing consumer preferences for more orange juice and less coffee in the morning?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

127) The above figures show the market for oranges. Which figure(s) shows the effect of a new government program that provides each public school child with an orange to start the day?

- A) Figure A
- B) Figure D
- C) Figures A and C
- D) Figures A and D

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

128) The above figures show the market for oranges. Which figure(s) shows the effect of an increase in the price of bananas, a substitute for oranges?

- A) Figure A
- B) Figure C
- C) Figure D
- D) Figure A and C

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

129) The above figures show the market for oranges. Which figure(s) shows the effect of new successful advertising campaigns to eat more oranges?

- A) Figure A
- B) Figure B
- C) Figure D
- D) Figures A and D

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

130) The above figures show the market for oranges. Which figure(s) shows the effect of a nation-wide consumer boycott of eating oranges?

- A) Figure B
- B) Figure C
- C) Figures B and C
- D) Figures A and D

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

131) The above figures show the market for oranges. Which figure shows the effect of great growing conditions that produce an above-average sized crop?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

132) The above figures show the market for oranges. Which figure shows the effect of a new technology called "the orange picker," which harvests oranges less expensively than ever before?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

133) The above figures show the market for oranges. Which figure(s) shows the effect of existing orange growers increasing the size of their orange groves?

- A) Figures A and C
- B) Figures B and D
- C) Figure A
- D) Figure D

Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Recognition

Status: Old

AACSB: Analytical thinking

The Market for Wapanzo Beans

Quantity Demanded (millions of pounds per year)			Price (dollars per pound)	Quantity Supplied (millions of pounds per year)		
Case 1	Case 2	Case 3		Case A	Case B	Case C
15	10	15	\$1	1	2	3
12	8	4	\$2	2	4	6
9	6	3	\$3	3	6	9
6	3	2	\$4	4	8	12
3	2	1	\$5	5	10	15

134) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. In a normal year the price of wapanzo beans will be

- A) \$1 per pound.
- B) \$2 per pound.
- C) \$3 per pound.
- D) \$4 per pound.

Answer: C

Topic: Market Equilibrium

Skill: Analytical

Status: Old

AACSB: Analytical thinking

135) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. In a normal year the equilibrium quantity of wapanzo beans will be

- A) 2 million pounds.
- B) 4 million pounds.
- C) 6 million pounds.
- D) 8 million pounds.

Answer: C

Topic: Market Equilibrium

Skill: Analytical

Status: Old

AACSB: Analytical thinking

136) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. If there is a drought in the wapanzo bean growing region then supply will _____ and demand will _____.

- A) become case A; become case 1
- B) become case A; stay at case 2
- C) stay at case B; become case 3
- D) stay at case B; become case 1

Answer: B

Topic: Change in Supply

Skill: Analytical

Status: Old

AACSB: Analytical thinking

137) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. If there is exceptionally good growing weather in the wapanzo bean growing region then supply will _____ and demand will _____.

- A) become case C; become case 1
- B) become case C; stay at case 2
- C) become case C; become case 3
- D) stay at case B; become case 1

Answer: B

Topic: Change in Supply

Skill: Analytical

Status: Old

AACSB: Analytical thinking

138) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. If it is discovered that wapanzo beans help prevent cancer, then supply will _____ and demand will _____.

- A) become case C; become case 1
- B) become case C; stay at case 2
- C) stay at case B; become case 1
- D) become case A; become case 1

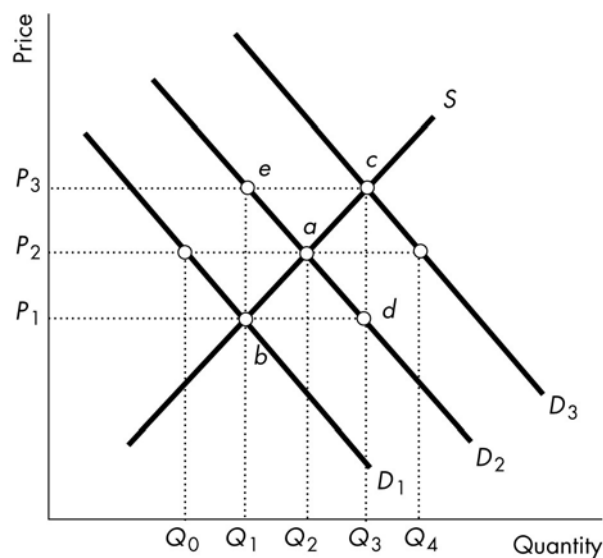
Answer: C

Topic: Change in Demand, Preferences

Skill: Analytical

Status: Old

AACSB: Analytical thinking



139) In the above figure, a change in quantity demanded with unchanged demand is represented by a movement from

- A) point *a* to point *e*.
- B) point *a* to point *b*.
- C) point *a* to point *c*.
- D) None of the above represent a change in the quantity demanded with an unchanged demand.

Answer: A

Topic: A Change in Quantity Demanded Versus a Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking

140) In the above figure, a change in quantity supplied with unchanged supply is represented by a movement from

- A) point *a* to point *e*.
- B) point *b* to point *a*.
- C) point *e* to point *c*.
- D) point *b* to point *e*.

Answer: B

Topic: A Change in Quantity Supplied Versus a Change in Supply

Skill: Analytical

Status: Old

AACSB: Analytical thinking

141) In the above figure, if D_2 is the demand curve, then a price of P_3 would result in

- A) a shortage of $Q_3 - Q_1$.
- B) a shortage of $Q_4 - Q_3$.
- C) a surplus of $Q_3 - Q_1$.
- D) a surplus of $Q_4 - Q_0$.

Answer: C

Topic: Surplus

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

142) In the above figure, if D_2 is the original demand curve for a normal good and income decreases, which price and quantity might result?

- A) point a , with price P_2 and quantity Q_2
- B) point b , with price P_1 and quantity Q_1
- C) point c , with price P_3 and quantity Q_3
- D) point d , with price P_1 and quantity Q_3

Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

143) In the above figure, if D_2 is the original demand curve and the price of a substitute in consumption rises, which price and quantity might result?

- A) point a , with price P_2 and quantity Q_2
- B) point b , with price P_1 and quantity Q_1
- C) point c , with price P_3 and quantity Q_3
- D) point d , with price P_1 and quantity Q_3

Answer: C

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

144) In the above figure, if D_2 is the original demand curve and consumers come to expect that the price of the good will rise in the future, which price and quantity might result?

- A) point a , with price P_2 and quantity Q_2
- B) point b , with price P_1 and quantity Q_1
- C) point c , with price P_3 and quantity Q_3
- D) point d , with price P_1 and quantity Q_3

Answer: C

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

145) In the above figure, if D_2 is the original demand curve and the population falls, which price and quantity might result?

- A) point a , with price P_2 and quantity Q_2
- B) point b , with price P_1 and quantity Q_1
- C) point c , with price P_3 and quantity Q_3
- D) point d , with price P_1 and quantity Q_3

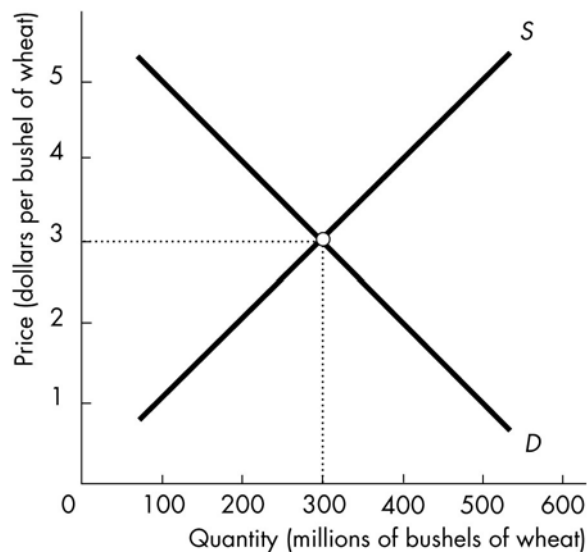
Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking



146) In the figure, the equilibrium price is initially \$3 per bushel of wheat. If suppliers come to expect that the price of a bushel of wheat will rise in the future, but buyers do not, the *current* equilibrium price will

- A) rise.
- B) not change.
- C) fall.
- D) Perhaps rise, fall, or stay the same, depending on whether there are more demanders or suppliers in the market.

Answer: A

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

147) In the figure, the equilibrium price is initially \$3 per bushel of wheat. If buyers come to expect that the price of a bushel of wheat will rise in the future, but sellers do not, the *current* equilibrium price will

A) rise.

B) not change.

C) fall.

D) Perhaps rise, fall, or stay the same, depending on whether there are more demanders or suppliers in the market.

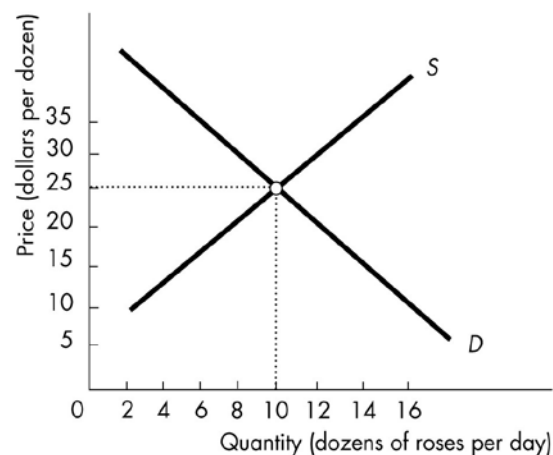
Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking



148) Using the above figure, suppose that roses are a normal good. If there is an increase in income

A) the equilibrium price will rise above \$25 per dozen roses.

B) the equilibrium quantity will decrease below 10 dozen roses.

C) we cannot predict what will happen to the equilibrium price.

D) we cannot predict what will happen to the equilibrium quantity.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Increases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

149) Using the above figure, suppose there is a decrease in the number of suppliers. Then

A) the equilibrium price will decrease below \$25 per dozen roses.

B) we cannot predict what will happen to equilibrium quantity.

C) the equilibrium quantity will decrease below 10 dozen roses.

D) both the equilibrium price and quantity will increase.

Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Decreases

Skill: Analytical

Status: Old

AACSB: Analytical thinking

150) In the above figure, in order for the equilibrium price to remain constant while the equilibrium quantity increases, the

- A) supply and demand curves both would have to shift leftward.
- B) supply curve would have to shift leftward and the demand curve would have to shift rightward.
- C) supply curve would have to shift rightward and the demand curve would have to shift leftward.
- D) supply and demand curves both would have to shift rightward.

Answer: D

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

151) Using the above figure, suppose that roses are a normal good. If incomes decrease while simultaneously there is an increase in the price of the resources used to produce roses, then

- A) the price will definitely increase above \$25 per dozen roses.
- B) the quantity will definitely decrease below 10 dozen roses.
- C) the price will definitely decrease below \$25 per dozen roses.
- D) we cannot tell what will happen to equilibrium quantity.

Answer: B

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

Skill: Analytical

Status: Old

AACSB: Analytical thinking

152) Pizza and hamburgers are substitutes for consumers. A fall in the price of a pizza _____ the price of a hamburger and _____ the quantity of hamburgers.

- A) raises; increases
- B) raises; decreases
- C) lowers; increases
- D) lowers; decreases

Answer: D

Topic: SGQ, Predicting Changes in Price & Quantity; Demand Changes

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

153) How does an unusually warm winter affect the equilibrium price and quantity of gloves?

- A) It raises both the price and the quantity.
- B) It raises the price and decreases the quantity.
- C) It lowers the price and increases the quantity.
- D) It lowers both the price and the quantity.

Answer: D

Topic: SGQ, Predicting Changes in Price & Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

154) You notice that the price and quantity of wheat both decrease. This observation can be the result of the

- A) demand curve for wheat shifting rightward.
- B) demand curve for wheat shifting leftward.
- C) supply curve of wheat shifting rightward.
- D) supply curve of wheat shifting leftward.

Answer: B

Topic: SGQ, Predicting Changes in Price & Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

155) The number of firms producing computer memory chips decreases. As a result, the price of a memory chip _____ and the quantity of memory chips _____.

- A) rises; increases
- B) rises; decreases
- C) falls; increases
- D) falls; decreases

Answer: C

Topic: SGQ, Predicting Changes in Price & Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

156) A technological improvement lowers the cost of producing coffee. At the same time, consumers' preferences for coffee increase. The equilibrium price of coffee will

- A) rise.
- B) fall.
- C) remain the same.
- D) rise, fall, or stay the same, depending on the relative size of the shifts in the demand and supply curves.

Answer: D

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

Skill: Conceptual

Status: Old

AACSB: Analytical thinking

157) Producers of tablet computers will be able to lower the wage rate that they pay to their workers. You are asked to predict the effects on the supply of tablet computers, and the price of a tablet computer. You predict that the supply curve shifts

- A) rightward, and the price is constant.
- B) leftward, and the price is constant.
- C) rightward, and the price falls.
- D) leftward, and the price rises.

Answer: C

Topic: Parallel MyEconLab Q., Predicting Change in Price & Quantity

Skill: Analytical

Status: Old

AACSB: Analytical thinking

6 News Based Questions

1) A ticket to see the Radio City Rockettes costs \$90. You buy a ticket for \$30 to see the New York Jets play football. The money price for

- A) the Rockettes ticket is \$90 and the relative price is 3 Jets tickets per Rockette ticket.
- B) the Rockettes ticket is 3 Jets tickets per Rockette ticket and the relative price is \$90.
- C) a Jets ticket is \$30 and the relative price is 3 Rockettes tickets per Jets ticket.
- D) a Jets ticket is \$30 and \$3 for a Rockettes ticket.

Answer: A

Topic: Price and Opportunity Cost

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

2) You can buy a season ticket to the Metropolitan Opera for \$800. A season ticket plan to see the New York Knicks is \$1600. Which of the following is a CORRECT statement?

- A) The money price of opera tickets is 1/2 of a Knicks ticket per opera ticket.
- B) The opportunity cost of a Knicks ticket is 2 opera tickets per Knicks ticket.
- C) The relative price of an opera ticket is \$800.
- D) the money price of a Knicks ticket is 2 opera tickets per Knicks ticket.

Answer: B

Topic: Price and Opportunity Cost

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

3) There are 72,922 seats in Lambeau Field where the Green Bay Packers play football. The Packers have sold out their season tickets since 1960. There are about 80,000 people on the waiting list to buy season tickets in 2015. This means that at the price in 2015, the

- A) quantity demanded of Packer season tickets is 72,922.
- B) quantity demanded of Packer season tickets is about 80,000.
- C) quantity demanded of Packer season tickets is about 153,000.
- D) demand for Packer season tickets is 72,922.

Answer: C

Topic: Quantity Demanded

Skill: Analytical

Status: Old

AACSB: Analytical thinking

4) There are 72,922 seats in Lambeau Field where the Green Bay Packers play football. The Packers have sold out their season tickets since 1960. There are about 80,000 people on the waiting list to buy season tickets in 2015. If the Packers raised ticket prices, the

- A) demand for Packers tickets decreases.
- B) demand curve for Packers tickets shifts leftward.
- C) demand curve for Packers tickets shifts rightward.
- D) the quantity demanded of Packers tickets decreases.

Answer: D

Topic: Law of Demand

Skill: Analytical

Status: Old

AACSB: Reflective thinking

5) There are 72,922 seats in Lambeau Field where the Green Bay Packers play football. The Packers have sold out their season tickets since 1960. There were about 70,000 people on the waiting list to buy season tickets in 2010. Packers tickets are a normal good. As a result of the economic recession in 2010 during which people's incomes decreased, the

- A) demand for Packers tickets decreased.
- B) demand curve for Packers tickets shifted rightward.
- C) quantity demanded of Packers tickets decreased.
- D) substitution effect changed the quantity demanded.

Answer: A

Topic: Change in Demand, Income

Skill: Analytical

Status: Old

AACSB: Reflective thinking

6) In 2012 Nike reduced the price of its running shoes by 20 percent. As a result, the substitution effect caused

- A) the demand for Nike shoes to increase.
- B) people to switch from Adidas shoes and buy more Nikes.
- C) the relative price of Nikes to increase.
- D) the demand curve for Nikes to shift rightward.

Answer: B

Topic: Demand; Substitution Effect

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

7) In mid-2012 Delta increased the price of a New York to LA ticket by 10 percent. As a result of this price hike, there was a _____ shift in the demand curve for a ticket on Continental because the price of a _____ had risen.

- A) rightward; complement
- B) leftward; substitute
- C) leftward; complement
- D) rightward; substitute

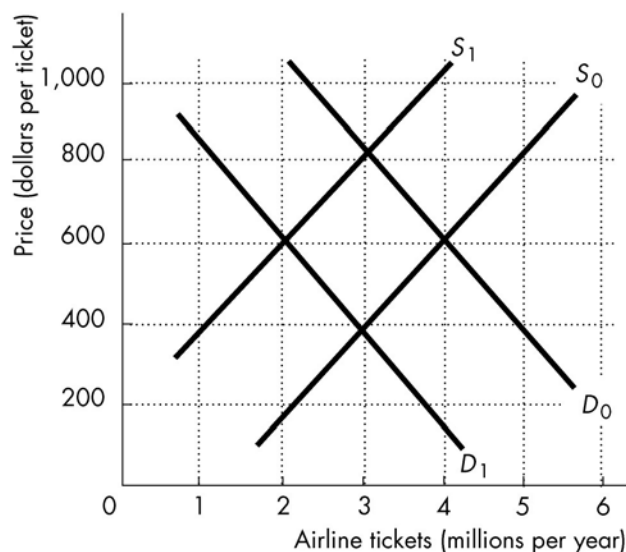
Answer: D

Topic: Change in Demand

Skill: Analytical

Status: Old

AACSB: Analytical thinking



8) The figure above shows the market for airline tickets. If airline tickets are a normal good, then the recession in 2008 that caused people's incomes to decrease lead to a shift from

A) D_0 to D_1 .

B) D_1 to D_0 .

C) S_0 to S_1 .

D) S_1 to S_0 .

Answer: A

Topic: Change in Demand, Income

Skill: Analytical

Status: Old

AACSB: Analytical thinking

9) The figure above shows the market for airline tickets. In early 2008 the price of jet fuel rose. This change is shown in the figure as a shift from

A) D_0 to D_1 .

B) D_1 to D_0 .

C) S_0 to S_1 .

D) S_1 to S_0 .

Answer: C

Topic: Change in Supply, Prices of Factors of Production

Skill: Analytical

Status: Old

AACSB: Analytical thinking

10) The figure above shows the market for airline tickets. In early 2008 firms negotiated lower wages with their workers. This change is shown in the figure as a shift from

- A) D_0 to D_1 .
- B) D_1 to D_0 .
- C) S_0 to S_1 .
- D) S_1 to S_0 .

Answer: C

Topic: Change in Supply, Prices of Factors of Production

Skill: Analytical

Status: Old

AACSB: Analytical thinking

11) The Miami Dolphins play football in Joe Robbie Stadium which holds 76,500 seats. In 2009, attendance averaged about 70,000 fans per game. This means that the quantity supplied of seats is

- A) 76,500.
- B) 70,000.
- C) 6,500.
- D) 126,500.

Answer: A

Topic: Quantity Supplied

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

12) General Electric (GE) produces wind turbines that generate wind power. Over the past 10 years, the advances in technology used to produce wind turbines has resulted in

- A) a movement up along the supply curve for wind-generated power.
- B) a rightward shift in the supply curve for wind-generated power.
- C) a decrease in the supply of wind-generated power.
- D) GE increasing the quantity supplied of wind turbines.

Answer: B

Topic: Change in Supply, Technology

Skill: Analytical

Status: Old

AACSB: Analytical thinking

13) Farmers can use their land to grow soy beans or corn. If the price of corn rises,

- A) the supply of soybeans decreases and the soybean supply curve shifts leftward.
- B) the supply of soybeans increases.
- C) the supply of corn increases and the corn supply curve shifts rightward.
- D) the supply of corn increases.

Answer: A

Topic: Change in Supply, Prices of Related Goods Produced

Skill: Analytical

Status: Old

AACSB: Analytical thinking

- 14) In 2006, the base price of a Hummer SUV was about \$30,000. By 2008 as gasoline prices increased,
- A) the demand curve for Hummers shifted leftward and Hummer prices decreased.
 - B) the demand curve for Hummers shifted rightward and Hummer prices increased.
 - C) there was a movement down along the Hummer demand curve.
 - D) there was a movement up along the Hummer supply curve.

Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

7 Essay Questions

- 1) Explain why a relative price is an opportunity cost.

Answer: A relative price is the ratio of the price of one good or service to the price of another good or service. It tells us how much of one good or service must be given up in order to obtain more of the other good.

Topic: Price and Opportunity Cost

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

- 2) What is the difference between a money price and a relative price? When the demand and supply model predicts that the price of coffee will rise, is the model predicting that the money price rises or the relative price rises?

Answer: The money price of a good is the number of dollars that must be given up in exchange for it. A relative price is the opportunity cost of a good in terms of another good. A relative price of good X is the quantity good Y that we forgo to get a unit of good X. When the supply-and-demand model predicts that the price of coffee will rise, it is the relative price, that is the model predicts that the price of coffee will rise relative to the average price of other goods. The money price might or might not rise.

Topic: Price and Opportunity Cost

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

- 3) What is the law of demand?

Answer: The law of demand states that other things remaining the same, if the price of a good rises, the quantity demanded of that good decreases, and if the price of a good falls, the quantity demanded of that good increases.

Topic: Law of Demand

Skill: Recognition

Status: Old

AACSB: Written and oral communication

4) What leads to a decrease in the quantity demanded of a good or service?

Answer: The quantity demanded of a good or service decreases when the price of the product increases.

Topic: Law of Demand

Skill: Recognition

Status: Old

AACSB: Written and oral communication

5) An economist says: "The demand curve has two interpretations." What does the economist mean?

Answer: The first interpretation is that the demand curve shows the quantities of a good or service that consumers are willing and able to buy at each price, other things being equal. The second interpretation is that the demand curve is a willingness-and-ability-to-pay curve, so that for each quantity it shows the highest price that someone is willing and able to pay for one more unit.

Topic: Demand Curve

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

6) List the factors change demand and shift the demand curve. Tell what happens to demand and the demand curve when there is an increase in the factor.

Answer: One factor that changes demand is a change in income. An increase in income increases demand and shifts the demand curve rightward for a normal good. An increase in income decreases demand and shifts the demand curve leftward for an inferior good. A change in the price of a substitute or complement also changes demand. An increase in the price of a substitute increase demand and shifts the demand curve rightward while an increase in the price of a complement decreases demand and shifts the demand curve leftward. Expectations, the population, and preferences also change demand. If people expect their income to increase, or if they expect the price of the good to be higher in the future, or if the population increases (so that the number of buyers increases), or if people's preferences for the good increase, demand increases and the demand curve shifts rightward.

Topic: Change in Demand

Skill: Recognition

Status: Old

AACSB: Analytical thinking

7) Computers are a complement to computer software. Suppose the price of a computer falls. How does this fall in price affect the demand for computer software and the demand curve for computer software?

Answer: The fall in the price of a complement increases the demand for a product. Hence the fall in the price of a computer increases the demand for computer software and shifts the demand curve for computer software rightward.

Topic: Change in Demand, Prices of Related Goods

Skill: Analytical

Status: Old

AACSB: Written and oral communication

8) What is the difference between a normal good and an inferior good? Give an example of each.

Answer: A good is a normal good if an increase in incomes leads to an increase in demand for a good. Most goods are normal goods. An example of a normal good is new clothes. A good is an inferior good if an increase in income leads to a decrease in demand for the good. Second-hand clothing that can be purchased at thrift stores is an inferior good.

Topic: Change in Demand, Income

Skill: Recognition

Status: Old

AACSB: Written and oral communication

9) Consumers' income declines and, as a result, the demand for margarine increases. Is margarine a normal or an inferior good? Explain.

Answer: Margarine is an inferior good. An inferior good is one for which demand increases as income decreases, which describes the situation outlined for margarine in the question.

Topic: Change in Demand, Income

Skill: Recognition

Status: Old

AACSB: Written and oral communication

10) Explain the difference between a change in demand and a change in quantity demanded. What leads to each of these changes?

Answer: A change in demand occurs when consumers will buy more or less of a product at every price; a change in the quantity demanded occurs when the price changes and consumers buy more or less. A change in demand is reflected by a shift of the entire demand curve, while a change in the quantity demanded is reflected by a movement along one demand curve.

Only a change in the price of the good brings about a change in the quantity demanded. A change in demand is brought about by a change in any of the other influences on demand, namely, the prices of related goods, income, expectations, the number of buyers, and preferences.

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Recognition

Status: Old

AACSB: Written and oral communication

11) Your friend Tony opened a pizzeria. You helped him to advertise his pizza, which is in fact the best pizza in town. As a result, the demand for Tony's pizza increases and your friend, noticing lines of customers, raises the price of his pizza. But then he fears that the higher price will cause demand to decline, which will cause the price to drop. Is Tony right in his analysis of the situation? Explain.

Answer: Tony is confusing a change in demand (a shift of the demand curve) with a change in quantity demanded (a movement along the demand curve). An increase in the price of his pizza cannot cause the demand for his pizza to decline, that is, it cannot shift the demand curve for his pizza leftward. The rise in the price results in a decrease in the quantity of pizza demanded. So Tony need not fear that the demand for his pizza will decrease as a result of a higher price.

Topic: A Change in the Quantity Demanded Versus a Change in Demand

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

12) An economist says: "The supply curve has two interpretations." What does the economist mean?

Answer: The first interpretation is that the supply curve shows the quantities of a good or service that producers are willing and able to sell at each price, other things being equal. The second interpretation is that the supply curve is a minimum-supply-price curve, so that for each quantity it shows the lowest price at which someone is willing to sell another unit.

Topic: Demand Curve

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

13) List the factors that change supply and shift the supply curve. Tell what happens to supply and the supply curve when there is an increase in the factor.

Answer: The factors that change supply are technology, the number of sellers, expected future prices, prices of factors of production, and prices of related goods. An advance in technology, an increase in the price of a complement in production, an increase in expected prices, and an increase in the number of sellers all lead to an increase in supply and a rightward shift in the supply curve. An increase in the price of a substitute in production or an increase in the prices of factors of production leads to a decrease in supply and a leftward shift in the supply curve.

Topic: Change in Supply

Skill: Recognition

Status: Old

AACSB: Written and oral communication

14) What are substitutes in production?

Answer: Goods are substitutes in production when one good can be produced in place of the other, that is, when the goods are produced using the same resources.

Topic: Change in Supply, Prices of Related Goods Produced

Skill: Recognition

Status: Old

AACSB: Written and oral communication

15) Suppose that the number of companies selling computer software decreases. How does this change affect the supply of computer software and the supply curve of computer software?

Answer: A decrease in the number of sellers decreases the supply. Hence the decrease in the number of companies selling computer software decreases the supply of computer software and shifts the supply curve of computer software leftward.

Topic: Change in Supply, Number of Suppliers

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

16) Suppose that the technology used to produce computers advances. How does this change affect the supply of computers and the supply curve of computers?

Answer: An advance in technology increases the supply of computers. Hence increases in technology shift the supply curve of computers rightward.

Topic: Change in Supply, Technology

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

17) What leads to a decrease in the quantity supplied of a good or service?

Answer: The quantity supplied of a good or service decreases when the price of the product decreases.

Topic: A Change in the Quantity Supplied Versus a Change in Supply

Skill: Recognition

Status: Old

AACSB: Written and oral communication

18) What is the difference between quantity supplied and supply?

Answer: Quantity supplied is the amount that people are willing to sell during a specific period for a specific price. It deals with one quantity at one price. Supply is the relationship between the quantity supplied and the price of the good. Supply applies to various prices and various quantities.

Topic: A Change in the Quantity Supplied Versus a Change in Supply

Skill: Recognition

Status: Old

AACSB: Written and oral communication

19) Explain how price can be a regulator, that is, how it can coordinate the plans of buyers and sellers.

Answer: If the price is too high, the quantity supplied exceeds the quantity demanded so there is a surplus. The surplus forces the price lower. The lower price increases the quantity demanded and decreases the quantity supplied bringing the market to equilibrium, where the quantity demanded equals the quantity supplied and where the plans of buyers and sellers are coordinated. If the price is too low, the quantity demanded exceeds the quantity supplied so there is a shortage. The shortage forces the price higher. The higher price decreases the quantity demanded and increases the quantity supplied bringing the market to equilibrium, again coordinating the plans of buyers and sellers.

Topic: Price Adjustments; Surplus

Skill: Conceptual

Status: Old

AACSB: Written and oral communication

20) When does a shortage occur?

Answer: A shortage occurs when the price is below the equilibrium price. When the price is less than the equilibrium price, the quantity demanded is greater than the quantity supplied.

Topic: Price Adjustments; Shortage

Skill: Recognition

Status: Old

AACSB: Written and oral communication

21) When does a surplus occur?

Answer: A surplus occurs when the price is above the equilibrium price. When the price exceeds the equilibrium price, the quantity supplied is greater than the quantity demanded.

Topic: Price Adjustments; Surplus

Skill: Recognition

Status: Old

AACSB: Written and oral communication

22) At prices above the equilibrium price, what occurs?

Answer: If the price exceeds the equilibrium price, there is a surplus because the quantity supplied exceeds the quantity demanded. With a surplus, the law of markets points out that the price will fall. As the price falls, the quantity supplied decreases and the quantity demanded increases, thus decreasing the size of the surplus. The price will continue to fall as long as there is a surplus, that is, as long as the price exceeds the equilibrium price. Ultimately the price will fall to equal the equilibrium price, at which time the surplus will be eliminated and the price will no longer change.

Topic: Price Adjustments; Shortage

Skill: Recognition

Status: Old

AACSB: Written and oral communication

23) When the demand for blue jeans increases, what happens next?

Answer: If the demand for blue jeans increases, then at all prices buyers are more willing and more able to buy blue jeans. The demand curve for blue jeans shifts rightward. With the curve shifts, at the initial price a shortage of jeans will emerge. The law of supply and demand will force the price higher. Hence an increase in demand for blue jeans leads to a rise in the price of a pair of blue jeans and an increase in the quantity of blue jeans.

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Written and oral communication

24) Why does an increase in the supply of computers lead to a lower price for a computer?

Answer: When the supply of a good, such as computers, increases, the supply curve shifts rightward. This shift means sellers are more willing and more able to sell computers at all prices than they were before. With this change, a surplus of computers results. The surplus forces the price to fall, which, when the price falls enough, eliminates the surplus.

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Written and oral communication

25) "If the price of crude oil falls, the demand for gasoline will increase, so people will buy more gas and the price of gas will go up." Is this statement true or false? Explain.

Answer: The analysis is false. If the price of crude oil falls, the *supply* of gasoline increases, because crude oil is a resource used to produce gasoline. The prices of resources used to produce the good influence its supply, not demand. So, if the price of oil falls, the supply of gasoline increases and the supply curve shifts rightward. The equilibrium price of gasoline falls. It is true that people will buy more gasoline, but this happens not because the demand increases, but because a lower price results in a movement down the demand curve so that the quantity demanded increases.

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Written and oral communication

26) Personal computers are becoming less expensive as new technology reduces the cost of production. In a supply and demand model, explain the effects of the technological innovations and their effect on the quantity of computers.

Answer: Advances in technology increase the supply of computers and the supply curve of computers shifts rightward. The price of a computer thus falls. The demand curve does not shift. Rather, on the demand side there is an increase in quantity demanded, or movement along the curve, in response to the falling price. The equilibrium quantity of computers increases.

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Written and oral communication

27) In the market for bicycles, explain what happens to the supply and demand curves when there is an increase in the price of steel used to make bikes.

Answer: An increase in the price of steel is an increase in the price of a resource used to make the good. As a result, the supply of bicycles decreases and the supply curve shifts leftward. There is no change to the demand, so the demand curve does not shift. The equilibrium price of a bicycle rises and the equilibrium quantity decreases.

Topic: Predicting Changes in Price and Quantity; Supply Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

28) What is the effect on the price and quantity of a product if both the demand and supply simultaneously increase?

Answer: The equilibrium quantity unambiguously increases. The effect on the equilibrium price is ambiguous. The equilibrium price rises if the increase in demand exceeds the increase in supply. The equilibrium price falls if the increase in supply exceeds the increase in demand. The equilibrium price is unchanged if the increase in demand equals the increase in supply.

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

Skill: Analytical

Status: Old

AACSB: Written and oral communication

29) What is the effect on the price and quantity of a product if the demand decreases and the supply simultaneously increases?

Answer: The equilibrium price unambiguously falls. The effect on the equilibrium quantity is ambiguous. The equilibrium quantity decreases if the decrease in demand exceeds the increase in supply. The equilibrium quantity increases if the increase in supply exceeds the decrease in demand. The equilibrium quantity is unchanged if the decrease in demand equals the increase in supply.

Topic: Predicting Changes: Demand Decreases, Supply Increases

Skill: Analytical

Status: Old

AACSB: Written and oral communication

30) Computers are a complement to computer software. Suppose the price of a computer falls. Simultaneously, suppose that the number of companies selling computer software decreases. How do these changes affect the price and quantity of computer software?

Answer: The fall in the price of a computer increases the demand for computer software and the demand curve for computer software shifts rightward. A decrease in the number of sellers decreases the supply of computer software and the shifts the supply curve of computer software leftward. The increase in demand and decrease in supply both raise the price, so the price definitely rises. The increase in demand increases the quantity and the decrease in supply decreases the quantity. Hence the net effect on the quantity is ambiguous.

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Written and oral communication

31) In early 2009 the price of computer memory chips rose. In a demand and supply model, shifts in what curve(s) could have brought about the higher price?

Answer: The higher price could have been brought about by an increase in demand, a decrease in supply, or the combination of an increase in demand combined with a decrease in supply. Hence the higher price could have been the result of a rightward shift in the demand curve, a leftward shift in the supply curve, or a combined rightward shift of the demand curve and leftward shift of the supply curve.

Topic: Predicting Changes: Demand Increases, Supply Decreases

Skill: Analytical

Status: Old

AACSB: Written and oral communication

32) If the equilibrium price for a two-liter bottle of Coca-Cola is \$1.50 today, just like it was ten years ago, can we safely say that all supply and demand conditions in the market for Coke have remained very stable all these years?

Answer: Not necessarily. The demand curve might have shifted rightward continuously due to population growth in the United States and growing demand for Coke in other countries world-wide. Although that alone would have driven up the price, there could have been other factors shifting the supply curve rightward, such as improved technology for producing and transporting Coke, or declining sugar prices because of some great sugar harvests. Regardless of the reason, if the supply increased, so that the supply curve shifted rightward, then the increase in supply, which leads to a fall in the equilibrium price, can offset any increase in the demand. So, even if the price has remained constant, the only accurate statement is that any change in demand was accompanied by an equal sized change in the supply in the same direction.

Topic: Market Equilibrium

Skill: Analytical

Status: Old

AACSB: Written and oral communication

8 Numeric and Graphing Questions

1) The price of a computer is \$1,000 and the price of a car is \$12,000. What is the relative price of a car? What is the relative price of a computer?

Answer: The relative price of a car is $\$12,000 \text{ per car} \div \$1,000 \text{ per computer} = 12 \text{ computers per car}$. The relative price of a computer is $\$1,000 \text{ per computer} \div \$12,000 \text{ per car} = 0.083 \text{ of a car per computer}$.

Topic: Price and Opportunity Cost

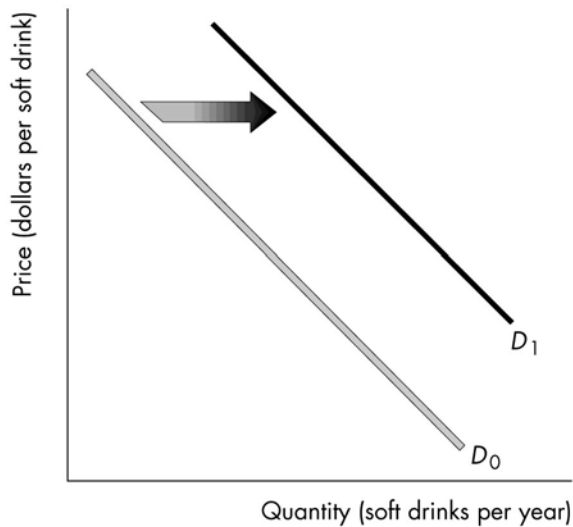
Skill: Analytical

Status: Old

AACSB: Analytical thinking

2) Soft drinks and milk are substitutes for consumers. Draw a graph showing the effect of an increase in the price of milk on the demand for soft drinks.

Answer:



The increase in the price of milk increases the demand for soft drinks, as illustrated in the figure above.

Topic: Change in Demand, Prices of Related Goods

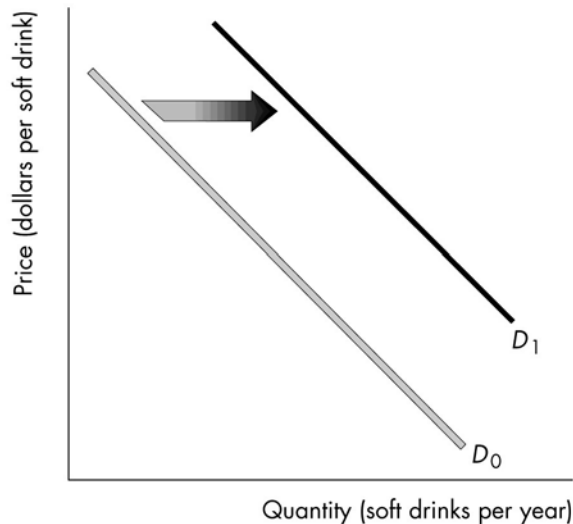
Skill: Analytical

Status: Old

AACSB: Analytical thinking

3) Soft drinks are a normal good. Draw a graph showing the effect of an increase in income on the demand for soft drinks.

Answer:



The increase in the income increases the demand for soft drinks, as illustrated in the figure above.

Topic: Change in Demand, Income

Skill: Analytical

Status: Old

AACSB: Analytical thinking

Price (dollars per pound of cat food)	Quantity demanded (tons of cat food per year)	Quantity supplied (tons of cat food per year)
1.00	52	15
1.50	46	26
2.00	43	34
2.50	40	30
3.00	35	44

4) The above table gives the demand and supply schedules for cat food. If the price is \$3.00 per pound of cat food, will there be a shortage, a surplus, or is this price the equilibrium price? If there is a shortage, how much is the shortage? If there is a surplus, how much is the surplus? If \$3.00 is the equilibrium price, what is the equilibrium quantity?

Answer: At a price of \$3.00 per pound of cat food, there is a surplus. The surplus equals 44 tons (the quantity supplied) minus 35 tons (the quantity demanded), or 9 tons of cat food.

Topic: Surplus

Skill: Analytical

Status: Old

AACSB: Analytical thinking

5) The above table gives the demand and supply schedules for cat food. If the price is \$1.00 per pound of cat food, will there be a shortage, a surplus, or is this price the equilibrium price? If there is a shortage, how much is the shortage? If there is a surplus, how much is the surplus? If \$3.00 is the equilibrium price, what is the equilibrium quantity?

Answer: At a price of \$1.00 per pound of cat food, there is a shortage. The shortage equals 52 tons (the quantity demanded) minus 15 tons (the quantity supplied), or 37 tons of cat food.

Topic: Shortage

Skill: Analytical

Status: Old

AACSB: Analytical thinking

6) The above table gives the demand and supply schedules for cat food. What is the equilibrium price and quantity?

Answer: The equilibrium price is \$2.50 per pound of cat food because that is the price at which the quantity demanded equals the quantity supplied. The equilibrium quantity of cat food is 40 tons per year.

Topic: Equilibrium

Skill: Analytical

Status: Old

AACSB: Analytical thinking

7) The above table gives the demand and supply schedules for cat food. If the supply increases by 20 tons at every price, what is the new equilibrium price and quantity?

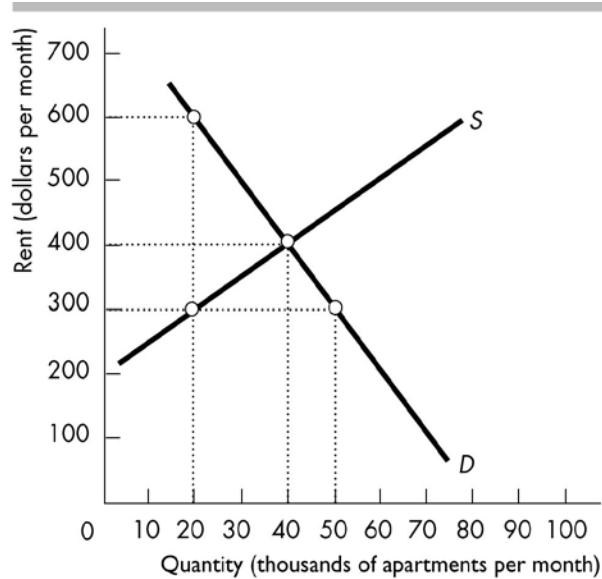
Answer: The equilibrium price is \$1.50 per pound of cat food because that is the price at which the quantity demanded equals the (new) quantity supplied. The equilibrium quantity of cat food is 46 tons per year.

Topic: Predicting Changes: Demand Decreases, Supply Increases

Skill: Analytical

Status: Old

AACSB: Analytical thinking



8) The diagram above illustrates the market for apartments in Victoria, British Columbia.

a) If the current rent is \$300 per month, is there a shortage or surplus in the apartment market and how much is the shortage or surplus?

b) What is the equilibrium rent and quantity of apartments?

Answer:

a) If the rent is \$300 per month, there is a shortage of 30,000 apartments.

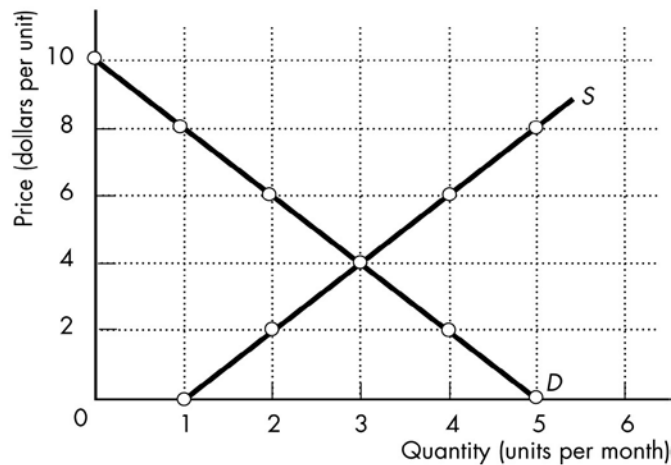
b) The equilibrium rent is \$400 per month and the equilibrium quantity is 40,000 apartments.

Topic: Shortage

Skill: Analytical

Status: Old

AACSB: Analytical thinking



9) In the figure above, if the price is \$8 a unit, is there a shortage or surplus and what is the amount of any shortage or surplus? What is the equilibrium price and quantity?

Answer: At a price of \$8 there is a surplus because the quantity supplied exceeds the quantity demanded. The amount of the surplus is 4 units per month. The equilibrium price is \$4 a unit and the equilibrium quantity is 3 units per month.

Topic: Shortage

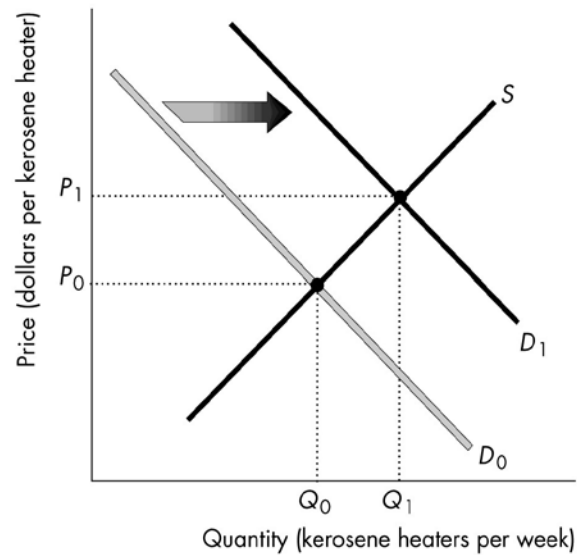
Skill: Analytical

Status: Old

AACSB: Analytical thinking

10) Last year a very severe ice storm hit the north counties of New York state, and the states of Vermont and Maine. Electric poles were down and no one had power for days. It was reported that the price of kerosene heaters skyrocketed and the number purchased increased during this time. Using a supply and demand diagram, show the impact of the ice storm on the market for kerosene heaters.

Answer:



The demand for kerosene heaters increased, so the demand curve shifted rightward, as illustrated above. As a result, the price rises and quantity increases.

Topic: Predicting Changes in Price and Quantity; Demand Changes

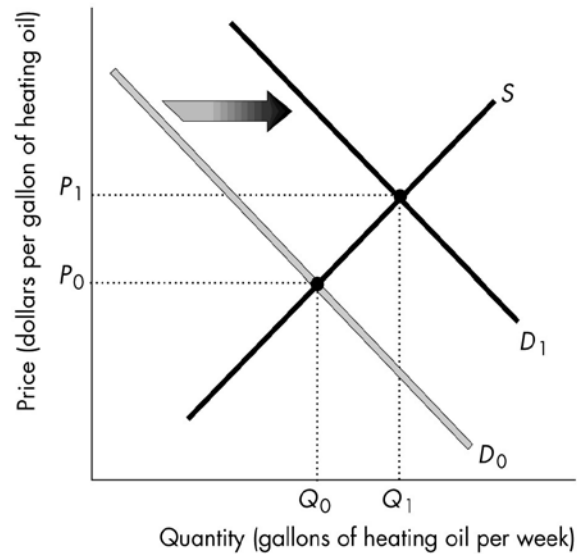
Skill: Analytical

Status: Old

AACSB: Analytical thinking

11) Consumers can use either natural gas or heating oil to warm their houses. Suppose the price of natural gas increases. Use a demand and supply diagram to show the impact of the higher price of natural gas on the market for home heating oil.

Answer:



Natural gas and home heating oil are substitutes. The increase in the price of natural gas increases the demand for home heating oil, so the demand curve for home heating oil shifts rightward, as illustrated above. As a result, the price rises and quantity increases.

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

Price (dollars per disk)	Quantity demanded (millions of disks per month)	Quantity supplied (millions of disks per month)
10.50	50	0
11.00	40	15
11.50	30	30
12.00	20	45
12.50	10	60
13.00	0	75

12) Suppose the market for Blu-rays has the demand and supply schedules shown in the table above. What is the equilibrium price and the equilibrium quantity in this market?

Suppose the current price is \$12.00. What is the quantity of Blu-rays sold? Explain. Is there a shortage or a surplus? How big is it? Explain.

Answer: The equilibrium price is \$11.50. The equilibrium quantity is 30 million disks per month. The quantity sold is 20 million disks per month. Although at \$12.00 suppliers want to sell 45 million disks, the buyers want to buy only 20 million and so 25 million disks won't be sold. Since the quantity supplied, 45 million disks, is greater than the quantity demanded, 20 million, there is a surplus, 25 million disks.

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

13) Suppose the market for Blu-rays has the demand and supply schedules shown in the table above. Suppose a technological advance increases the quantity of disks supplied at each price by 25 million. What is the new equilibrium price and the new equilibrium quantity of Blu-rays?

Answer: The initial equilibrium price is \$11.50 and the initial equilibrium quantity is 30 million disks per month. The technological advance increases the supply by 25 million disks. As a result, the equilibrium price falls to \$11.00 and the equilibrium quantity increases to 40 million disks.

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

14) Suppose the market for Blu-rays has the demand and supply schedules shown in the table above. Suppose a decrease in the price of a Blu-ray player increases the quantity of disks demanded at each price by 20 million. What are the new equilibrium price and equilibrium quantity of Blu-rays?

Answer: The initial equilibrium price is \$11.50 and the initial equilibrium quantity is 30 million disks per month. The decrease in the price of a Blu-ray player increases the demand by 25 million disks. As a result, the equilibrium price rises to \$12.00 and the equilibrium quantity increases to 45 million disks.

Topic: Predicting Changes in Price and Quantity; Demand Changes

Skill: Analytical

Status: Old

AACSB: Analytical thinking

9 True or False

1) A relative price is the product of two money prices.

Answer: FALSE

Topic: Markets and Prices

Skill: Recognition

Status: Old

AACSB: Reflective thinking

2) The relative price of a good is greater than the money price of a good.

Answer: FALSE

Topic: Markets and Prices

Skill: Recognition

Status: Old

AACSB: Reflective thinking

3) A demand curve is also a willingness-and-ability-to-pay curve.

Answer: TRUE

Topic: Demand Curve

Skill: Recognition

Status: Old

AACSB: Reflective thinking

4) A movement along the demand curve shows a change in demand.

Answer: FALSE

Topic: Demand Curve

Skill: Recognition

Status: Old

AACSB: Reflective thinking

5) An increase in the incomes of baseball fans in New York leads to a rightward movement along the demand curve but does not shift the demand curve for Yankees tickets.

Answer: FALSE

Topic: Demand Curve

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

6) For consumers, chocolate chip cookies and doughnuts are substitutes. So, an increase in the price of chocolate chip cookies will lead to a rightward shift in the demand curve for doughnuts.

Answer: TRUE

Topic: Demand Curve

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

7) Young drivers often buy used cars. An increase in the legal driving age to twenty-one would result in a leftward movement along the demand curve for used cars, whereas lowering the age to fifteen would result in a rightward movement along the demand curve.

Answer: FALSE

Topic: Demand Curve

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

8) Young drivers often buy used cars. An increase in the legal driving age to twenty-one shifts the demand curve for used cars leftward, whereas lowering the age to fifteen shifts the demand curve rightward.

Answer: TRUE

Topic: Demand Curve

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

9) The supply curve indicates the minimum quantity that a producer would be willing to supply at alternative prices.

Answer: FALSE

Topic: Supply

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

10) A supply curve is also a maximum-supply-price curve.

Answer: FALSE

Topic: Supply

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

11) An increase in price results in increase in supply but not an increase in the quantity supplied.

Answer: FALSE

Topic: Supply

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

12) An increase in technology will shift the good's supply curve rightward.

Answer: TRUE

Topic: Supply Curve

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

13) If house purchases and renting an apartment are substitutes, then an increase in the price of a new house results in a rise in the rent charged for apartments.

Answer: TRUE

Topic: Predicting Changes in Price and Quantity

Skill: Analytical

Status: Old

AACSB: Reflective thinking

14) During the mid-2000s, the average price of a used car fell by nearly \$500 and the quantity sold nationwide decreased by several thousands each year. This set of results is a contradiction of the law of demand.

Answer: FALSE

Topic: Predicting Changes in Price and Quantity

Skill: Analytical

Status: Old

AACSB: Reflective thinking

15) When both the demand for a good increases and the supply of the good increases, the equilibrium quantity definitely increases.

Answer: TRUE

Topic: Predicting Changes in Price and Quantity

Skill: Analytical

Status: Old

AACSB: Reflective thinking

16) In the market for chocolate chip cookies, if the demand decreases while the supply increases, the price definitely falls but the quantity might increase, decrease, or remain the same.

Answer: TRUE

Topic: Predicting Changes in Price and Quantity

Skill: Analytical

Status: Old

AACSB: Reflective thinking

17) If the demand and supply curves are described by the following equations $P = a - bQ$ and $P = c + dQ$, respectively, the equilibrium quantity is $Q^* = (a - c) / (b + d)$.

Answer: TRUE

Topic: Mathematical Note

Skill: Analytical

Status: Old

AACSB: Reflective thinking

18) If the demand and supply curves are described by the following equations $P = a - bQ$ and $P = c + dQ$, respectively, the equilibrium price is $P^* = (ad + bc) / (b + d)$.

Answer: TRUE

Topic: Mathematical Note

Skill: Analytical

Status: Old

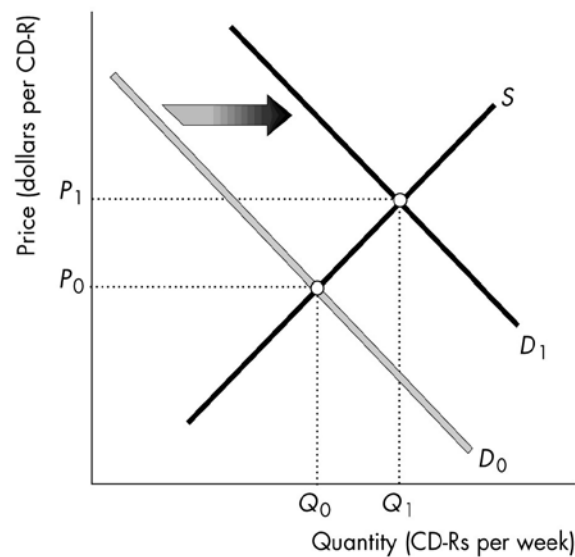
AACSB: Reflective thinking

10 Extended Problems

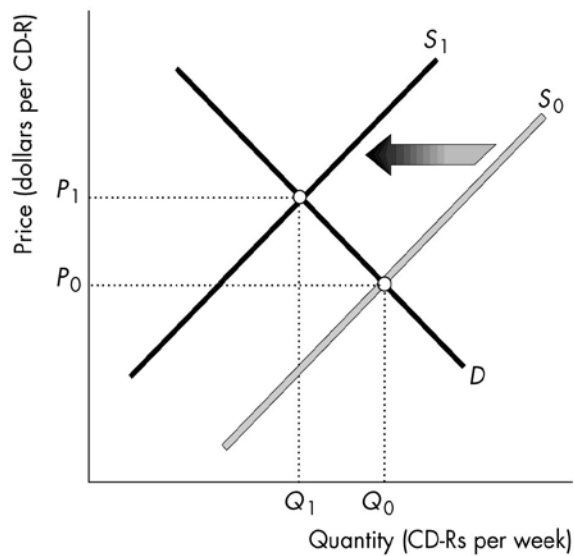
1) Using supply-and-demand diagrams, show and explain the effects of the following events on the price of CD-Rs and the quantity of CD-Rs sold. For each event, identify which of the determinants of demand or supply is affected, how it influences demand or supply, and what happens to the equilibrium price and quantity.

- The price of a CD burner falls.
- Workers who make CD-Rs get a pay raise.
- Producers introduce new cost-saving technologies in their CD-R production plants.
- Consumers' incomes increase and CD-Rs are a normal good.
- Free peer-to-peer music exchange through the Internet becomes legal.

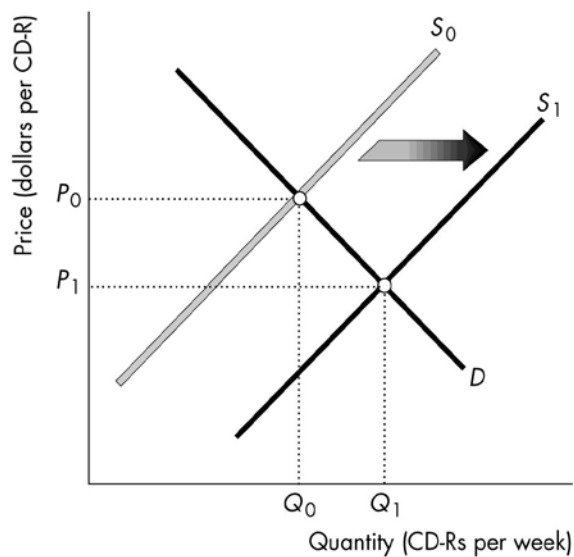
Answer:



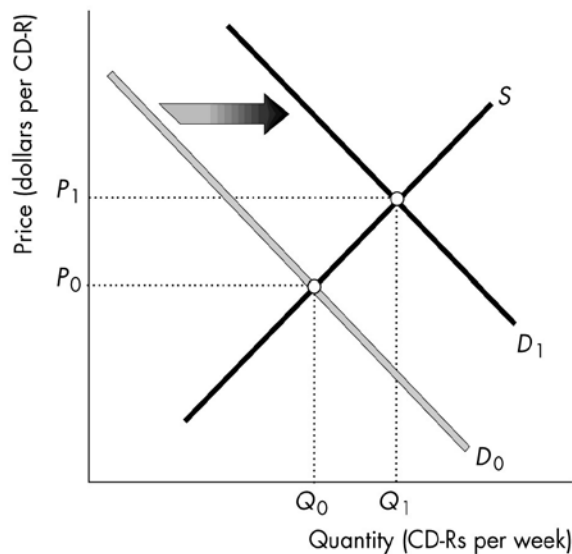
- a) The figure above shows the effect of fall in the price of CD burner. CD burners and CD-Rs are complementary goods in consumption. So when the price of a CD burner falls, the demand for CD-Rs increases and the demand curve shifts rightward. As a result, the equilibrium price rises, from P_0 to P_1 and the equilibrium quantity increases from Q_0 to Q_1 .



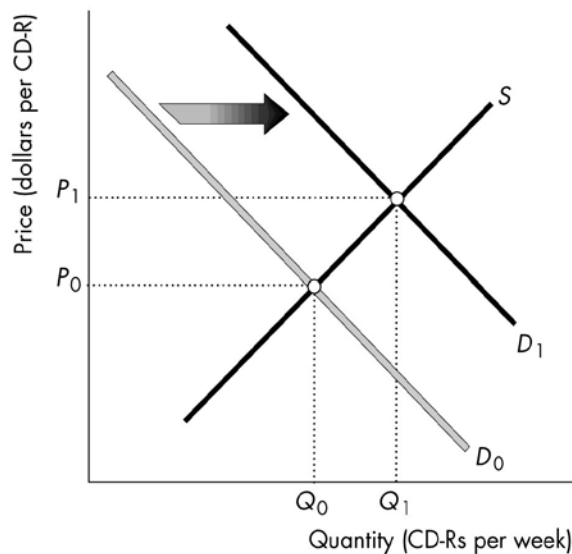
b) The figure above shows the effect of rise in the wage paid workers who make CD-Rs. In this case, the price of a factor of production (labor) used to produce CD-Rs rises. So the supply of CD-Rs decreases and the supply curve shifts leftward. As a result, the equilibrium price rises from P_0 to P_1 and the equilibrium quantity decreases from Q_0 to Q_1 .



c) The figure above shows the effect of a technological advancement in the production of CD-Rs. The new technology increases the supply of CD-Rs, shifting the supply curve rightward. As a result, the equilibrium price falls from P_0 to P_1 and the equilibrium quantity increases from Q_0 to Q_1 .



d) The figure above shows the effect of an increase in income. Because CD-Rs are a normal good, an increase in income increases the demand for CD-Rs and the demand curve shifts rightward. As a result, the equilibrium price rises, from P_0 to P_1 and the equilibrium quantity increases from Q_0 to Q_1 .



e) The figure above shows the effect of making free peer-to-peer downloading of music legal. Making free peer-to-peer music downloading legal leads to more downloads and more people copying music files to CDs. Therefore, the demand for CD-Rs increases and the demand curve shifts rightward. As a result, the equilibrium price rises, from P_0 to P_1 and the equilibrium quantity increases from Q_0 to Q_1 .

Topic: Predicting Changes in Price and Quantity

Skill: Analytical

Status: Old

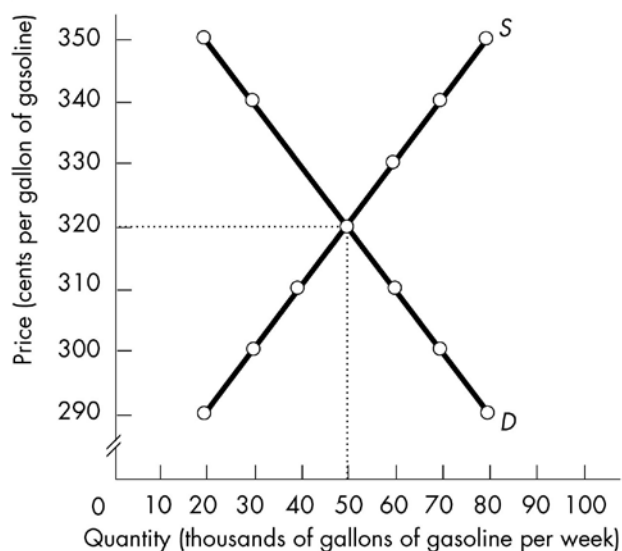
AACSB: Analytical thinking

Price (cents per gallon)	Quantity demanded (thousands of gallons per week)	Quantity supplied (thousands of gallons per week)
290	80	20
300	70	30
310	60	40
320	50	50
330	40	60
340	30	70
350	20	80

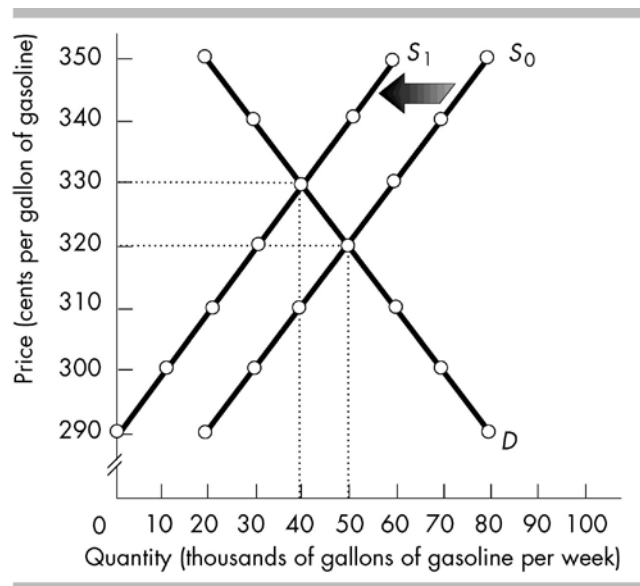
2) A market research team has come up with the demand and supply schedules for gasoline in Motorville in the table above. Use these data to analyze the situation in the market for gas in Motorville.

- Draw a figure showing the demand curve for gasoline and the supply curve of gasoline. What are the equilibrium price and quantity?
- Suppose the price is \$3.30. Describe the situation in the market and explain how the market adjusts. Now suppose the price is \$3.00. Describe the situation in the market and explain how the market adjusts.
- The market research report also predicts that a rise in the price of crude oil will decrease the quantity of gas supplied by 20,000 gallons a week at each price. Suppose the price of crude oil does rise. Use your figure to show how this will affect the market for gas. How will the market adjust? What will be the new equilibrium price and quantity?

Answer:



- See the figure above. The equilibrium price is \$3.20 and the equilibrium quantity is 50,000 gallons per week.
- If the price is \$3.30, there is a surplus of 20,000 gallons. The surplus leads to a fall in the price. The lower price increases the quantity demanded and decreases the quantity supplied bringing the market to equilibrium at \$3.20. If the price is \$3.00, there is a shortage of 40,000 gallons. The shortage leads to a rise in the price. The higher price decreases the quantity demanded and increases the quantity supplied bringing the market to equilibrium at \$3.20.



c) The figure above shows the effect of the rise in crude oil prices. This rise decreases the supply and the supply curve shifts leftward by 20,000 gallons at each price from S_0 to S_1 . As a result, at the old price, \$3.20, there is a shortage of 20,000 gallons of gasoline. Therefore the price rises, bringing the market to equilibrium at \$3.30 with 40,000 gallons of gas sold.

Topic: Predicting Changes in Price and Quantity; Supply Decreases

Skill: Analytical

Status: Old

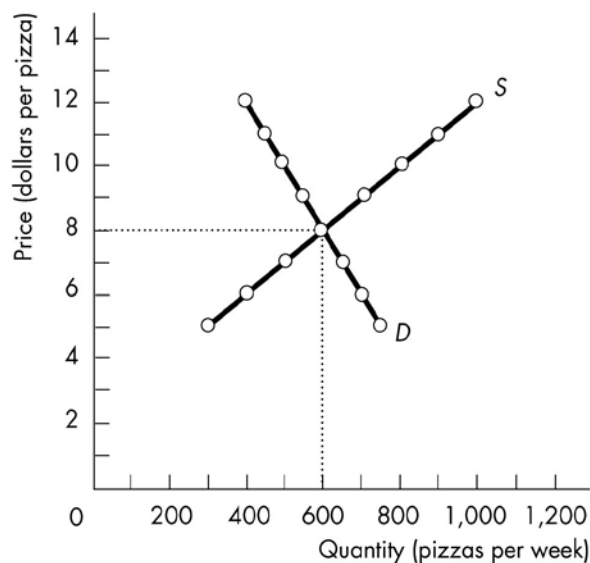
AACSB: Analytical thinking

Price (dollars per pizza)	Quantity demanded (pizzas per week)	Quantity supplied (pizzas per week)
5	750	300
6	700	400
7	650	500
8	600	600
9	550	700
10	500	800
11	450	900
12	400	1,000

3) A market research team has come up with the demand and supply schedules for pizza in Cheeseboro. These schedules are given in the table above. Use these data to analyze the situation in the market for pizza.

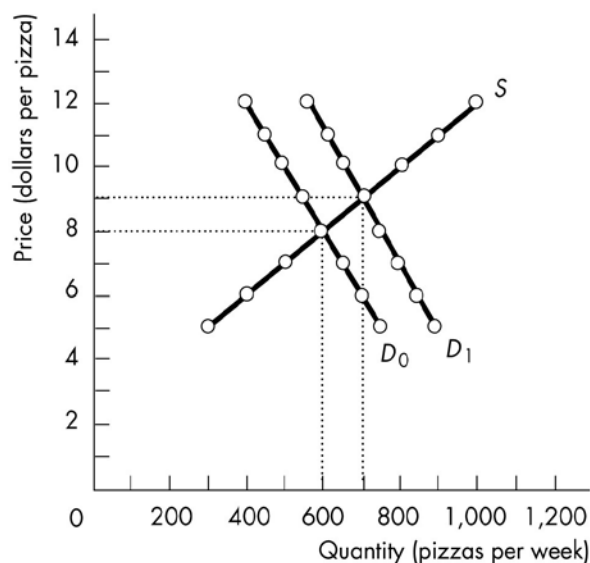
- Draw a figure showing the demand curve for pizza and the supply curve of pizza. What are the equilibrium price and quantity?
- Suppose the price is \$10. Describe the situation in the market and explain how the price of pizza adjusts. Now suppose the price is \$6. Describe the situation in the market and explain how the price of pizza adjusts.
- The market research report also includes a prediction about the effect on the market for pizza in Cheeseboro of a recent news published in Cheeseboro Herald. The Herald reported that pizza has been discovered to help prevent heart diseases. Unfortunately, your dog chewed up the report and all you can read about the prediction is "quantity... by 150 at each price." What does the prediction say? Use your graph to show the predicted effects on the market for pizza. What are the predicted equilibrium price and quantity? How will the market adjust?

Answer:



- See the figure above. The equilibrium price is \$8 and the equilibrium quantity is 600 pizzas.

b) If the price is \$10, there is a surplus of 300 pizzas. The surplus leads to a fall in the price. The lower price increases the quantity demanded and decreases the quantity supplied bringing the market to equilibrium at \$8, where the quantity demanded equals the quantity supplied. If the price is \$6, there is a shortage of 300 pizzas. The shortage leads to a rise in the price. The higher price decreases the quantity demanded and increases the quantity supplied bringing the market to equilibrium at \$8.



c) The report predicts that the news will change consumer preferences in favor of pizza, which will "increase the quantity of pizza demanded by 150 at each price." The increase in demand means the demand curve shifts rightward by 150 pizza at every price, as illustrated in the above figure by the shift from D_0 to D_1 . The equilibrium price is \$9 and quantity is 700. When the demand curve shifts, at the old price, \$8, there is a shortage of 150 pizzas and therefore the price rises bringing the market to equilibrium at \$9.

Topic: Predicting Changes in Price and Quantity; Demand Increases

Skill: Analytical

Status: Old

AACSB: Analytical thinking