

DO NOT WRITE ON THIS TEST!

Practice S/D

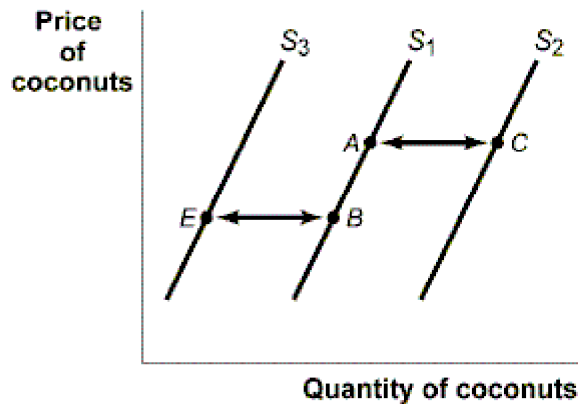
Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. The law of demand states that, other things equal:
- a. as the price increases, the quantity demanded will increase.
 - b. as the price decreases, the demand curve will shift to the right.
 - c. as the price increases, the demand will decrease.
 - d. as the price increases, the quantity demanded will decrease.
 - e. as the price decreases, the demand curve will shift to the left.
- _____ 2. Which of the following factors cause a movement along the demand curve?
- a. change in the prices of related goods
 - b. change in the price of the good
 - c. change in the population
 - d. both a change in the price of the good and a change in the population
 - e. change in the popularity of the good
- _____ 3. A decrease in the price of a good will result in:
- a. an increase in demand.
 - b. an increase in supply.
 - c. an increase in the quantity demanded.
 - d. more being supplied.
 - e. a rightward shift of the demand curve.
- _____ 4. Economists use the term *equilibrium* to describe:
- a. when individuals are equal.
 - b. when no individual would be better off taking a different action.
 - c. when no individual has an incentive to change his or her behavior.
 - d. when no individual would be better off taking a different action and when no individual has an incentive to change his or her behavior.
 - e. when individuals earn the same income.
- _____ 5. Excess supply occurs when:
- a. the quantity demanded equals the quantity supplied.
 - b. the quantity demanded exceeds the quantity supplied.
 - c. the price is below the equilibrium price.
 - d. the quantity demanded exceeds the quantity supplied and when the price is below the equilibrium price.
 - e. the price is above the equilibrium price.
- _____ 6. Milk is an important ingredient in the production of ice cream. If the price of milk increases, then one would expect, holding all other things constant:
- a. the supply curve for ice cream to shift left.
 - b. the supply curve for ice cream to shift right.
 - c. no change in the supply curve for ice cream.
 - d. a movement along the supply curve for ice cream curve, resulting in more ice cream supplied.
 - e. the demand curve for ice cream to shift to the left.

- _____ 7. If suppliers expect prices to rise next year for their product, then one would expect:
- that this will shift the demand curve for the product right this year.
 - a decrease in the quantity demanded this year.
 - that this will shift the supply curve for the product to the left this year.
 - a shift in the supply curve for the product to the right this year.
 - an increase in the quantity demanded this year.
- _____ 8. Which of the following will result in an increased price of milk?
- a shift to the right of the supply curve for milk
 - a shift to the right of the demand curve for milk
 - an increase in the number of milk suppliers
 - a decrease in the number of milk buyers
 - an increase in the production technology of milk suppliers.
- _____ 9. In the local market for coffee, what would happen if Joyce's Java and Everyday Joe's coffee shops go out of business?
- The supply curve shifts to the right.
 - The demand curve shifts to the left.
 - The supply curve shifts to the left.
 - The demand curve shifts to the right.
 - Both the demand curve and supply curve shift to the left.
- _____ 10. Consider the market for iPods. What happens if a fantastic new alternative MP3 player is developed and, at the same time, a boat carrying a large shipment of iPods is attacked by sea monsters and sunk?
- Price decreases and quantity increases.
 - Price increases and quantity increases.
 - The change in price is uncertain and quantity decreases.
 - Price increases and the change in quantity is uncertain.
 - Price decreases and the change in quantity is uncertain.
- _____ 11. In the market for local coffee, the price of coffee _____ and the quantity _____ if a new coffeehouse opens nearby. At the same time, consumers' incomes decrease due to a recession and coffee is a normal good.
- will increase; may increase or decrease
 - will decrease; will increase
 - may increase or decrease; will increase
 - may increase or decrease; will decrease
 - will decrease; may increase or decrease
- _____ 12. The typical supply curve illustrates that:
- other things equal, the quantity supplied of a good is inversely related to the price of a good.
 - other things equal, the supply of the good creates its own demand for the good.
 - other things equal, the quantity supplied of a good is positively related to the price of a good.
 - price and quantity supplied are unrelated as the supply curve is vertical.
 - other things equal, the supply curve is horizontal.

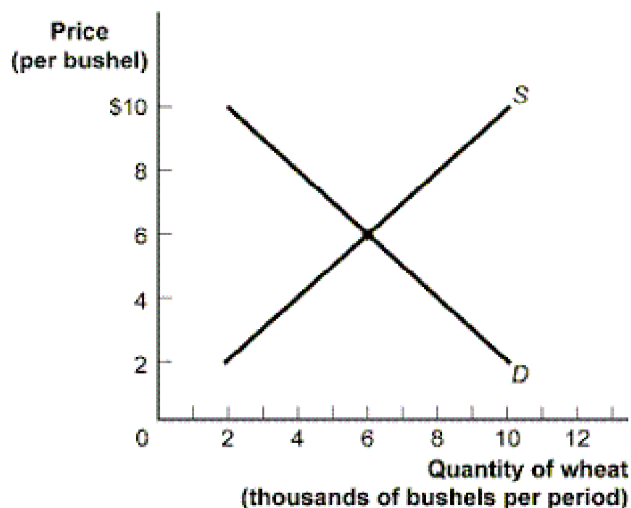
Figure 6-1: Supply of Coconuts



- _____ 13. **(Figure 6-1: Supply of Coconuts)** If the price of coconuts decreases, then the movement that would take place in the model could be:
- A to C.*
 - B to A.*
 - C to A.*
 - E to B.*
 - A to B.*
- _____ 14. **(Figure 6-1: Supply of Coconuts)** If the prices of inputs (e.g., labor, fertilizer, and fuel) used to produce and transport coconuts are increasing, then the movement in the model could be:
- A to B.*
 - B to A.*
 - C to A.*
 - E to B.*
 - B to C.*
- _____ 15. **(Figure 6-1: Supply of Coconuts)** If the prices of inputs (e.g., labor, fertilizer, and fuel) used to produce and transport coconuts are decreasing, then the movement in the model could be:
- A to B.*
 - B to A.*
 - C to A.*
 - E to B.*
 - B to E.*
- _____ 16. **(Figure 6-1: Supply of Coconuts)** If there is an improvement in the technology used to harvest coconuts (e.g., a faster, less expensive coconut picker), then the movement in the model could be:
- A to C.*
 - B to A.*
 - C to A.*
 - B to E.*
 - A to B.*

- _____ 17. **(Figure 6-1: Supply of Coconuts)** If there is an expectation on the part of coconut suppliers that the price of coconuts will be significantly higher in the very near future, then the movement in the model to reflect today's market behavior would be:
- A to B.*
 - B to A.*
 - A to C.*
 - B to E.*
 - E to B.*
- _____ 18. A new wonder diet that results in a dramatic loss of weight sweeps through America. The key to the diet is to eat unlimited amounts of red meat (beef) but no poultry (chicken) or carbohydrate-rich foods. As millions of Americans switch to the new diet, we can expect:
- an increase in the demand for beef, leading to a shift to the right in the demand curve for beef and higher beef prices.
 - an increase in the demand for beef, leading to a shift to the right in the demand curve for beef and lower beef prices.
 - a decrease in the supply of beef, leading to a shift to the left in the supply curve for beef and higher beef prices.
 - a decrease in the demand for beef, leading to a shift to the left in the demand curve for beef and higher beef prices.
 - a decrease in the demand for chicken, leading to a shift to the left in the demand curve for chicken and higher chicken prices.

Figure 6-4: Demand and Supply of Wheat



- _____ 19. **(Figure 6-4: Demand and Supply of Wheat)** If a price of \$10 temporarily exists in this market, a:
- shortage of 10,000 bushels will result.
 - shortage of 8,000 bushels will result.
 - surplus of 10,000 bushels will result.
 - surplus of 4,000 bushels will result.
 - surplus of 8,000 bushels will result.

Name: _____

ID: A

- ____ 20. **(Figure 6-4: Demand and Supply of Wheat)** A temporary price of \$2 in this market would result in:
- a. a surplus of 4,000 bushels.
 - b. a shortage of 8,000 bushels.
 - c. a shortage of 10,000 bushels.
 - d. a surplus of 10,000 bushels.
 - e. a shortage of 2,000 bushels.

**Practice S/D
Answer Section****MULTIPLE CHOICE**

1. ANS: D	PTS: 1	MSC: Definitional
2. ANS: B	PTS: 1	MSC: Concept-Based
3. ANS: C	PTS: 1	MSC: Concept-Based
4. ANS: D	PTS: 1	MSC: Critical Thinking
5. ANS: E	PTS: 1	MSC: Concept-Based
6. ANS: A	PTS: 1	MSC: Analytical Thinking
7. ANS: C	PTS: 1	MSC: Critical Thinking
8. ANS: B	PTS: 1	MSC: Analytical Thinking
9. ANS: C	PTS: 1	MSC: Critical Thinking
10. ANS: C	PTS: 1	MSC: Analytical Thinking
11. ANS: E	PTS: 1	MSC: Analytical Thinking
12. ANS: C	PTS: 1	MSC: Critical Thinking
13. ANS: E	PTS: 1	MSC: Analytical Thinking
14. ANS: C	PTS: 1	MSC: Critical Thinking
15. ANS: D	PTS: 1	MSC: Concept-Based
16. ANS: A	PTS: 1	MSC: Concept-Based
17. ANS: D	PTS: 1	MSC: Critical Thinking
18. ANS: A	PTS: 1	MSC: Critical Thinking
19. ANS: E	PTS: 1	MSC: Critical Thinking
20. ANS: B	PTS: 1	MSC: Critical Thinking