

Test for Chapter 2**Directions:**

Choose the best answer

1)

For most goods, if a consumer's income increases, his /her demand for the goods will

- decrease.
- increase.
- remain unchanged.
- none of the above.

2)

Besides the price of substitutes and complements, other determinants of demand include

- the price of inputs and natural resources.
- technology and the number of sellers.
- the price of the product, income, and consumers' tastes.
- A and C.

3)

A demand schedule shows

- the relationship between demand and supply.
- the relationship between the price of a good and the quantity demanded of the good.
- the amount of a good purchased at different points in time.
- the change in demand when a consumer's income changes.

4)

If you expect the price of ice cream to increase next week, your demand curve for ice cream will

- shift inward. You will buy next week.
- shift inward. You decide not to buy ice cream for a long time.
- shift outward. You will buy more of the good at the lower price today.
- not shift at all.

5)

A supply schedule is

- a mathematical representation of the quantity of a good that a supplier will put on the market.
- a table showing the amount of a good consumers are willing to buy at various prices.
- a graph showing the relationship between the price of a good and the quantity supplied.
- a table showing the relationship between the price of a good and the quantity supplied.

6)

Which of the following will cause an outward shift of the market supply curve?

- A rise in the price of inputs
- A change in the price of the good
- Improvements in technology
- A decrease in technology

7)

The discovery of mad cow disease in the country's cattle herds would likely

- decrease the demand for beef and increase the demand for chicken.
- decrease quantity demanded for both beef and chicken.
- decrease the quantity demanded for beef and increase the demand for chicken.
- decrease demand for beef and increase quantity demanded for chicken.

8)

If an excise tax is imposed on a producer,

- the producer raises the price, and the demand curve shifts inward.
- the supply curve shifts higher, and a smaller quantity is demanded at the higher price.
- the seller will try to get the consumer to pay the entire tax.
- the supply curve shifts outward reflecting the producer's ability to impose the tax on buyers.

9)

The economic value destroyed by a price control is called

- positive economic value.
- deadweight loss.
- economic value.
- tax revenue.

10)

Sally has a pizza restaurant and sells 30 pizzas for \$5 each. Jim has a pizza restaurant around the corner from Sally, and he sells 30 pizzas for \$5 each. If Sally and Jim both lower their price to \$3, Sally's customers will buy 60 pizzas, and Jim's customers will buy 40 pizzas. The demand for Sally's pizzas is more _____ than the demand for Jim's pizzas.

- inelastic
- elastic
- unresponsive
- downward-sloping

11)

The midpoint price between \$60 and \$10 is

- \$35.
- \$25.
- \$50.
- \$70.

12)

If the elasticity between two points on a demand curve is 3 and price increases,

- total revenue decreases.
- total revenue is unchanged.
- total revenue increases.
- total revenue could either increase or decrease, but it is indeterminate.

13)

If a producer lowers a product's price and the quantity demanded is proportionally greater than the price change, the total revenue would

- increase.
- decrease.
- remain the same.
- none of the above.

14)

The institution of a minimum wage creates

- a surplus of jobs.
- a surplus of labor.
- a shortage of labor.
- a decrease in deadweight loss.

15)

Compared to the price elasticity of demand for gasoline, the demand for Texaco gasoline will

- be more inelastic than the demand for gasoline in general.
- be more elastic than the demand for gasoline in general.
- have the same elasticity as the demand for gasoline in general.
- have unit elasticity.

16)

A rightward shift in the supply of American-made cars could be the result of

- an increase in the price of steel.
- a reduction in competition from Japanese automakers.
- the introduction of cost-saving robotics.
- the increased popularity of European-made cars.

17)

All of the following will shift the supply curve of bread to the right **except**

- an increase in the price of bread.
- an improvement in technology that reduces baking costs.
- a decrease in the price of flour.
- an expectation that the price of bread will fall in the future.

18)

On a supply-and-demand diagram, quantity demanded equals quantity supplied

- only at the single competitive equilibrium price.
- at every price equal to or above the competitive equilibrium price.
- at every price equal to or below the competitive equilibrium price.
- at every price.

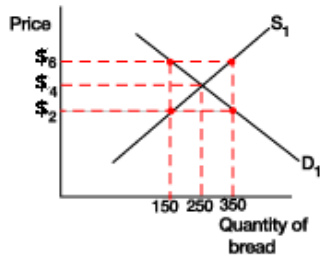
19)

At a price below the competitive equilibrium price, there is

- a surplus (excess supply).
- a shortage (excess demand).
- excess quantity supplied.
- sub-equilibrium.

20)

Refer to the graph. At a price of \$2 the shortage equals



- 350 loaves.
- 200 loaves.
- 150 loaves.
- There is no shortage at \$2.

21)

All of the following are determinants of a consumer's demand for a good **except**

- the price of the good.
- the price of substitutes.
- the technology used to produce the good.
- the consumer's income.

22)

The law of demand claims that price and quantity demanded are

- independent of each other.
- inversely related, *ceteris paribus*.
- directly related, *ceteris paribus*.
- significantly related, *ceteris paribus*.

23)

Economists use the *ceteris paribus* assumption to study only one variable at a time. *Ceteris paribus* means

- all other variables are held constant.
- all other variables are allowed to vary.
- two variables are held constant.
- three variables are allowed to change.

24)

The price elasticity of demand is the ratio of the

- absolute change in quantity demanded to the absolute change in price.
- absolute change in price to the absolute change in quantity demanded.
- percentage change in quantity demanded to the percentage change in price.
- percentage change in price to the percentage change in quantity demanded.

25)

If the demand for a good is inelastic and the price of the good decreases,

- total revenue decreases.
- total revenue increases.
- total revenue is not affected.
- the effect on total revenue cannot be determined.

26)

If a firm's quantity demanded increases, total revenue for that firm

- always increases.
- always decreases.
- increases only if demand is inelastic.
- increases only if demand is elastic.

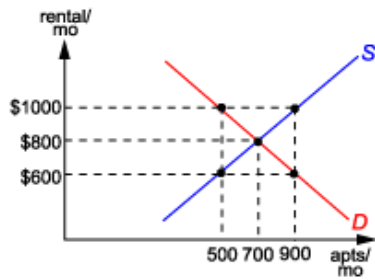
27)

An excise tax is a tax on imported goods.

- true
- false

28)

Examine the graph. The equilibrium price and quantity for apartments in this housing market are



- \$1000 and 700 apartments rented.
- \$600 and 900 apartments rented.
- \$600 and 500 apartments rented.
- \$800 and 700 apartments rented.

29)

Suppose a drought in farm states causes very low agricultural yields one year. Farmers will experience an increase in their revenue. If this occurs, the demand curve between the current price and the higher price is

- inelastic.
- elastic.
- unit elastic.
- There is not enough information to answer this question.