

QUIZ 3 ANSWERS

- 1) In order to be included in "quantity demanded" the consumer must
 - A) be actually purchasing the product.
 - B) be willing and able to purchase the product.**
 - C) be willing to purchase the product.
 - D) be able to purchase the product.

- 2) A surplus exists in the market when
 - A) the quantity demanded exceeds the quantity supplied.
 - B) the equilibrium price is too low.
 - C) the supply curve has shifted to the right.
 - D) the quantity demanded is less than the quantity supplied.**

- 3) Suppose that in 2001, 100 000 cell phones were sold at a price of \$30 each, and in 2002, 200 000 cell phones were sold at a price of \$50 each. One possible explanation for this is that from 2001 to 2002 the _____ curve shifted to the _____.
 - A) Demand; left
 - B) Supply; right
 - C) Demand; right**
 - D) Supply; left

- 4) Given a standard supply and demand diagram, which of the following statements is correct?
 - A) If the supply curve shifts right and the demand curve remains constant, equilibrium price will rise.
 - B) If the supply curve shifts left and demand remains constant, equilibrium quantity will rise.
 - C) If the demand curve shifts left and the supply curve shifts right, equilibrium price will rise.
 - D) If the demand curve shifts right and the supply curve shifts left, equilibrium price will rise.**

- 5) Given a negative sloped demand curve, when market supply increases the new equilibrium will have
 - A) a lower price and a smaller quantity.
 - B) a lower price and a greater quantity.**
 - C) a higher price and a larger quantity.
 - D) a higher price and a smaller quantity.

- 6) With a given supply curve for sirloin steak, a normal good, a rise in household income will cause the
 - A) equilibrium price and equilibrium quantity of sirloin steak to both increase.**
 - B) equilibrium price and equilibrium quantity of sirloin steak to both decrease.
 - C) equilibrium price to increase and equilibrium quantity of sirloin steak to decrease.
 - D) equilibrium price to increase and equilibrium quantity of sirloin steak to remain constant.

- 7) Steak and hamburgers are substitute goods, hamburgers and ketchup are complementary goods, however, ketchup and steak are independent goods. If the price of steak rises we expect that the
 - A) quantity of ketchup demanded will decrease.
 - B) price of ketchup will increase, and the quantity sold will decrease.
 - C) demand of ketchup will decrease.
 - D) price of ketchup will increase, and the quantity sold will increase.**

- 8) If the legal beer-drinking age is raised from 18 to 21, the changes to the equilibrium price and quantity of beer will change such that
 - A) price rises, quantity falls.
 - B) price falls, quantity falls.**
 - C) price rises, quantity rises.
 - D) price falls, quantity rises.

9) If a demand and a supply curve can be stated functionally as:

Demand: $Q_d = 380 - 2P$

Supply: $Q_s = 5 + 94P$

then the equilibrium quantity and price (Q ; P) would be

A) 382.5; \$4.08.

B) 372.5; \$4.01.

C) 382.5; \$3.91.

D) 372.5; \$3.91.

10) Consumers perceive that Joe's shavers and Jack's razors are substitute goods. A fire in Joe's factory disables some of his equipment. If other factors are unchanged, what will be the effect of this fire on the equilibrium price and quantity sold of Jack's razors?

A) price falls, quantity rises

B) price rises, quantity rises

C) price rises, quantity falls

D) price falls, quantity falls

11) In which of the following two statements is the term "supply" used correctly? (1) An increase in the price of leather will cause a decrease in the supply of leather. (2) An increase in the price of leather will cause a decrease in the supply of leather boots.

A) the first statement

B) the second statement

C) both statements

D) neither statement

12) In deriving the market demand curve for a commodity the only variable that can change is the

A) tastes of the consumers .

B) price of the commodity.

C) income of consumers.

D) price of a related commodity.

13) An inferior good is a good

A) whose demand does not vary with household income.

B) that everyone normally consumes.

C) whose demand varies inversely with household income.

D) whose demand varies directly with household income.

14) The quantity exchanged in the market will be below the equilibrium quantity

A) if there is either excess supply or demand.

B) only if there is excess demand.

C) only if there is excess supply.

D) only if price is below the equilibrium price.

15) The term "comparative statics" describes the

A) analysis of the process of price and quantity adjustments that leads to an equilibrium.

B) analysis of the path from one equilibrium to another.

C) comparison of one point of equilibrium with another.

D) comparison of a demand curve with a supply curve.