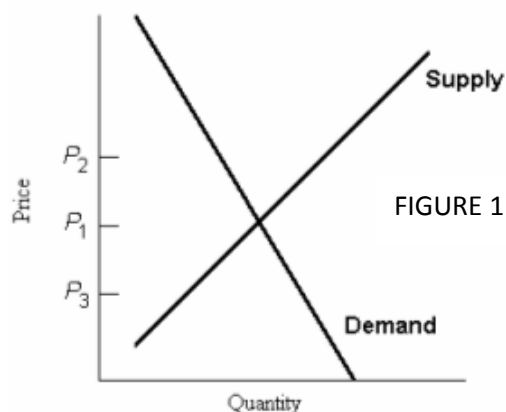


### QUIZ 3

### VERSION 1

- 1) The law of demand describes
  - A) an inverse relationship between the price of a good and the demand for the good.
  - B) a direct relationship between the price of a good and the demand for the good.
  - C) a direct relationship between the price of a good and the quantity of the good demanded per unit of time.
  - D) an inverse relationship between the price of a good and the quantity of the good demanded per unit of time.
- 2) When the price of butter falls, the demand curve for margarine is likely to
  - A) remain stationary, although its price will fall.
  - B) shift to the right.
  - C) remain stationary, although its price will rise.
  - D) shift to the left.
- 3) In deriving the market demand curve for a commodity the only variable that can change is the
  - A) income of consumers.
  - B) distribution of income of the consumers is held constant.
  - C) price of the commodity.
  - D) tastes of the consumers .
- 4) Suppose that a more efficient way to produce a good is discovered thus lowering production costs for the good. This will cause
  - A) a decrease in supply (a leftward shift of the supply curve).
  - B) a movement up the supply curve.
  - C) an increase in supply (a rightward shift of the supply curve).
  - D) a movement down the supply curve.
- 5) A rise in the quantity demanded of lemons can be attributed to a
  - A) decrease in the price of artificial lemon flavouring.
  - B) leftward shift in the supply curve of lemons.
  - C) rightward shift in the supply curve of lemons.
  - D) decline in the number of people drinking lemonade.



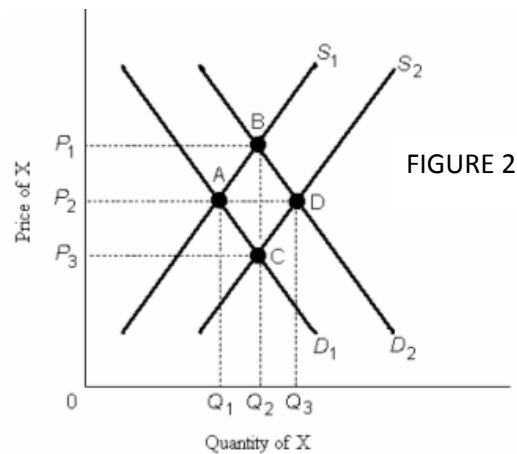
- 6) In Figure 1, if supply were to increase, this would lead to
  - A) no change in  $P$  or  $Q$ .
  - B) a decrease in both  $P$  and  $Q$ .
  - C) an increase in  $P$  and a decrease in  $Q$ .
  - D) a decrease in  $P$  and an increase in  $Q$ .

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) demand of ketchup will decrease.
- B) price of ketchup will increase, and the quantity sold will increase.
- C) supply of ketchup will increase.
- D) price of ketchup will increase, and the quantity sold will decrease.

8) If a demand and a supply curve can be stated functionally as  $Q_d = 100 - 5P$ ; and  $Q_s = 90 + 5P$  respectively, then the equilibrium quantity and price ( $Q, P$ ) would be

- A) 190, 1.
- B) 190, 10.
- C) 1, 95.
- D) 95, 1.



9) A shift in the supply curve for good X in Figure 2 from  $S_2$  to  $S_1$  might be caused by

- A) an improvement in the technology of producing good X.
- B) additional suppliers entering the industry.
- C) a rise in the costs of producing good X.
- D) a decrease in the price of X.

The supply and demand schedules for the umbrella market are given below:

<u>Price</u>	<u>Quantity Supplied</u>	<u>Quantity Demanded</u>
\$10	400	700
\$15	500	650
\$20	600	600
\$25	700	550
\$30	800	500

**TABLE 1**

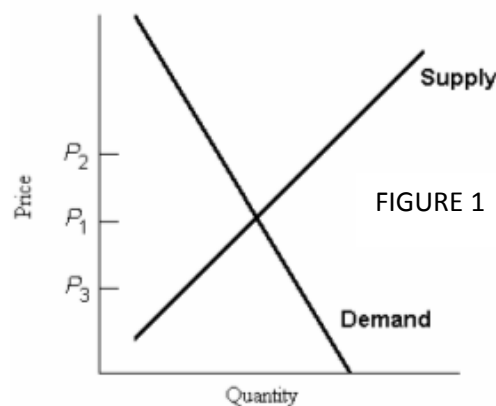
10) In table 1, the equilibrium price for umbrellas is \_\_\_\_\_.

- A) \$10
- B) \$25
- C) \$20
- D) \$30

### QUIZ 3

### VERSION 2

- 1) According to the law of demand, the quantity of beer demanded will be greater if the
  - A) price of beer is lower.
  - B) price of wine is higher.
  - C) demand for beer rises.
  - D) number of beer drinkers is higher.
- 2) If the price of tea falls and as a consequence the demand for sugar rises, then tea and sugar are
  - A) luxury goods.
  - B) neutral goods.
  - C) complementary goods.
  - D) substitute goods.
- 3) Which of the following would cause a movement along the demand curve, other things being equal?
  - A) An increase in price as the supply curve shifts to the left
  - B) An increase in population
  - C) A change in tastes in favour of the good
  - D) A rise in the price of a substitute good
- 4) A fall in the price of raw milk used in the production of ice cream will
  - A) increase the supply of ice cream, causing the supply curve of ice cream to shift to the right.
  - B) have no effect on the supply curve of ice cream.
  - C) decrease the demand for ice cream.
  - D) have no effect on the supply curve of ice cream but cause a downward movement along the supply curve of ice cream.
- 5) Weekend train travel costs less than weekday train travel. If the supply of train service remains the same between weekdays and weekends, then the most likely explanation for this difference in price is the weekend
  - A) demand curve is to the left of the weekday demand curve.
  - B) supply curve is to the right of the weekday supply curve.
  - C) demand curve is random.
  - D) demand curve is to the right of the weekday demand curve.



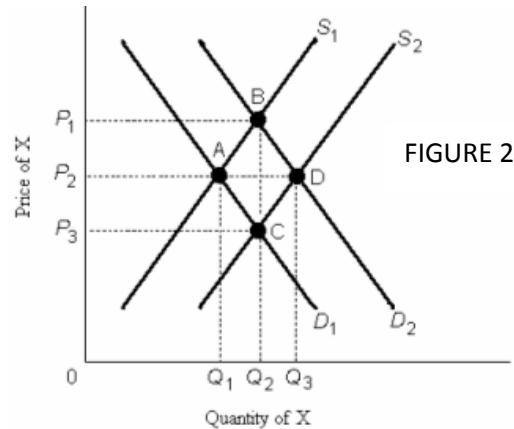
- 6) In Figure 1, if demand were to decrease, this would lead to
  - A) a decrease in  $P$  and a decrease in  $Q$ .
  - B) no change in  $P$  or  $Q$ .
  - C) a decrease in  $P$  and an increase in  $Q$ .
  - D) an increase in  $P$  and a decrease in  $Q$ .

7) 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 Joe's razors?

- A) price rises, quantity rises
- B) price rises, quantity falls
- C) price falls, quantity rises
- D) price falls, quantity falls

8) If a demand and a supply curve can be stated functionally as  $Q_D = 500 - 0.1P$ ; and  $Q_S = 440 + 0.4P$  respectively, then the equilibrium quantity and price ( $Q, P$ ) would be

- A) 488; 120
- B) 120; 120.
- C) 940; 0.4.
- D) 488; 488.



9) If the initial demand and supply curves in Figure 3-2 are  $D_1$  and  $S_1$ , and demand shifts to  $D_2$ , then

- A) a price of  $P_2$  would produce a shortage of  $Q_1Q_3$ .
- B) a surplus of  $Q_1Q_3$  will occur.
- C) a permanent shortage of X will result.
- D) a shortage will occur at any price above  $P_3$ .

The supply and demand schedules for the umbrella market are given below:

<u>Price</u>	<u>Quantity Supplied</u>	<u>Quantity Demanded</u>
\$10	400	700
\$15	500	650
\$20	600	600
\$25	700	550
\$30	800	500

**TABLE 1**

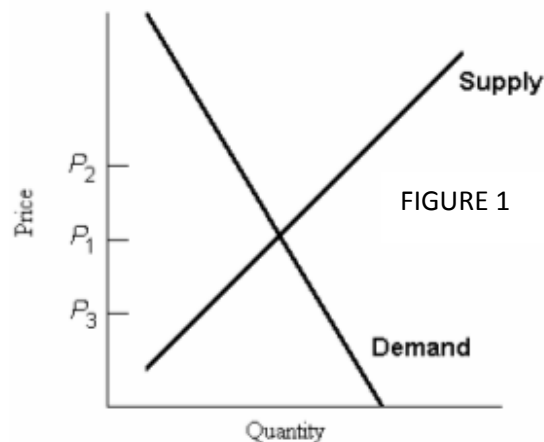
10) In table 1, what number of umbrellas would actually be purchased if the price were \$10?

- A) 400
- B) 700
- C) 650
- D) 500

### QUIZ 3

### VERSION 3

- 1) The law of demand states that the higher the price charged for a product, the
  - A) lower the demand will be for the product.
  - B) greater the time period needed to buy the product.
  - C) greater the demand will be for the product.
  - D) greater the amount bought per time period.
  - E) lower the amount bought per time period.
  
- 2) If two goods are complements and the price of one falls, all other things being equal, the demand for the other
  - A) can not be determined.
  - B) falls.
  - C) is unrelated.
  - D) rises.
  - E) remains constant.
  
- 3) The demand for a given commodity will remain the same with a change in
  - A) the distribution of income.
  - B) tastes in favour of the commodity.
  - C) average household income.
  - D) the price of the commodity.
  - E) population.
  
- 4) Suppose that some resource X is necessary to produce some good Y. If the price of resource X falls
  - A) the supply curve of resource X shifts to the left.
  - B) the supply curve of resource X shifts to the right.
  - C) the supply curve of good Y is unaffected.
  - D) there is a movement along the supply curve of good Y.
  - E) the supply curve of good Y shifts to the right.
  
- 5) 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) Supply; right
  - B) Demand; left
  - C) Demand; right
  - D) Supply; left
  - E) Supply or Demand; right



6) In Figure 1 on the previous page, if supply and demand were to increase simultaneously, this would lead to

- A) no change in  $P$  or  $Q$ .
- B) an increase in  $Q$  and an indeterminate change in  $P$ .
- C) a decrease in  $P$  and in  $Q$ .
- D) an increase in  $P$  and an indeterminate change in  $Q$ .
- E) an increase in  $P$  and in  $Q$ .

7) Steel is an important element in the production of automobiles. Tires and automobiles are used together. What will occur in the market for tires when there is an increase in the price of steel?

- A) price falls, quantity rises
- B) price rises, quantity rises
- C) price rises, quantity falls
- D) no change in price or quantity occurs
- E) price falls, quantity falls

8) 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; \$3.91.
- B) 382; \$4.08.
- C) 372; \$3.91.
- D) 372; \$4.01.
- E) 13; \$4.01.

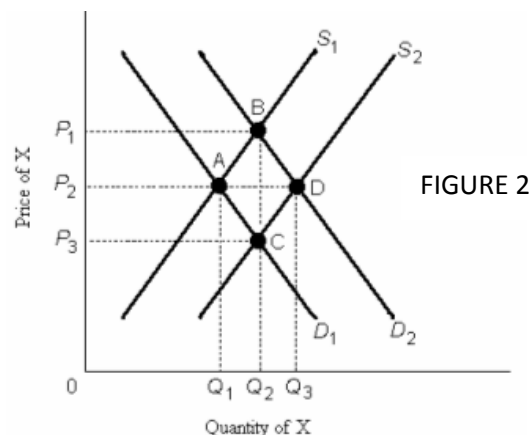


FIGURE 2

9) If the demand curve in Figure 2 shifts from  $D_1$  to  $D_2$ , while supply remains at  $S_1$ , one could say that

- A) the higher price of  $X$  ( $P_1$ ) has caused the quantity demanded of  $X$  to rise.
- B) there is now an excess demand for  $X$  at the new price of  $P_1$ .
- C) the quantity demanded has decreased to  $Q_1$  and price has fallen to  $P_2$ .
- D) the price of a good which is a substitute for  $X$  must have increased.
- E) there has been an increase in demand for  $X$ .

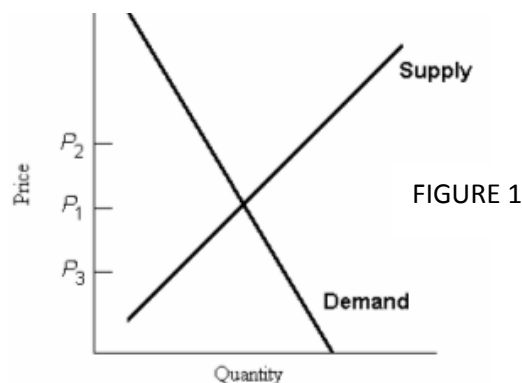
10) At some rock concerts we observe long lineups for tickets. One possible explanation for this is that

- A) the market price for rock concert tickets is above its equilibrium price.
- B) the market price for rock concert tickets is below its equilibrium price.
- C) the market price for rock concert tickets is at its equilibrium value, but concert goers line up for tickets out of habit.
- D) CD prices have increased.
- E) concert goers are not rational.

### QUIZ 3

### VERSION 4

- 1) The law of demand hypothesizes
  - A) the lower the price the greater the demand.
  - B) price and quantity demanded vary directly.
  - C) the higher the income the higher the quantity demanded.
  - D) price and demand vary inversely.
  - E) the higher the price the lower the quantity demanded.
- 2) If tastes change so that a particular commodity is now considered more appealing, then this leads to
  - A) a shift in the demand curve to the right.
  - B) a shift in the demand curve to the left.
  - C) a movement up the demand curve.
  - D) no change in the demand curve.
  - E) a movement down the demand curve.
- 3) When one moves along a demand curve, which of the following includes only variables that are assumed to be constant?
  - A) Households' income, tastes, and the number of buyers in the market.
  - B) Households' income, expectations, and the price of the good.
  - C) Households' income, the price of the good, and tastes.
  - D) Tastes, the number of buyers in the market, households' income, expectations, the quantity of the good demanded, and the price of the good.
  - E) Tastes, the number of buyers in the market, and the quantity of the good demanded.
- 4) An improvement in the technology required to produce some good
  - A) brings about a leftward shift in the supply curve.
  - B) brings about a rightward shift in the supply curve.
  - C) has no effect on the supply curve for that good.
  - D) changes the slope of the supply curve.
  - E) changes the demand curve.
- 5) Suppose we observe an increase in the price of good A and an increase in the quantity of good A exchanged. Which of the following is a likely explanation?
  - A) The demand for good A has increased.
  - B) The "law of supply" is violated.
  - C) The new equilibrium price and quantity are wrong.
  - D) The "law of demand" is violated.
  - E) The supply of good A has increased.



6) In Figure 1 on the previous page, if supply were to increase and demand were to decrease simultaneously, this would lead to

- A) an increase in  $Q$  and an increase in  $P$ .
- B) a decrease in  $P$  and an indeterminate change in  $Q$ .
- C) no change in  $P$  or  $Q$ .
- D) a decrease in  $Q$  and an indeterminate change in  $P$ .
- E) an increase in  $Q$  and a decrease in  $P$ .

7) The price of beer rises sharply, and pretzels and beer are complementary goods. Which of the following will occur?

- A) Both the price of pretzels and the quantity of pretzels demanded will tend to fall.
- B) The price of pretzels will tend to rise and the quantity of pretzels demanded will tend to fall.
- C) The price of pretzels will tend to remain constant and the quantity of pretzels demanded will tend to rise.
- D) The price of pretzels will tend to fall and the quantity of pretzels demanded will tend to rise.
- E) Both the price of pretzels and the quantity of pretzels demanded will tend to rise.

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

Demand:  $Q_D = 410 - 4P$       Supply:  $Q_S = 15 + 266P$

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

- A) 404; \$1.57.    B) 21; \$1.51.    C) 404; \$1.46.    D) 434; \$1.46.    E) 434; \$1.51.

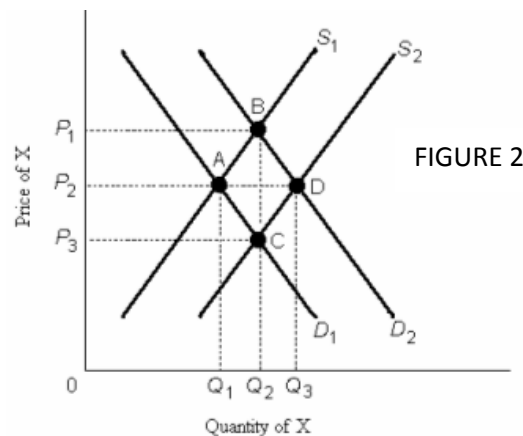


FIGURE 2

9) If the initial demand and supply curves in Figure 2 are  $D_1$  and  $S_1$ , equilibrium price and quantity are represented by point

- A) A.      B) B.      C) C.      D) D.

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

- A) in no imaginable situation.
- B) only if there is excess demand.
- C) only if price is below the equilibrium price.
- D) only if there is excess supply.
- E) if there is either excess supply or demand.



**QUIZ 3      VERSION 1**  
**Answer Section**

- 1) D
- 2) D
- 3) C
- 4) C
- 5) C
- 6) D
- 7) B
- 8) D
- 9) C
- 10) C

**QUIZ 3      VERSION 2**  
**Answer Section**

- 1) A
- 2) C
- 3) A
- 4) A
- 5) A
- 6) A
- 7) B
- 8) A
- 9) A
- 10) A

**QUIZ 3      VERSION 3**  
**Answer Section**

- 1) E
- 2) D
- 3) D
- 4) E
- 5) C
- 6) B
- 7) E
- 8) C
- 9) E
- 10) B

**QUIZ 3        VERSION 4**  
**Answer Section**

- 1) E
- 2) A
- 3) A
- 4) B
- 5) A
- 6) B
- 7) A
- 8) C
- 9) A
- 10) E