Chapter 4 – Elasticity – Sample Questions

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) The slope of a demand curve depends on 1) _____
A) the units used to measure quantity but not the units used to measure price.
B) the units used to measure price and the units used to measure quantity.
C) the units used to measure price but not the units used to measure quantity.
D) neither the units used to measure price nor the units used to measure quantity.

2) The price elasticity of demand depends on 2) _____
A) the units used to measure price but not the units used to measure quantity.
B) the units used to measure price and the units used to measure quantity.
C) the units used to measure quantity but not the units used to measure price.
D) neither the units used to measure price nor the units used to measure quantity.

3) The price elasticity of demand measures 3) _____
A) the slope of a budget curve.
B) how often the price of a good changes.
C) the responsiveness of the quantity demanded to changes in price.
D) how sensitive the quantity demanded is to changes in demand.

4) When the quantity of coal supplied is measured in kilograms instead of pounds, the demand for coal becomes 4) _____
A) more elastic. B) neither more nor less elastic.
C) less elastic. D) undefined.

5) The price elasticity of demand equals 5) _____
A) the percentage change in the quantity demanded divided by the percentage change in the price.
B) the change in the quantity demanded divided by the change in price.
C) the percentage change in the price divided by the percentage change in the quantity demanded.
D) the change in the price divided by the change in quantity demanded.

6) If a rightward shift of the supply curve leads to a 6 percent decrease in the price and a 5 percent increase in the quantity demanded, the price elasticity of demand is 6) _____
A) 0.83. B) 0.30. C) 0.60. D) 1.20.

7) A 10 percent increase in the quantity of spinach demanded results from a 20 percent decline in its price. The price elasticity of demand for spinach is 7) _____
A) 0.5. B) 20.0. C) 2.0. D) 10.0.

8) A 20 percent increase in the quantity of pizza demanded results from a 10 percent decline in its price. The price elasticity of demand for pizza is 8) _____
A) 2.0. B) 10.0. C) 0.5. D) 20.0.

9) Suppose a rise in the price of peaches from $5.50 to $6.50 per bushel decreases the quantity demanded from 12,500 to 11,500 bushels. The price elasticity of demand is 9) _____

A) 0.5. B) 1000.0. C) 2.0. D) 1.0.

10) A fall in the price of lemons from $10.50 to $9.50 per bushel increases the quantity demanded from 19,200 to 20,800 bushels. The price elasticity of demand is 10) _____

A) 1.25. B) 1.20. C) 8.00. D) 0.80.

11) A fall in the price of cabbage from $10.50 to $9.50 per bushel increases the quantity demanded from 18,800 to 21,200 bushels. The price elasticity of demand is 11) _____

A) 1.20. B) 0.80. C) 8.00. D) 1.25.

12) Suppose that the quantity of root beer demanded declines from 103,000 gallons per week to 97,000 gallons per week as a consequence of a 10 percent increase in the price of root beer. The price elasticity of demand is 12) _____

A) 1.66. B) 6.00. C) 0.60. D) 1.40.

13) The price elasticity of demand is 5.0 if a 10 percent increase in the price results in a _____ decrease in the quantity demanded. 13) _____

A) 10 percent B) 50 percent C) 2 percent D) 5 percent

14) A shift of the supply curve of oil raises the price of oil from $9.50 a barrel to $10.50 a barrel and reduces the quantity demanded from 41 million to 39 million barrels a day. The price elasticity of demand for oil is 14) _____

A) 2 million barrels a day per dollar. B) 0.5.

C) $1 per 2 million barrels a day. D) 2.0.

Price (dollars per bushel)	Quantity demanded (bushels)
8	2,000
7	4,000
6	6,000
5	8,000
4	10,000
3	12,000

15) The table above gives the demand schedule for snow peas. The price elasticity of demand between $6.00 and $7.00 per bushel is 15) _____

A) 1.0. B) 5.0. C) 2.0. D) 2.6.

16) The table above gives the demand schedule for snow peas. If the price of snow peas falls from $4.00 to $3.00 a bushel, total revenue will 16) _____

A) increase because demand is elastic in this range.

B) increase because demand is inelastic in this range.

C) decrease because demand is inelastic in this range.

D) decrease because demand is elastic in this range.

17) The table above gives the demand schedule for snow peas. The demand curve for snow peas is a straight line and so the elasticity of demand is 17) _____

A) lower at higher prices.
B) higher at higher prices.
C) 1 at all prices.
D) the same at all prices but not 1.

	Price (dollars per bushel)	Quantity demanded (bushels)
A	10	0
B	8	4
C	6	8
D	4	12
E	2	16

18) The table above gives the demand schedule for peas. As you move from point A to point B, the price elasticity of demand equals 18) _____

A) 0.50. B) 0.11. C) 9.09. D) 0.22.

19) The table above gives the demand schedule for peas. As you move from point C to point D, the price elasticity of demand is 19) _____

A) 3.00. B) elastic. C) 0.75. D) unit elastic.

20) The table above gives the demand schedule for peas. Which of the following statements correctly describes the price elasticity of demand? 20) _____

A) The price elasticity of demand is larger at point A than at point B.
B) The price elasticity of demand is constant because the slope is constant.
C) The price elasticity of demand increases moving from point A to point B to point C to point D to point E.
D) The price elasticity of demand is larger at point D than at point A.

21) If demand is price elastic, 21) _____

A) a 1 percent decrease in the price leads to an increase in the quantity demanded that exceeds 1 percent.
B) a 1 percent increase in the price leads to an increase in the quantity demanded that exceeds 1 percent.
C) the price is very sensitive to any shift of the supply curve.
D) a 1 percent decrease in the price leads to a decrease in the quantity demanded that is less than 1 percent.

22) The price elasticity of demand can range between 22) _____

A) negative one and one.
B) zero and infinity.
C) zero and one.
D) negative infinity and infinity.

23) Demand is perfectly inelastic when 23) _____

A) the good in question has perfect substitutes.
B) shifts in the supply curve results in no change in price.
C) shifts of the supply curve results in no change in quantity demanded.
D) shifts of the supply curve results in no change in the total revenue from sales.

24) If the price elasticity is between 0 and 1, demand is 24) _____

A) inelastic. B) elastic. C) perfectly elastic. D) unit elastic.

25) Demand is inelastic if 25) _____

A) a large change in quantity demanded results in a small change in price.

B) the price elasticity of demand is greater than 1.

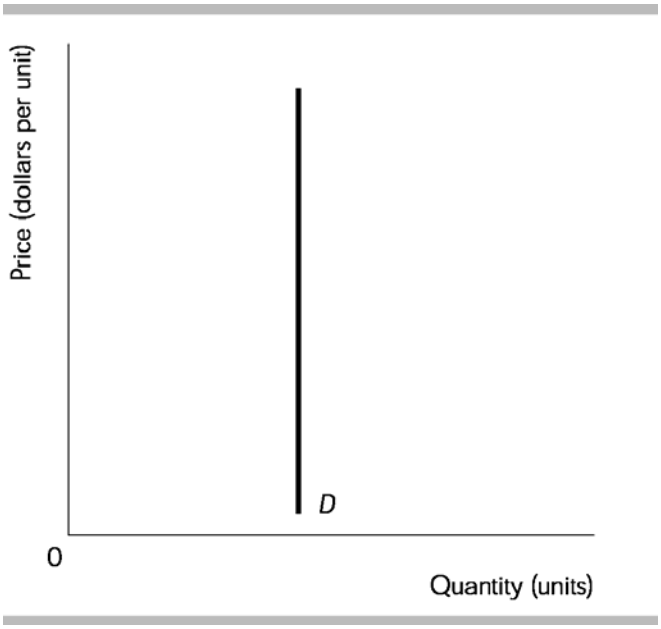
C) the quantity demanded is very responsive to changes in price.

D) the price elasticity of demand is less than 1.

26) A good with a vertical demand curve has a demand with 26) _____

A) infinite elasticity. B) unit elasticity.

C) zero elasticity. D) varying elasticity.



27) The demand curve in the figure above illustrates the demand for a product with 27) _____

A) unit price elasticity of demand at all prices.

B) a price elasticity of demand that is different at all prices.

C) infinite price elasticity of demand.

D) zero price elasticity of demand at all prices.

28) When the price elasticity of demand for a good equals 28) _____

A) 0, the demand curve is horizontal. B) 1, the demand curve is vertical.

C) 1, the demand curve is horizontal. D) 0, the demand curve is vertical.

29) A straight–line demand curve along which the price elasticity of demand equals 0 is one that 29) _____

A) forms a 45 degree angle with the vertical axis.

B) is horizontal.

C) is vertical.

D) forms a 60 degree angle with the horizontal axis.

30) The demand for movies is unit elastic if 30) _____

A) any increase in the price leads to a 1 percent decrease in the quantity demanded.

B) a 5 percent decrease in the price leads to an infinite increase in the quantity demanded.

C) a 5 percent increase in the price leads to a 5 percent decrease in the quantity demanded.

D) a 5 percent increase in the price leads to a 5 percent increase in total revenue.

31) Unit elastic demand 31) _____

A) means that the ratio of a change in the quantity demanded to a change in the price equals 1.

B) will be vertical.

C) means that the ratio of a percentage change in the quantity demanded to a percentage change in the price equals 1.

D) will be horizontal.

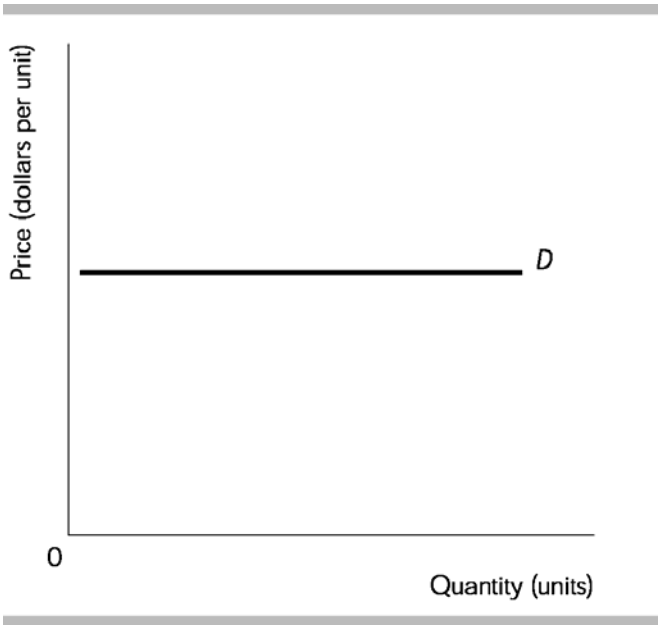
32) A good with a horizontal demand curve has a demand 32) _____

A) with an income elasticity of demand of 0.

B) with a price elasticity of demand of infinity.

C) for which there are no substitute.

D) with a price elasticity of demand of 0.



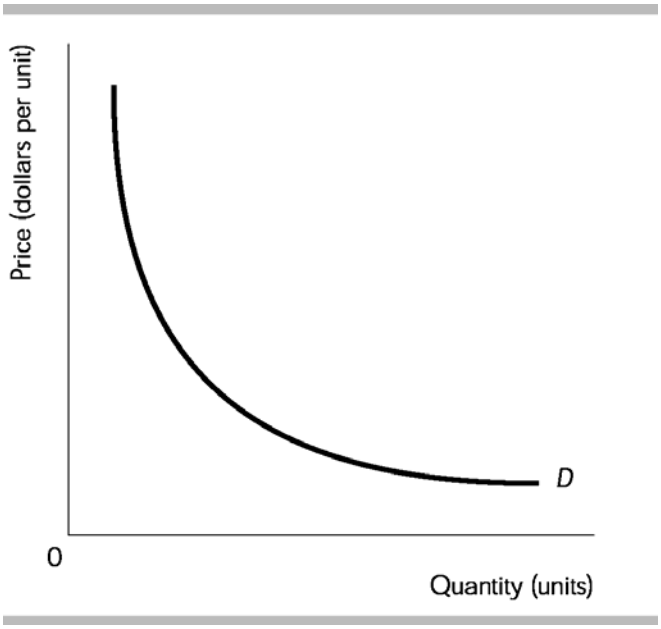
33) The demand curve in the figure above illustrates a product whose demand has a price elasticity of demand equal to 33) _____

A) infinity.

B) zero at all prices.

C) a different amount at different prices.

D) one at all prices.



34) The demand curve in the figure above illustrates the demand for a product with 34) _____

A) zero price elasticity of demand at all prices.

B) a price elasticity of demand that is different at all prices.

C) unit price elasticity of demand at all prices.

D) infinite price elasticity of demand.

35) On a linear demand curve that intersects both axes, 35) _____

A) the elasticity decreases as the price falls and quantity increases.

B) the elasticity is less than 1.00 at all prices.

C) the elasticity equals 1.00 at all prices.

D) the elasticity exceeds 1.00 at all prices.

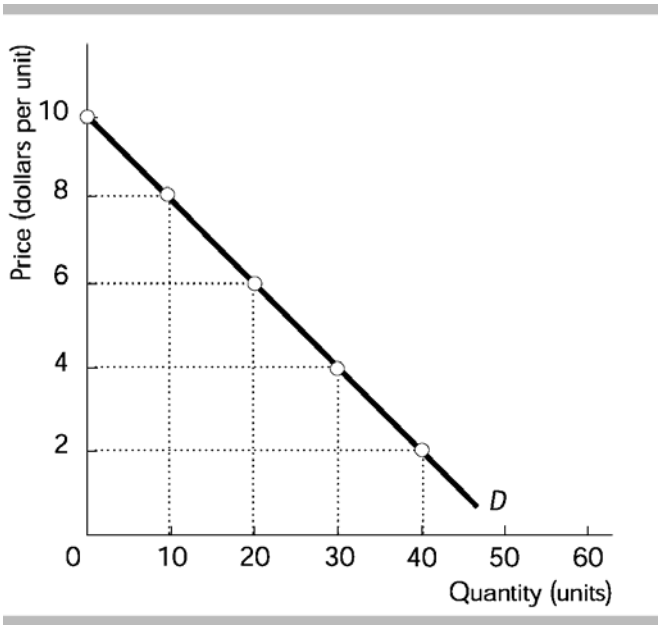
36) On a straight–line downward–sloping demand curve, the maximum elasticity of demand occurs 36) _____

A) where it intersects the supply curve. B) at its vertical intercept.

C) at its horizontal intercept. D) at its midpoint.

37) A straight–line demand curve with negative slope intersects the horizontal axis at 100 tons per week. At the midpoint on the demand curve (corresponding to 50 tons per week) the price elasticity of demand is 37) _____

A) greater than 1.0. B) 0.5. C) 1.0. D) 0.



38) The figure above illustrates a linear demand curve. By comparing the price elasticity in the $2 to $4 price range with the elasticity in the $8 to $10 range, you can conclude that the elasticity is _____ 38)

A) the same in both price ranges.

B) greater in the $8 to $10 range when the price rises but greater in the $2 to $4 range when the price falls.

C) greater in the $8 to $10 range.

D) greater in the $2 to $4 range.

39) The figure above illustrates a linear demand curve. If the price falls from $8 to $6, _____ 39)

A) the quantity demanded will increase by less than 20 percent.

B) total revenue will remain unchanged.

C) total revenue will increase.

D) total revenue will decrease.

40) The figure above illustrates a linear demand curve. In the range from $8 to $6, _____ 40)

A) the demand is unit elastic.

B) the demand is price inelastic.

C) the demand is price elastic.

D) more information is needed to determine if the demand is price elastic, unit elastic, or inelastic.

41) The figure above illustrates a linear demand curve. If the price falls from $6 to $4, _____ 41)

A) total revenue will decrease.

B) total revenue will increase.

C) quantity demanded will increase by more than 100 percent.

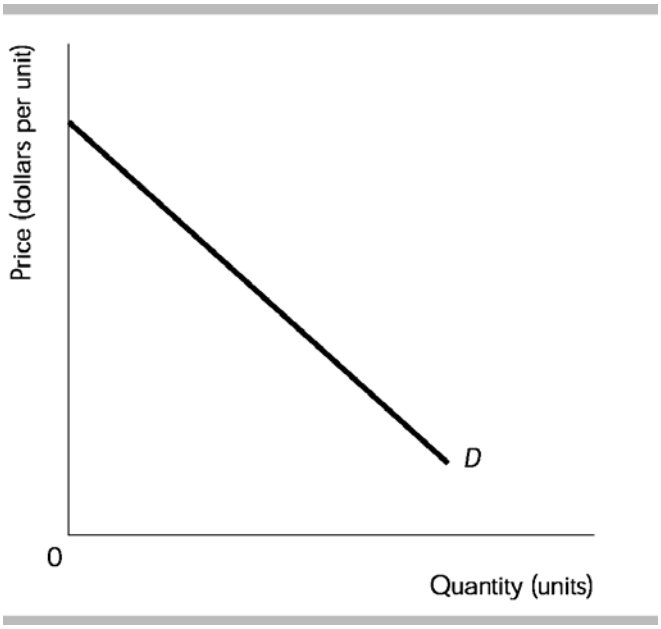
D) total revenue will remain unchanged.

42) The figure above illustrates a linear demand curve. In the price range from $8 to $6, demand is _____ and in the price range $4 to $2, demand is _____. 42) _____

A) elastic; inelastic
B) inelastic; inelastic
C) elastic; elastic
D) inelastic; elastic

43) The figure above illustrates a linear demand curve. If the price rises from $6 to $8 demand is _____ and if the price falls from $8 to $6 demand is _____. 43) _____

A) inelastic; inelastic
B) elastic; inelastic
C) elastic; elastic
D) inelastic; elastic



44) The demand curve in the figure above illustrates the demand for a product with 44) _____

A) zero price elasticity of demand at all prices.
B) a price elasticity of demand that is different at all prices.
C) unit price elasticity of demand at all prices.
D) infinite price elasticity of demand.

45) A straight-line demand curve with negative slope intersects the horizontal axis at 200 tons per week. The point on the demand curve at which the price elasticity of demand is 1 corresponds to a quantity demanded 45) _____

A) that would be negative if a negative quantity demanded were possible.
B) of 100 tons.
C) of 0 tons.
D) of 200 tons.

46) Demand is inelastic if 46) _____

A) a leftward shift of the supply curve raises the total revenue.

B) the good in question has close substitutes.

C) the smaller angle between the vertical axis and the demand curve is less than 45 degrees.

D) large shifts of the supply curve lead to only small changes in price.

47) Demand is unit elastic when 47) _____

A) a shift of the supply curve leads to no change in price.

B) the slope of the demand curve is –1.

C) a change in the price of the product leads to no change in the total revenue.

D) a shift of the supply curve leads to an equal shift of the demand curve.

48) Producers' total revenue will decrease if 48) _____

A) the price rises and demand is inelastic.

B) income increases and the good is a normal good.

C) the price rises and demand is elastic.

D) income falls and the good is an inferior good.

49) Producers' total revenue will increase if 49) _____

A) income falls and the good is a normal good.

B) the price rises and demand is inelastic.

C) the price rises and demand is elastic.

D) income increases and the good is an inferior good.

50) If the demand for a good is unit elastic, 50) _____

A) a 5 percent increase in price results in a 5 percent increase in total revenue.

B) the demand curve is a straight line with slope of –1.

C) a 5 percent increase in price results in a 5 percent decrease in total revenue.

D) a 5 percent increase in price does not change total revenue.

51) A shift of the supply curve of oil raises the price from $10 a barrel to $30 a barrel and reduces the quantity demanded from 40 million to 23 million barrels a day. You can conclude that the 51) _____

A) supply of oil is elastic. B) supply of oil is inelastic.

C) demand for oil is inelastic. D) demand for oil is elastic.

52) A shift of the supply curve of oil raises the price from $10 a barrel to $15 a barrel and reduces the quantity demanded from 40 million to 15 million barrels a day. You can conclude that the 52) _____

A) demand for oil is elastic. B) supply of oil is elastic.

C) supply of oil is inelastic. D) demand for oil is inelastic.

53) A leftward shift of the supply curve of cookies raises the price of a cookie from 10 cents to 20 cents and decreases the quantity demanded from 700,000 to 500,000. You can conclude that 53) _____

A) the supply of cookies is elastic. B) the supply of cookies is inelastic.

C) the demand for cookies is elastic. D) the demand for cookies is inelastic.

54) The demand for a good is elastic if 54) _____

A) a decrease in its price results in a decrease in total revenue.

B) the good is a necessity.

C) an increase in its price results in an increase in total revenue.

D) an increase in its price results in a decrease in total revenue.

55) If a price decrease results in your expenditure on a good decreasing, your demand must be 55) _____

A) unit. B) inelastic. C) linear. D) elastic.

56) An increase in subway fares in New York City will boost your expenditures on subway rides if 56) _____

A) the supply of subway rides is elastic. B) the supply of subway rides is inelastic.

C) your demand for subway rides is inelastic. D) your demand for subway rides is elastic.

57) The more substitutes available for a product, 57) _____

A) the larger is its income elasticity of demand.

B) the smaller is its income elasticity of demand.

C) the smaller is its price elasticity of demand.

D) the larger is its the price elasticity of demand.

58) Of the following, demand is likely to be the least elastic for 58) _____

A) Toyota automobiles. B) compact disc players.

C) Ford automobiles. D) toothpicks.

59) Of the following, demand is likely to be the least elastic for 59) _____

A) pink grapefruit. B) iceberg lettuce.

C) insulin for diabetics. D) diamonds.

60) The demand for food is most elastic in countries 60) _____

A) with low income levels. B) that are highly urbanized.

C) with intermediate income levels. D) with high income levels.

61) The demand for Honda Accords is 61) _____

A) probably inelastic and less elastic than the demand for automobiles.

B) probably elastic but less elastic than the demand for automobiles.

C) probably elastic and more elastic than the demand for automobiles.

D) probably inelastic but more elastic than the demand for automobiles.

62) The route from Dallas to Mexico City is served by more than one airline. The demand for tickets from American Airlines for that route is probably 62) _____

A) elastic and more elastic than the demand for all tickets for that route.

B) inelastic and less elastic than the demand for all tickets for that route.

C) elastic but less elastic than the demand for all tickets for that route.

D) inelastic but more elastic than the demand for all tickets for that route.

63) The elasticity of demand for Gateway computers is probably 63) _____

A) elastic and smaller than the elasticity of demand for computers overall.

B) inelastic and smaller than the elasticity of demand for computers overall.

C) inelastic but larger than the elasticity of demand for computers overall.

D) elastic and larger than the elasticity of demand for computers overall.

64) Aglets are the metal or plastic tips on shoelaces that make it easier to lace your shoes. The demand for aglets is probably 64) _____

A) perfectly elastic. B) inelastic.

C) elastic but not perfectly elastic. D) unit elastic.

65) The cross elasticity of demand measures the responsiveness of the quantity demanded of a particular good to changes in the prices of 65) _____

A) its complements but not its substitutes.

B) its substitutes but not its complements.

C) its substitutes and its complements.

D) neither its substitutes nor its complements.

66) If goods are complements, definitely their 66) _____

A) income elasticities are negative. B) income elasticities are positive.

C) cross elasticities are positive. D) cross elasticities are negative.

67) If a rise in the price of good 1 decreases the quantity of good 2 demanded, 67) _____

A) the cross elasticity of demand is negative. B) good 1 is an inferior good.

C) good 2 is an inferior good. D) the cross elasticity of demand is positive.

68) The cross elasticity of demand between apples and oranges is defined as 68) _____

A) the price elasticity of demand for apples divided by the price elasticity of demand for oranges.

B) the change in the quantity of apples demanded divided by the change in the quantity of oranges demanded.

C) the percentage change in the quantity of apples demanded divided by the percentage change in the price of oranges.

D) the percentage change in the quantity of apples demanded divided by the percentage change in the quantity of oranges demanded.

69) If the cross elasticity of demand between goods A and B is positive, 69) _____

A) the demands for A and B are both price elastic.

B) A and B are complements.

C) A and B are substitutes.

D) the demands for A and B are both price inelastic.

70) If the cross elasticity of demand between goods A and B is negative, 70) _____

A) the demands for A and B are both price elastic.

B) A and B are complements.

C) the demands for A and B are both price inelastic.

D) A and B are substitutes.

71) The greater the substitutability between Northwest timber and Southeast timber, the _____ is the cross elasticity of demand between timber from the two regions and the _____ is the elasticity of demand for Northwest timber. 71) _____

A) smaller; smaller B) larger; smaller C) smaller; larger D) larger; larger

72) If goods A and B are complements, 72) _____

A) the cross elasticity of demand between A and B is negative.

B) the cross elasticity of demand between A and B is positive.

C) their income elasticities of demand are both less than 1.

D) their income elasticities of demand are both greater than 1.

73) If a rise in the price of good B increases the quantity demanded of good A, 73) _____

A) B is a substitute for A, but A is a complement to B.

B) A is a substitute for B, but B is a complement to A.

C) A and B are complements.

D) A and B are substitutes.

74) If a fall in the price of good A increases the quantity demanded of good B, 74) _____

A) A and B are substitutes.

B) A and B are complements.

C) B is a substitute for A, but A is a complement to B.

D) A is a substitute for B, but B is a complement to A.

75) The cross elasticity of demand between Coca–Cola and Pepsi–Cola is 75) _____

A) positive, that is, Coke and Pepsi are complements.

B) negative, that is, Coke and Pepsi are complements.

C) positive, that is, Coke and Pepsi are substitutes.

D) negative, that is, Coke and Pepsi are substitutes.

76) A rise in the price of good A will shift the 76) _____

A) supply curve of good B rightward if the cross elasticity of demand between A and B is positive.

B) demand curve for good B rightward if the cross elasticity of demand between A and B is negative.

C) demand curve for good B rightward if the cross elasticity of demand between A and B is positive.

D) supply curve of good B rightward if the cross elasticity of demand between A and B is negative.

77) The income elasticity of demand is the percentage change in 77) _____

A) income divided by the percentage change in price.

B) the quantity demanded divided by the percentage change in income.

C) the price divided by the percentage change in income.

D) income divided by the percentage change in quantity demanded.

78) Demand is income elastic if 78) _____

A) an increase in income will not affect the quantity demanded.

B) a small percentage increase in income will result in a large percentage increase in quantity demanded.

C) the good in question has close substitutes.

D) a large percentage increase in income will result in a small percentage increase in quantity demanded.

79) The income elasticity of demand is high for 79) _____

A) shelter. B) luxuries. C) clothing. D) food.

80) To say that turnips are inferior goods means that the income elasticity 80) _____

A) is definitely greater than 1.

B) is negative.

C) is positive but could be greater than or less then (or equal to) 1.

D) is definitely between 0 and 1.

81) An increase in Abigail's income decreases her demand for cassette tapes. For her, cassette tapes are 81) _____

A) a complement to any good. B) a normal good.

C) an inferior good. D) a substitute good.

82) Goods whose income elasticities are negative are called 82) _____

A) superior goods. B) inferior goods. C) normal goods. D) complements.

83) A 10 percent increase in income has caused a 5 percent decrease in the quantity demanded. The income elasticity is 83) _____

A) 0.5. B) –2.0. C) 2.0. D) –0.5.

84) Deb's income has just risen from $950 per week to $1,050 per week. As a result, she decides to increase the number of movies she attends each month by 5 percent. Her demand for movies is 84) _____

A) income inelastic. B) income elastic.

C) represented by a vertical line. D) represented by a horizontal line.

85) Fred's income has just risen from $940 per week to $1,060 per week. As a result, he decides to purchase 9 percent more steak per week. The income elasticity of Fred's demand for steak is 85) _____

A) 0.75. B) 1.33. C) 0.90. D) 1.00.

86) Joan's income has just risen from $940 per week to $1,060 per week. As a result, she decides to purchase 12 percent more lettuce per week. The income elasticity of Joan's demand for lettuce is 86) _____

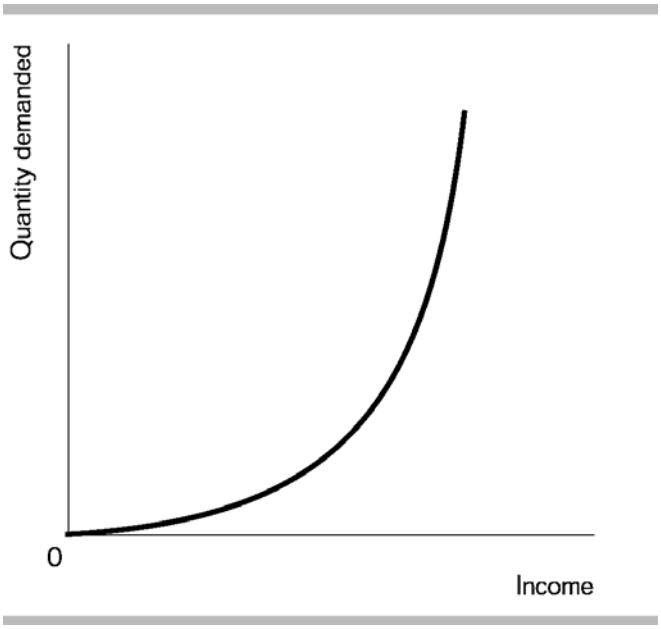
A) 1.33. B) 0.90. C) 1.00. D) 0.75.

87) A 10 percent increase in income causes the quantity of orange juice demanded to increase from 19,200 to 20,800 gallons. The income elasticity of demand for orange juice is 87) _____

A) 0.8. B) 1.2. C) 1.0. D) 0.5.

88) A 10 percent increase in income causes the quantity of apple juice demanded to increase from 18,800 to 21,200 gallons. The income elasticity of demand for apple juice is 88) _____

A) 0.5. B) 1.0. C) 1.2. D) 0.8.



89) The above figure shows a good 89) _____

A) that is an inferior good over all income ranges.

B) whose income elasticity is greater than 0 but less than 1.

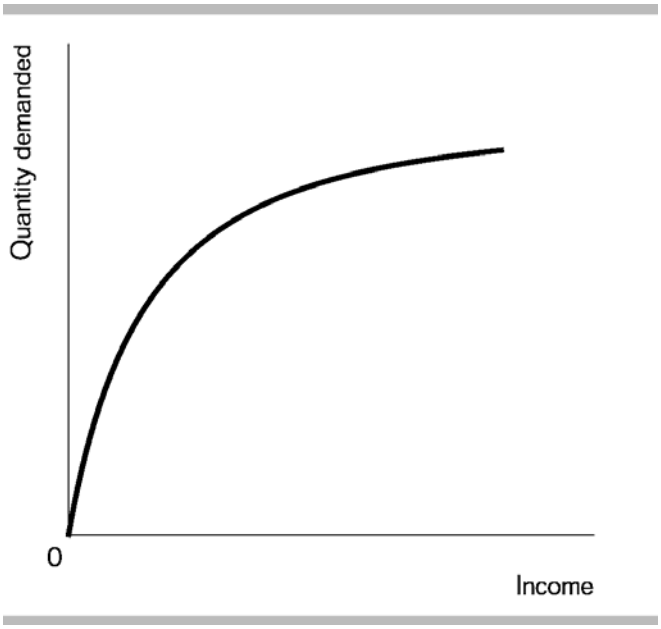
C) that is a normal good over some income ranges and an inferior good over other ranges.

D) whose income elasticity always exceeds 1.0.

90) Of the following, which one is most likely to have a negative income elasticity of demand? 90) _____

A) shoes B) tennis balls

C) inter-city bus travel D) frozen yogurt



91) The above figure shows a good 91) _____

A) whose income elasticity is greater than 0 but less than 1.

B) that is an inferior good over all income ranges.

C) whose income elasticity always exceeds 1.0.

D) that is a normal good over some income ranges and an inferior good over other ranges.

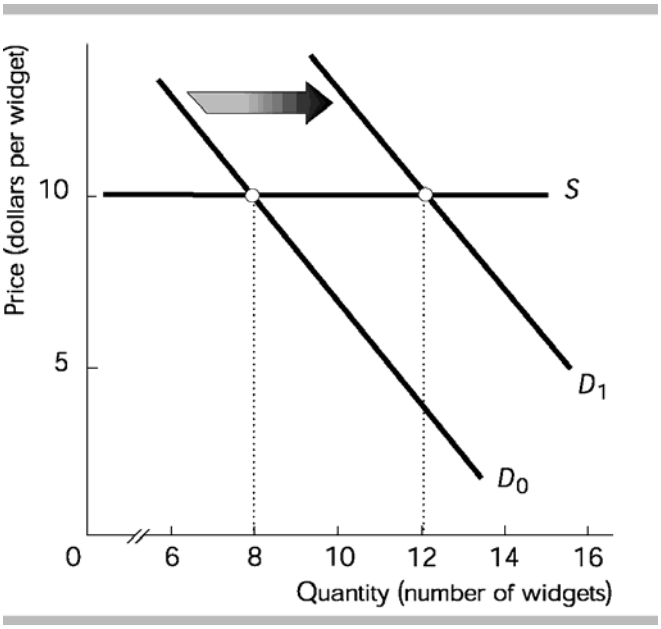
92) The above figure shows a good 92) _____

A) whose income elasticity always exceeds 1.0.

B) whose income elasticity is greater than 0 but less than 1.

C) that is an inferior good over all income ranges.

D) that is a normal good over some income ranges and an inferior good over other ranges.



93) The increase in the demand for widgets, shown in the figure above, is caused by an increase in the price of McBoover devices. Therefore, 93) _____

A) widgets and McBoover devices are substitutes.

B) widgets and McBoover devices are complements.

C) McBoover devices are a normal good.

D) widgets are a normal good.

94) The increase in the demand for widgets, shown in the figure above, is caused by a decrease in the price of McBoover devices. Therefore, 94) _____

A) widgets and McBoover devices are substitutes.

B) widgets are a normal good.

C) McBoover devices are a normal good.

D) widgets and McBoover devices are complements.

95) The increase in the demand for widgets, shown in the figure above, is caused by an increase in the price of McBoover devices from $9 to $11. Therefore, the cross–price elasticity for these two products is 95) _____

A) 0.5. B) –2.0. C) 2.0. D) –0.5.

96) The increase in the demand for widgets, shown in the figure above, is caused by a decrease in the price of McBoover devices from $11 to $9. Therefore, the cross–price elasticity for these two products is 96) _____

A) –2.0. B) 2.0. C) –0.5. D) 0.5.

97) The increase in the demand for widgets, shown in the figure above, is caused by an increase in average incomes. Therefore, widgets 97) _____

A) are a normal good. B) are elastically demanded.

C) are an inferior good. D) are inelastically demanded.

98) The increase in the demand for widgets, shown in the figure above, is caused by an increase in average incomes from $28,500 per year to $31,500 per year. Therefore, the income elasticity of demand for widgets is 98) _____

A) 4. B) 3/4. C) 1/4. D) 4/3.

99) As income rises, the share of income spent on food in the United States 99) _____

A) rises. B) remains constant at 15 percent.

C) falls. D) remains constant at 33 percent.

100) The elasticity of supply measures the responsiveness of 100) _____

A) quantity supplied to changes in price. B) quantity demanded to changes in supply.

C) quantity supplied to changes in income. D) quantity supplied to changes in demand.

101) The elasticity of supply measures the sensitivity of 101) _____

A) supply to changes in costs. B) quantity supplied to a change in price.

C) price to changes in supply. D) quantity supplied to quantity demanded.

102) On most days the price of a rose is $1 and 80 roses are purchased. On Valentine's Day the demand increases so that the price of a rose rises to $2 and 320 roses are purchased. Therefore, the price elasticity of 102) _____

A) demand for roses is about 1.8. B) supply of roses is about 1.8.

C) demand for roses is about 0.55. D) supply of roses is about 0.55.

103) Supply is elastic if 103) _____

A) a 1 percent change in price causes a larger percentage change in quantity supplied.

B) the good in question is a normal good.

C) the slope of the supply curve is positive.

D) a 1 percent change in price causes a smaller percentage change in quantity supplied.

104) If a 1 percent decrease in the price of a pound of oranges results in a smaller percentage decrease in the quantity supplied, 104) _____

A) supply is inelastic. B) demand is inelastic.

C) demand is elastic. D) supply is elastic.

105) If a 1 percent decrease in the price of a pound of squash results in a larger percentage decrease in the quantity supplied, 105) _____

A) demand is inelastic. B) demand is elastic.

C) supply is inelastic. D) supply is elastic.

106) If at a given moment, no matter what the price, producers cannot change the quantity supplied, the momentary supply 106) _____

A) has infinite elasticity. B) has unit elasticity.

C) does not exist. D) has zero elasticity.

107) If a rise in the price of oranges from $7 to $9 a bushel, caused by a shift of the demand curve, increases the quantity of bushels supplied from 4,500 to 5,500 bushels, the 107) _____

A) demand for oranges is elastic. B) supply of oranges is elastic.

C) demand for oranges is inelastic. D) supply of oranges is inelastic.

108) If a shift in the demand curve that raises the price of oranges from $7 to $9 a bushel increases the quantity of oranges supplied from 4,000 bushels to 6,000 bushels, the 108) _____

A) supply of oranges is elastic. B) supply of oranges is inelastic.

C) demand for oranges is inelastic. D) demand for oranges is elastic.

109) A rise in the price of cabbage from $14 to $18 per bushel, caused by a shift of the demand curve, increases the quantity supplied from 4,000 to 6,000 bushels. The elasticity of supply is 109) _____

A) 1.6. B) 1.0. C) 0.6. D) 0.8.

110) If a 5 percent increase in the price results in a 9 percent increase in quantity supplied, the elasticity of supply is 110) _____

A) 0.30. B) 0.55. C) 1.80. D) 1.20.

111) If a 5 percent increase in price results in a 3 percent increase in the quantity supplied, the elasticity of supply is 111) _____

A) 1.20. B) 0.60. C) 1.66. D) 0.30.

112) A vertical supply curve indicates an elasticity of supply that equals 112) _____

A) 0. B) infinity. C) 1. D) –1.

113) A horizontal supply curve indicates an elasticity of supply that equals 113) _____

A) 0. B) infinity. C) 1. D) –1.

114) Suppose a 10 percent increase in the price of textbooks decreases the quantity demanded by 20 percent. The elasticity of demand for textbooks is 114) _____

A) 0.2. B) 5.0. C) 10.0. D) 2.0.

115) The quantity of new cars increases by 10 percent. If the price elasticity of demand for new cars is 1.25, the price of new cars will fall by 115) _____

A) 8 percent. B) 10 percent. C) 2.5 percent. D) 12.5 percent.

116) Suppose the price elasticity of demand for oil is 0.1. In order to lower the price of oil by 20 percent, the quantity of oil supplied must be increased by 116) _____

A) 20 percent. B) 2 percent. C) 0.2 percent. D) 200 percent.

117) Moving up (to the left) along a linear demand curve, the price elasticity of demand 117) _____

A) at first increases and then decreases. B) increases.

C) decreases. D) does not change.

118) If the price elasticity of demand for a product equals 1, as its price rises the 118) _____

A) total revenue increases. B) quantity demanded does not change.

C) total revenue does not change. D) quantity demanded increases.

119) A rise in the price of a product lowers the total revenue from the product if the 119) _____

A) good is an inferior product.
B) demand for the product is inelastic.
C) demand for the product is elastic.
D) income elasticity of demand exceeds 1.

120) If a 4 percent rise in the price of peanut butter lowers the total revenue received by the producers of peanut butter by 4 percent, the demand for peanut butter 120) _____

A) is inelastic.
B) is elastic.
C) is unit elastic.
D) has an elasticity of 2.0.

121) A product is likely to have a price elasticity of demand that exceeds 1 when 121) _____

A) its price falls.
B) it is a necessity.
C) it has close substitutes.
D) the percentage of income spent on it decreases.

122) Which of the following is likely to have the smallest price elasticity of demand? 122) _____

A) a new Ford automobile
B) a new automobile
C) a new Ford Mustang
D) an automobile

123) A 10 percent decrease in the price of a Pepsi decreases the demand for a Coca-Cola by 50 percent. The cross elasticity of demand between a Pepsi and Coca-Cola is 123) _____

A) 5. B) 10. C) 0.20. D) 50.

124) A fall in the price of X from $12 to $8 causes an increase in the quantity of Y demanded from 900 to 1,100 units. What is the cross elasticity of demand between X and Y? 124) _____

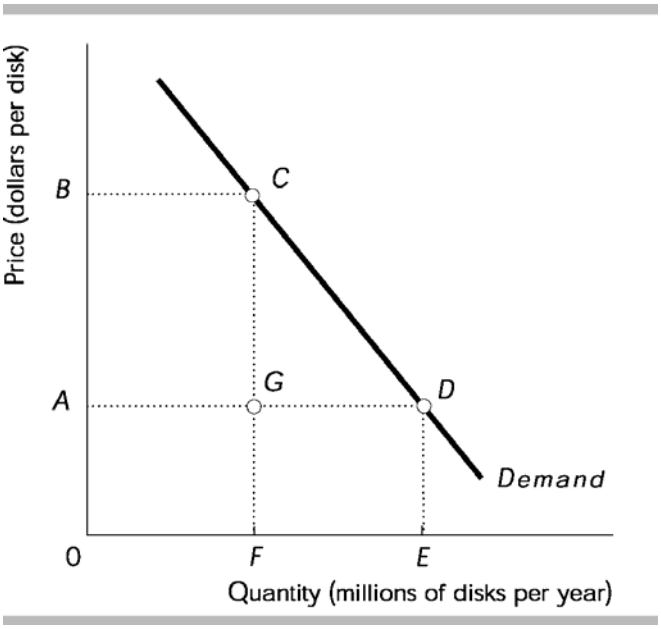
A) 2 B) -0.5 C) -2 D) 0.5

125) A fall in the price of X from $12 to $8 causes an increase in the quantity of Y demanded from 900 to 1,100 units. X and Y are 125) _____

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

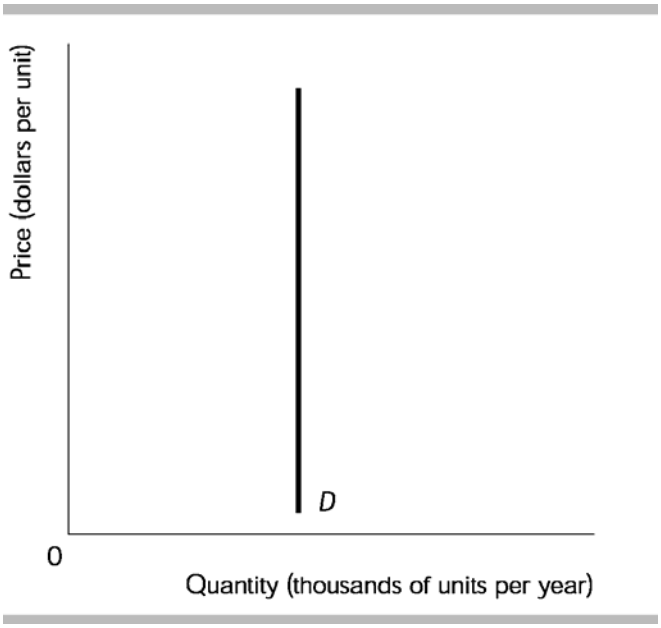
126) A 10 percent decrease in income decreases the quantity demanded of compact discs by 3 percent. The income elasticity of demand for compact discs is 126) _____

A) 10.0. B) 3.3. C) -0.3. D) 0.3.



127) In the figure above, when the price of a disk is $*B*, total revenue is shown in the graph by area 127) _____

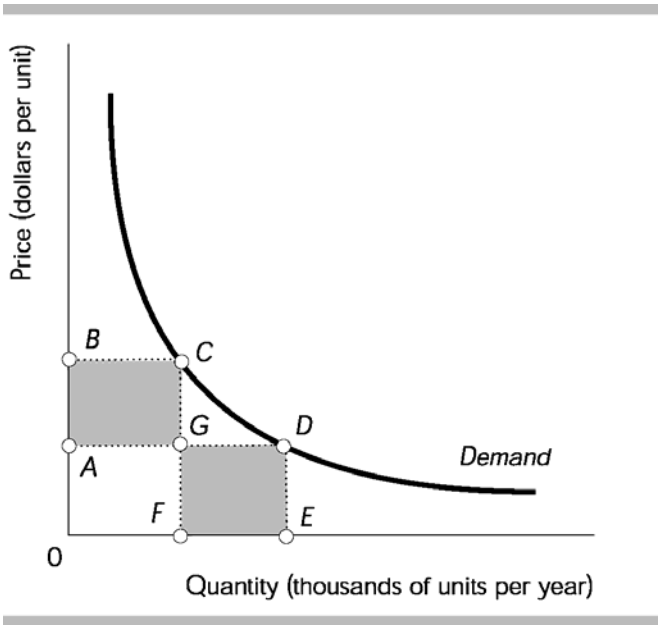
A) *FCDE*. B) *ADE*0. C) *AGF*0. D) *BCF*0.



128) The above figure illustrates the demand curve for a good. The good has 128) _____

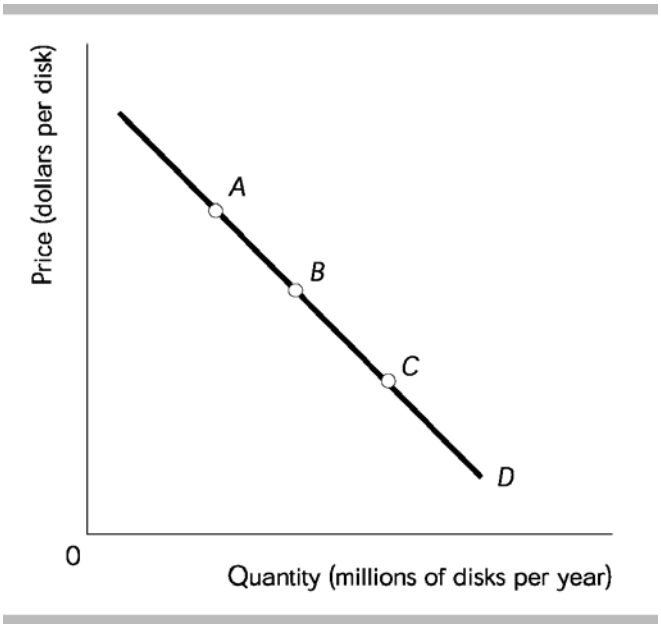
A) many substitutes. B) no substitutes.

C) only one substitute. D) only a few substitutes.



129) The elasticity of demand along the demand curve shown in the above figure is constant and equal to 1. Thus, 129) _____

A) area 0*BCF* equals area 0*AGF*.
B) area 0*BCF* equals area 0*ADE*.
C) area 0*BCF* equals area *FGDE*.
D) area *ABCG* equals area 0*AGF*.



130) The above figure shows a linear (straight-line) demand curve. Start at point *A* and then moving to point *B* and then point *C*, the price elasticity of demand 130) _____

A) increases.
B) increases and then decreases.
C) decreases and then increases.
D) decreases.

Answer Key
Testname: UNTITLED2.TST

1) B
2) D
3) C
4) B
5) A
6) A
7) A
8) A
9) A
10) D
11) A
12) C
13) B
14) B
15) D
16) C
17) B
18) C
19) D
20) A
21) A
22) B
23) C
24) A
25) D
26) C
27) D
28) D
29) C
30) C
31) C
32) B
33) A
34) C
35) A
36) B
37) C
38) C
39) C
40) C
41) D
42) A
43) C
44) B
45) B
46) A
47) C
48) C
49) B
50) D

51) C
52) A
53) D
54) D
55) B
56) C
57) D
58) D
59) C
60) A
61) C
62) A
63) D
64) B
65) C
66) D
67) A
68) C
69) C
70) B
71) D
72) A
73) D
74) B
75) C
76) C
77) B
78) B
79) B
80) B
81) C
82) B
83) D
84) A
85) A
86) C
87) A
88) C
89) D
90) C
91) A
92) D
93) A
94) D
95) C
96) A
97) A
98) A
99) C
100) A

Answer Key
Testname: UNTITLED2.TST

101) B
102) B
103) A
104) A
105) D
106) D
107) D
108) A
109) A
110) C
111) B
112) A
113) B
114) D
115) A
116) B
117) B
118) C
119) C
120) B
121) C
122) D
123) A
124) B
125) A
126) D
127) D
128) B
129) B
130) D