Economics: Canada in the Global Environment, 7e (Parkin)
Chapter 3 Demand and Supply

3.1 Markets and Prices

1) The relative price of a good is all of the following except
A) the ratio of one price to another.
B) an opportunity cost.
C) the money price of the good divided by a price index.
D) the same as the money price of a good.
E) determined in a market.
Answer: D
Diff: 2
Topic: Markets and Prices

2) How many sides does a market have?
A) one side - buyers
B) one side - sellers
C) two sides - buyers and sellers
D) three sides - buyers, sellers, and the government
E) two sides - domestic and foreign
Answer: C
Diff: 1
Topic: Markets and Prices

3) Which market is an example of a market for goods?
A) labour market
B) haircut market
C) manufactured input market
D) apple market
E) energy market
Answer: D
Diff: 1
Topic: Markets and Prices

4) Which market is an example of a market for services?
A) orange market
B) tennis lessons market
C) manufactured input market
D) energy market
E) labour market
Answer: B
Diff: 1
Topic: Markets and Prices

5) Which market is an example of a resource market?
A) furniture market
B) apple market
C) automobile market
D) haircut market
E) labour market
Answer: E
Diff: 1
Topic: Markets and Prices

6) The demand and supply model determines
A) relative prices.
B) money prices.
C) supply prices.
D) demand prices.
E) absolute prices.
Answer: A
Diff: 1
Topic: Markets and Prices

Use the table below to answer the following questions.

Table 3.1.1

Year	Coffee Price	Tea Price	Cola Price
2007	$1.25	$1.10	$0.80
2008	$1.50	$1.00	$1.00
2009	$1.25	$1.20	$1.00

7) Refer to Table 3.1.1. In 2007, the relative price of coffee in terms of tea is
A) 1.25.
B) 1.10.
C) 1.00.
D) 0.88.
E) 1.14.
Answer: E
Diff: 2
Topic: Markets and Prices

8) Refer to Table 3.1.1. In 2009, the relative price of coffee in terms of cola is
A) 1.25.
B) 1.00.
C) 0.67.
D) 1.56.
E) unknown without more information.
Answer: A
Diff: 2
Topic: Markets and Prices

9) Refer to Table 3.1.1. In 2009, the relative price of cola in terms of tea is
A) 1.00.
B) 1.20.
C) 0.83.
D) 1.25.
E) unknown without more information.
Answer: C
Diff: 2
Topic: Markets and Prices

10) Refer to Table 3.1.1. Between 2007 and 2008, the price of coffee relative to the price of tea ________ while the price of coffee relative to the price of cola ________.
A) rose; rose
B) rose; fell
C) fell; rose
D) fell; fell
E) fell; stayed constant
Answer: B
Diff: 2
Topic: Markets and Prices

11) Refer to Table 3.1.1. Between 2008 and 2009, the price of coffee relative to the price of tea ________ while the price of coffee relative to the price of cola ________.
A) rose; rose
B) rose; fell
C) fell; rose
D) fell; fell
E) fell; stayed constant
Answer: D
Diff: 2
Topic: Markets and Prices

12) A market where no single buyer or seller can influence the price is
A) a buyer's market.
B) a seller's market.
C) a competitive market.
D) an output market.
E) an input market.
Answer: C
Diff: 1
Topic: Markets and Prices

13) A relative price is
A) the ratio of one price to another.
B) an opportunity cost.
C) a quantity of a "basket" of goods and services forgone.
D) determined by demand and supply.
E) all of the above.
Answer: E
Diff: 2
Topic: Markets and Prices
Source: Study Guide

14) William Gregg owned a mill in South Carolina. In December 1862, he placed a notice in the Edgehill Advertister announcing his willingness to exchange cloth for food and other items. Here is an extract:

1 yard of cloth for 1 pound of bacon
2 yards of cloth for 1 pound of butter
4 yards of cloth for 1 pound of wool
8 yards of cloth for 1 bushel of salt

If the money price of bacon was 20¢ a pound and the money price of salt was $2.00 a bushel, people would ________.
A) buy bacon and trade it for cloth because they could buy 8 yards of cloth for only $1.60, and use that cloth to obtain a bushel of salt
B) not buy bacon and trade it for cloth because they would have to buy 8 yards of cloth for $1.60 and then give Mr. Gregg an extra $0.40 to buy a bushel of salt
C) buy bacon and trade it for cloth and then trade the cloth for salt because salt is more important for life than either cloth or bacon
D) not buy bacon and trade it for cloth because the relative price of 1 bushel of salt is only 1/8 yard of cloth
E) buy bacon and trade it for cloth because cloth is more expensive than bacon
Answer: A
Diff: 2
Topic: Markets and Prices
Source: MyEconLab

3.2 Demand

1) The law of demand states that, other things remaining the same,
A) the higher the price of a good, the smaller is the quantity demanded.
B) the higher the price of a good, the smaller is the quantity supplied.
C) price and quantity supplied are positively related.
D) as income increases, willingness to pay for the last unit increases.
E) the higher the price of a good, the greater is the quantity demanded.
Answer: A
Diff: 1
Topic: Demand

2) Which one of the following events shifts the demand curve for grape jelly to the right?
A) an increase in income if grape jelly is a normal good
B) a decrease in the price of strawberry preserves, a substitute for grape jelly
C) a decrease in the price of grape jelly
D) an increase in the price of peanut butter, a complement of grape jelly
E) a decrease in the population
Answer: A
Diff: 2
Topic: Demand

3) The demand curve slopes downward to the right because
A) an increase in income leads to increased consumption.
B) of the law of supply.
C) of the law of demand.
D) of comparative advantage.
E) as income rises, the quantity demanded increases.
Answer: C
Diff: 1
Topic: Demand

4) An increase in the price of ground beef
A) increases the demand for chicken, a substitute for ground beef.
B) increases the demand for hamburger buns, a complement of ground beef.
C) increases the quantity demanded of ground beef.
D) decreases the quantity demanded of ground beef.
E) both A and D.
Answer: E
Diff: 2
Topic: Demand

5) An increase in income
A) increases the demand for turnips if a turnip is an inferior good.
B) increases the demand for turnips if a turnip is a normal good.
C) increases the supply of turnips.
D) decreases the demand for turnips if turnips have a very low price.
E) decreases the supply of turnips.
Answer: B
Diff: 2
Topic: Demand

6) A turnip is an inferior good if
A) an increase in the price of a turnip decreases the quantity of turnips that consumers want to buy.
B) an increase in income decreases the demand for turnips.
C) an increase in income increases the demand for turnips.
D) turnips violate the law of demand.
E) turnips are a low quality good.
Answer: B
Diff: 2
Topic: Demand

7) If a turnip is an inferior good, then, ceteris paribus, an increase in the price of a turnip will
A) decrease the demand for turnips.
B) increase the demand for turnips.
C) decrease the supply of turnips.
D) increase the supply of turnips.
E) none of the above.
Answer: E
Diff: 3
Topic: Demand

8) Suppose income increases. Choose the correct statement.
A) The equilibrium price of turnips falls if a turnip is an inferior good.
B) The equilibrium price of turnips rises if a turnip is an inferior good.
C) The equilibrium quantity of turnips decreases if a turnip is an inferior good.
D) The supply of turnips decreases whether or not a turnip is an inferior good.
E) Both A and C.
Answer: E
Diff: 3
Topic: Demand

Use the figure below to answer the following questions.

Figure 3.2.1

9) Point A in Figure 3.2.1 indicates that
A) $1 is the least that consumers are willing to pay for the 4,000th apple.
B) consumers will not be in equilibrium if the price of an apple is $1.
C) consumers will only pay $1 for any apple.
D) if the price is $1, consumers will plan to buy 4,000 apples.
E) if the price is more than $1, consumers will buy 9,000 apples.
Answer: D
Diff: 2
Topic: Demand

10) Which one of the following statements best characterizes point B in Figure 3.2.1?
A) Producers would be unwilling to sell the 9,000th apple for less than $0.50.
B) The most that consumers would be willing to pay for the 9,000th apple is $0.50.
C) At a price of $0.50, consumers will be unwilling to buy any apples.
D) At a price of $0.50, there will be an apple shortage.
E) At point B, the market is in equilibrium.
Answer: B
Diff: 2
Topic: Demand

11) Given Figure 3.2.1, under what condition are consumers willing to buy more than 9,000 apples per week?
A) if the price is above $1
B) if the price is between $1 and $0.50
C) if the price is below $0.50
D) if the price is between $1 and $1.50
E) if the price is $0.75
Answer: C
Diff: 2
Topic: Demand

12) Which one of the following would result in a movement from point A to point B in Figure 3.2 .1?
A) a fall in the price of apples
B) a rise in the price of oranges
C) an increase in population size
D) public concern about chemicals sprayed on apples
E) a rise in the price of bananas
Answer: A
Diff: 2
Topic: Demand

Use the figure below to answer the following questions.

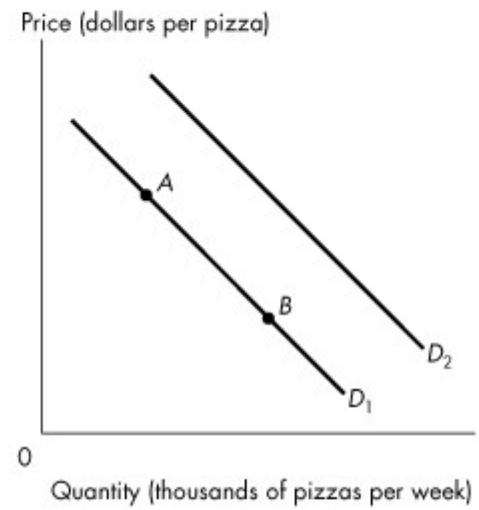

Figure 3.2.2

13) Which one of the following would result in the demand curve shifting from D1 to D2 in Figure 3.2.2?
A) an increase in the supply of pizza
B) a rise in the price of hamburgers, a substitute for pizza
C) a rise in the price of pizza
D) a fall in the price of pizza
E) a rise in the price of Coke, a complement of pizza
Answer: B
Diff: 2
Topic: Demand

14) Refer to Figure 3.2.2. Which one of the following represents a decrease in quantity demanded?
A) a shift from D1 to D2
B) a shift from D2 to D1
C) a movement from A to B
D) a movement from B to A
E) none of the above
Answer: D
Diff: 2
Topic: Demand

15) Refer to Figure 3.2.2. If consumers' income increases,
A) the quantity of pizzas demanded increases.
B) the demand curve for pizzas shifts from D1 to D2 if a pizza is a normal good.
C) the supply of pizzas increases.
D) the quantity of pizzas supplied decreases.
E) a movement from point A to point B on D1 occurs.
Answer: B
Diff: 2
Topic: Demand

16) The price of good A rises, and the demand curve for good B shifts leftward. We can conclude that
A) A and B are substitutes.
B) A and B are complements.
C) A and B are complements in production.
D) B is an inferior good.
E) B is a normal good.
Answer: B
Diff: 2
Topic: Demand

17) The price of good X falls and the demand for good Y decreases. We can conclude that
A) X and Y are complements.
B) X and Y are independent of each other.
C) X is an inferior good.
D) X is a normal good.
E) X and Y are substitutes.
Answer: E
Diff: 2
Topic: Demand

18) Which one of the following would lead to an increase in the demand for hamburgers?
A) a new fad hamburger diet
B) a decrease in population size
C) a rise in the price of French fries, a complement of hamburgers
D) a decrease in consumer income if hamburgers are a normal good
E) a news report that hamburgers can cause skin diseases
Answer: A
Diff: 2
Topic: Demand

19) Which of the following "other things" are not held constant along a demand curve?
A) income
B) prices of related goods
C) the price of the good itself
D) preferences
E) expected future income and credit
Answer: C
Diff: 1
Topic: Demand
Source: Study Guide

20) Good A is a normal good if
A) a rise in the price of a complement causes the demand for A to decrease.
B) income and the demand for A are negatively related.
C) a rise in the price of a substitute causes the demand for A to increase.
D) the demand for A increases when income rises.
E) good A satisfies the law of demand.
Answer: D
Diff: 1
Topic: Demand

21) A decrease in quantity demanded is represented by a
A) rightward shift of the supply curve.
B) rightward shift of the demand curve.
C) leftward shift of the demand curve.
D) movement upward and to the left along the demand curve.
E) movement downward and to the right along the demand curve.
Answer: D
Diff: 1
Topic: Demand
Source: Study Guide

22) Some sales managers are talking shop. Which of the following quotations refers to a movement along the demand curve?
A) "Since our competitors raised their prices, our sales have doubled."
B) "It has been an unusually mild winter; our sales of wool scarves are down from last year."
C) "We decided to cut our prices, and the increase in our sales has been remarkable."
D) "The Green movement has sparked an increase in our sales of biodegradable products."
E) None of the above.
Answer: C
Diff: 2
Topic: Demand
Source: Study Guide

23) Some sales managers are talking shop. Which one of the following quotations refers to a rightward shift of the demand curve?
A) "Since our competitors raised their prices, our sales have doubled."
B) "It has been an unusually harsh winter; our sales of wool scarves are up from last year."
C) "We decided to cut our prices, and the increase in our sales has been remarkable."
D) "The Green movement has sparked an increase in our sales of biodegradable products."
E) All of the above except C.
Answer: E
Diff: 2
Topic: Demand

24) Some sales managers are talking shop. Which one of the following quotations refers to a leftward shift of the demand curve?
A) "Since our competitors raised their prices, our sales have doubled."
B) "It has been an unusually mild winter; our sales of wool scarves are down from last year."
C) "We decided to cut our prices, and the increase in our sales has been remarkable."
D) "The Green movement has sparked an increase in our sales of biodegradable products."
E) None of the above.
Answer: B
Diff: 2
Topic: Demand

25) If Hamburger Helper is an inferior good, then, ceteris paribus, a decrease in income will lead to
A) a leftward shift of the demand curve for Hamburger Helper.
B) a rightward shift of the demand curve for Hamburger Helper.
C) a movement up along the demand curve for Hamburger Helper.
D) a movement down along the demand curve for Hamburger Helper.
E) an initial movement up and then down along the demand curve for Hamburger Helper.
Answer: B
Diff: 2
Topic: Demand
Source: Study Guide

26) Consider the market for cell phones. Suppose the price of a cell phone falls. Explain the effect of this event on the quantity of cell phones demanded and on the demand for cell phones.
A) The quantity of cell phones demanded is unchanged and the demand for cell phones increases.
B) The quantity of cell phones demanded decreases and the demand for cell phones is unchanged.
C) The quantity of cell phones demanded increases and the demand for cell phones is unchanged.
D) The quantity of cell phones demanded increases and the demand for cell phones also increases.
E) The quantity of cell phones demanded is unchanged and the demand for cell phones decreases.
Answer: C
Diff: 2
Topic: Demand
Source: MyEconLab

3.3 Supply

1) The law of supply tells us that other things remaining the same, as the
A) price of gasoline falls, the quantity of gasoline supplied decreases.
B) price of gasoline rises, the quantity of gasoline supplied decreases.
C) supply of gasoline increases, the price of gasoline falls.
D) cost of producing gasoline falls, the supply of gasoline will increase.
E) cost of producing gasoline increases, the price of gasoline rises.
Answer: A
Diff: 2
Topic: Supply

2) The supply curve of a good slopes upward to the right because of
A) technological improvements over time.
B) the law of supply.
C) the law of demand.
D) the existence of substitutes in production.
E) the fact that prices tend to rise over time.
Answer: B
Diff: 1
Topic: Supply

3) An increase in supply is shown by
A) a movement down along the supply curve.
B) a movement up along the supply curve.
C) a rightward shift of the supply curve.
D) a leftward shift of the supply curve.
E) an initial movement up and then down along the same supply curve.
Answer: C
Diff: 1
Topic: Supply

4) If goods X and Y are substitutes in production, then a rise in the price of good X
A) increases the demand for good Y.
B) decreases the demand for good Y.
C) increases the supply of good Y.
D) decreases the supply of good Y.
E) might change the supply of Y; it depends on whether X and Y are also substitutes.
Answer: D
Diff: 2
Topic: Supply

5) If a producer can use its factors of production to produce either good A or good B, then a rise in the price of A
A) increases the supply of B.
B) decreases the supply of A.
C) increases the supply of A.
D) decreases the supply of B.
E) both C and D.
Answer: D
Diff: 3
Topic: Supply

6) The fact that a fall in the price of a good results in a decrease in the quantity of the good supplied illustrates
A) the law of supply.
B) the law of demand.
C) a change in supply.
D) the nature of an inferior good.
E) technological improvement.
Answer: A
Diff: 1
Topic: Supply
Source: Study Guide

7) Which one of the following would not shift the supply curve of good X to the right?
A) a fall in the price of the factors of production used in producing X
B) an improvement in technology used in the production of X
C) a rise in the price of X
D) an increase in the price of Y, a complement in production of X
E) a fall in the price of Y, a substitute in production of X
Answer: C
Diff: 2
Topic: Supply

8) A decrease in the quantity supplied is shown by a
A) movement down along the supply curve.
B) movement up along the supply curve.
C) rightward shift of the supply curve.
D) leftward shift of the supply curve.
E) rightward shift of the demand curve.
Answer: A
Diff: 1
Topic: Supply

9) Which one of the following will shift the supply curve of good X leftward?
A) a decrease in the wages of workers employed to produce X
B) an increase in the cost of machinery used to produce X
C) a technological improvement in the production of X
D) a situation where quantity demanded exceeds quantity supplied
E) a decrease in the cost of capital used to produce X
Answer: B
Diff: 2
Topic: Supply
Source: Study Guide

10) Which of the following will shift the supply curve of good X rightward?
A) a decrease in the wages of workers employed to produce good X
B) an increase in the cost of capital used to produce good X
C) an increase in the price of energy
D) a decrease in the number of suppliers of good X
E) the price of Y, a substitute in production for good X, rises
Answer: A
Diff: 2
Topic: Supply

11) If a factor of production can be used to produce either good A or good B, then A and B are
A) substitutes in production.
B) complements in production.
C) substitutes.
D) complements.
E) normal goods.
Answer: A
Diff: 1
Topic: Supply
Source: Study Guide

12) A rise in the price of a good
A) decreases demand for the good.
B) creates a movement up along the supply curve.
C) creates a movement down along the demand curve.
D) increases the supply of the good.
E) increases preferences for the good.
Answer: B
Diff: 1
Topic: Supply

13) If the number of suppliers of good Y increases, then
A) a movement up along the supply curve of good Y will occur.
B) a movement down along the supply curve of good Y will occur.
C) the supply curve of good Y shifts rightward.
D) the supply curve of good Y shifts leftward.
E) the supply curve of good Y will remain unchanged.
Answer: C
Diff: 1
Topic: Supply

14) A shift of the supply curve for rutabagas occurs if there is
A) a change in preferences for rutabagas.
B) a change in the price of a related good that is a substitute for rutabagas.
C) a change in income.
D) a change in the price of rutabagas.
E) none of the above.
Answer: E
Diff: 2
Topic: Supply
Source: Study Guide

15) Some producers are chatting over a beer. Which one of the following quotations refers to a movement along the supply curve?
A) "Wage increases have forced us to raise our prices."
B) "Our new, sophisticated equipment will enable us to undercut our competitors."
C) "Raw material prices have sky-rocketed; we will have to pass the cost on to our customers."
D) "We anticipate a big increase in demand. Our product price should rise, so we are planning for an increase in output."
E) "New competitors in the industry are causing prices to fall."
Answer: D
Diff: 2
Topic: Supply
Source: Study Guide

16) Some producers are chatting over a beer. Which one of the following quotations refers to a rightward shift of the supply curve?
A) "Wage increases have forced us to raise our prices."
B) "Our new, sophisticated equipment will enable us to undercut our competitors."
C) "Raw material prices have sky-rocketed; we will have to pass the cost on to our customers."
D) "We anticipate a big increase in demand. Our product price should rise, so we are planning for an increase in output."
E) Both A and C.
Answer: B
Diff: 2
Topic: Supply

17) Some producers are chatting over a beer. Which one of the following quotations refers to a leftward shift of the supply curve?
A) "Wage increases have forced us to raise our prices."
B) "Our new, sophisticated equipment will enable us to undercut our competitors."
C) "Raw material prices have sky-rocketed; we will have to pass the cost on to our customers."
D) "We anticipate a big increase in demand. Our product price should rise, so we are planning for an increase in output."
E) Both A and C.
Answer: E
Diff: 2
Topic: Supply

18) A decrease in the quantity supplied of a good is shown by
A) a movement down along the supply curve.
B) a leftward shift of the supply curve.
C) a movement up along the supply curve.
D) a rightward shift of the supply curve.
E) an initial rightward shift and then leftward shift of the supply curve.
Answer: A
Diff: 1
Topic: Supply

3.4 Market Equilibrium

Use the table below to answer the following questions.

Table 3.4.1

Price (dollars per unit)	Quantity Demanded (units)	Quantity Supplied (units)
1	1,100	50
2	800	200
3	600	420
4	500	500
5	420	580
6	350	640
7	320	680
8	300	700

1) Refer to Table 3.4.1. At a price of $3 a unit
A) the market is in equilibrium.
B) there is a 180-unit surplus.
C) there is a 180-unit shortage.
D) there is a tendency for the price to rise.
E) C and D.
Answer: E
Diff: 2
Topic: Market Equilibrium

2) In Table 3.4.1, the equilibrium price is
A) $7 a unit.
B) $5 a unit.
C) $4 a unit.
D) $3 a unit.
E) $1 a unit.
Answer: C
Diff: 1
Topic: Market Equilibrium

3) In Table 3.4.1, the equilibrium quantity is
A) 200 units.
B) 320 units.
C) 420 units.
D) 500 units.
E) none of the above; there is no equilibrium.
Answer: D
Diff: 1
Topic: Market Equilibrium

4) Refer to Table 3.4.1. The equilibrium quantity is 420 units if
A) the price is fixed at $3 a unit.
B) the price is fixed at $4 a unit.
C) the price is fixed at $5 a unit.
D) both A and C are correct.
E) none of the above.
Answer: E
Diff: 2
Topic: Market Equilibrium

5) Refer to Table 3.4.1. A shortage occurs if
A) the price is $7 a unit.
B) the price is $4 a unit.
C) the price is $5 a unit.
D) the price is below $4 a unit.
E) the price is $6 a unit.
Answer: D
Diff: 1
Topic: Market Equilibrium

6) Refer to Table 3.4.1. A surplus occurs if
A) the price is $2 a unit.
B) the price is $3 a unit.
C) the price is above $4 a unit.
D) the price is $1 a unit.
E) the price is $4 a unit.
Answer: C
Diff: 1
Topic: Market Equilibrium

7) Refer to Table 3.4.1. If the price is $7, then the surplus is
A) 360 units.
B) 400 units.
C) 160 units.
D) zero units.
E) 290 units.
Answer: A
Diff: 1
Topic: Market Equilibrium

8) Refer to Table 3.4.1. If the price is $3, then the shortage is
A) zero units.
B) 1,050 units.
C) 180 units.
D) 600 units.
E) 160 units.
Answer: C
Diff: 1
Topic: Market Equilibrium

Use the figure below to answer the following questions.

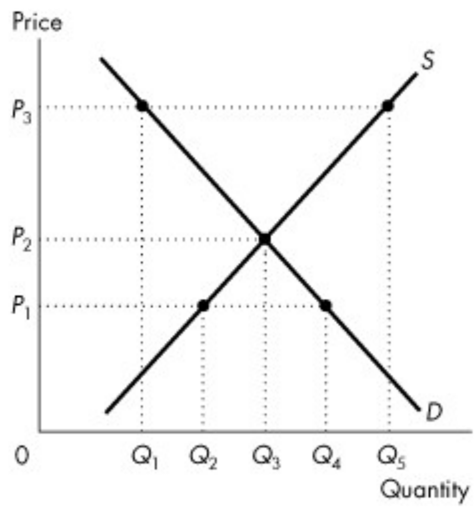

Figure 3.4.1

9) At price P3 in Figure 3.4.1,
A) this market is in equilibrium.
B) there is a shortage in the amount of Q5 - Q1.
C) there is a tendency for the price to rise.
D) equilibrium quantity is Q5.
E) there is a surplus in the amount of Q5 - Q1.
Answer: E
Diff: 3
Topic: Market Equilibrium

10) At price P2 in Figure 3.4.1, which one of the following is not true?
A) This market is in equilibrium.
B) The quantity demanded is equal to the quantity supplied.
C) The quantity demanded is Q1.
D) There is no surplus.
E) The quantity supplied is Q3.
Answer: C
Diff: 1
Topic: Market Equilibrium

11) At price P1 in Figure 3.4.1
A) there is a surplus in the amount of Q4 - Q2.
B) there is a shortage in the amount of Q4 - Q2.
C) there is a tendency for the price to fall.
D) the equilibrium quantity is Q2.
E) the equilibrium quantity is Q4.
Answer: B
Diff: 2
Topic: Market Equilibrium

12) At price P1 in Figure 3.4.1,
A) producers can sell all they plan to sell.
B) consumers can buy all they want.
C) producers are unwilling to sell any goods.
D) a surplus exists.
E) both sides of the market are able to carry out their desired transactions.
Answer: A
Diff: 2
Topic: Market Equilibrium

Use the figure below to answer the following questions.

Figure 3.4.2

13) The equilibrium price in the market illustrated by Figure 3.4.2 is
A) $2 a unit.
B) $4 a unit.
C) $6 a unit.
D) $8 a unit.
E) $10 a unit.
Answer: C
Diff: 1
Topic: Market Equilibrium

14) Refer to Figure 3.4.2. When the price is $10 a unit
A) consumers will buy only 100 units of output.
B) consumers will buy 500 units of output.
C) consumers will buy nothing.
D) a shortage occurs.
E) the surplus is zero.
Answer: A
Diff: 1
Topic: Market Equilibrium

15) At a price of $10 a unit in Figure 3.4.2
A) there is a surplus of 200 units.
B) there is a shortage of 200 units.
C) there is a surplus of 400 units.
D) there is a shortage of 400 units.
E) quantity will rise.
Answer: C
Diff: 1
Topic: Market Equilibrium

16) At a price of $4 a unit in Figure 3.4.2
A) the equilibrium quantity is 400 units.
B) there is a surplus of 200 units.
C) the quantity supplied is 400 units.
D) there is a shortage of 200 units.
E) the quantity demanded is 200 units.
Answer: D
Diff: 1
Topic: Market Equilibrium

17) Which one of the following correctly describes how price adjustment eliminates a surplus?
A) As the price rises, the quantity demanded decreases and the quantity supplied increases.
B) As the price rises, the quantity demanded increases and the quantity supplied decreases.
C) As the price falls, the quantity demanded decreases and the quantity supplied increases.
D) As the price falls, the quantity demanded increases and the quantity supplied decreases.
E) As the price falls, the demand for substitutes decreases, which eliminates the surplus.
Answer: D
Diff: 2
Topic: Market Equilibrium

18) Which one of the following correctly describes how price adjustment eliminates a shortage?
A) As the price rises, the quantity demanded decreases and the quantity supplied increases.
B) As the price rises, the quantity demanded increases and the quantity supplied decreases.
C) As the price falls, the quantity demanded decreases and the quantity supplied increases.
D) As the price falls, the quantity demanded increases and the quantity supplied decreases.
E) As the price falls, the quantity demanded increases and the quantity supplied increases.
Answer: A
Diff: 2
Topic: Market Equilibrium

19) If the price is above the equilibrium price, then
A) none of the good will be sold.
B) the price must rise further to reach the new market equilibrium.
C) a surplus exists.
D) a shortage exists.
E) price will not change; producers will cut back production until the market is in equilibrium.
Answer: C
Diff: 1
Topic: Market Equilibrium

20) A shortage will exist if
A) the price is above the equilibrium price.
B) the price is below the equilibrium price.
C) there are not enough producers.
D) there are not enough consumers.
E) demand decreases.
Answer: B
Diff: 1
Topic: Market Equilibrium

21) The price of a good will tend to fall if
A) there is a surplus at the current price.
B) the current price is below the equilibrium price.
C) the quantity supplied exceeds the quantity demanded at the current price.
D) both A and C are true.
E) none of the above are true.
Answer: D
Diff: 2
Topic: Market Equilibrium

22) If the market for Twinkies is in equilibrium, then
A) Twinkies must be a normal good.
B) producers would like to sell more at the current price.
C) consumers would like to buy more at the current price.
D) there is a surplus.
E) the equilibrium quantity equals the quantity demanded.
Answer: E
Diff: 1
Topic: Market Equilibrium
Source: Study Guide

23) A shortage is the amount by which quantity
A) demanded exceeds quantity supplied.
B) supplied exceeds quantity demanded.
C) demanded increases when the price rises.
D) demanded exceeds the equilibrium quantity.
E) supplied exceeds the equilibrium quantity.
Answer: A
Diff: 1
Topic: Market Equilibrium
Source: Study Guide

24) Complete the following sentence. A surplus
A) exists if the price is above the equilibrium price.
B) is the amount by which the quantity demanded exceeds the quantity supplied.
C) is the amount by which the quantity demanded exceeds the equilibrium quantity.
D) is the amount by which the quantity supplied exceeds the equilibrium quantity.
E) will lead to rising prices.
Answer: A
Diff: 2
Topic: Market Equilibrium

25) When a shortage occurs, there is a tendency for the
A) price to fall.
B) price to remain unchanged.
C) price to rise.
D) quantity demanded to increase.
E) quantity supplied to decrease.
Answer: C
Diff: 1
Topic: Market Equilibrium

Refer to the table below for the following question.

Table 3.4.2

Price (dollars per bottle)	Quantity demanded (bottles per week)	Quantity supplied (bottles per week)
2	180	60
6	140	100
10	100	140
14	60	180
18	20	220

26) Refer to Table 3.4.2. The table shows the demand and supply schedules for shampoo. If the price is $6 a bottle, there is a ________ of shampoo. So the price of a bottle of shampoo ________, the quantity demanded ________ and the quantity supplied ________. The market moves to equilibrium.
A) shortage; rises; decreases; increases
B) shortage; falls; decreases; increases
C) surplus; rises; increases; decreases
D) surplus; falls; increases; decreases
E) shortage; rises; increases; decreases
Answer: A
Diff: 1
Topic: Market Equilibrium
Source: MyEconLab

3.5 Predicting Changes in Price and Quantity

1) Since 1980, there has been a dramatic increase in the number of working mothers. Based on this information alone, we can predict that the market for child care services has experienced
A) an increase in demand.
B) a decrease in demand.
C) an increase in quantity demanded.
D) a decrease in quantity supplied.
E) an increase in supply.
Answer: A
Diff: 2
Topic: Predicting Changes in Price and Quantity
Source: Study Guide

Use the figure below to answer the following questions.

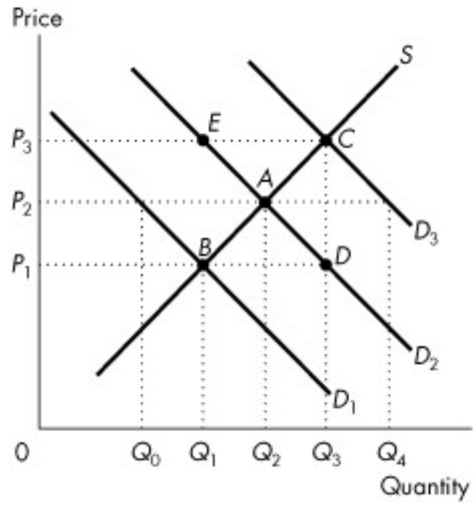

Figure 3.5.1

2) If the demand curve is D_2 in Figure 3.5.1,
A) the equilibrium price is P_2 and the equilibrium quantity is Q_2.
B) the equilibrium price is P_2 and the equilibrium quantity is Q_0.
C) there is a shortage in the amount of Q_2 - Q_0.
D) a rise in price will shift the demand curve to D_3.
E) price will rise.
Answer: A
Diff: 1
Topic: Predicting Changes in Price and Quantity

3) Initially, the demand curve for good A is D2 in Figure 3.5.1. Suppose good B is a substitute for good A. If the price of B falls
A) the price of A will rise.
B) there will be a surplus of good A at P2.
C) the demand curve for good A will shift from D2 to D3.
D) the equilibrium quantity of good A will increase.
E) all of the above are true except B.
Answer: B
Diff: 2
Topic: Predicting Changes in Price and Quantity

4) Initially, the demand curve for good A is D2 in Figure 3.5.1. If income increases and A is a normal good, we would expect to see a movement from point A to point
A) B.
B) C.
C) D.
D) E.
E) C and back to point A.
Answer: B
Diff: 1
Topic: Predicting Changes in Price and Quantity

5) The price of a good will rise if
A) demand for the good decreases.
B) supply of the good decreases.
C) there is a surplus of the good.
D) the price of a substitute for the good decreases.
E) the good is an inferior good and income increases.
Answer: B
Diff: 2
Topic: Predicting Changes in Price and Quantity

6) The price of a good will fall if
A) there is a shortage of the good.
B) if demand for the good increases.
C) there is a surplus of the good.
D) if the supply of the good decreases.
E) if demand for the good does not change.
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity

7) The price of a good will fall if
A) demand for the good increases.
B) supply of the good decreases.
C) supply of the good increases.
D) demand for the good remains constant.
E) supply of the good remains constant.
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity

8) Suppose we observe a rise in the price of good A and an increase in the quantity of good A bought and sold. Which one of the following is a likely explanation?
A) The law of demand is violated.
B) The demand for A decreased.
C) The demand for A increased.
D) The supply of A increased.
E) The supply of A decreased.
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity

9) Suppose we observe a rise in the price of good A and a decrease in the quantity of good A bought and sold. Which one of the following is a likely explanation?
A) The law of supply is violated.
B) The demand for A decreased.
C) The demand for A increased.
D) The supply of A increased.
E) The supply of A decreased.
Answer: E
Diff: 2
Topic: Predicting Changes in Price and Quantity

10) Suppose we observe a fall in the price of good A and an increase in the quantity of good A bought and sold. Which one of the following is a likely explanation?
A) The law of supply is violated.
B) The demand for A decreased.
C) The demand for A increased.
D) The supply of A increased.
E) The supply of A decreased.
Answer: D
Diff: 2
Topic: Predicting Changes in Price and Quantity

11) Suppose we observe a fall in the price of good A and a decrease in the quantity of good A bought and sold. Which one of the following is a likely explanation?
A) The law of demand is violated.
B) The demand for A decreased.
C) The demand for A increased.
D) The supply of A increased.
E) The supply of A decreased.
Answer: B
Diff: 2
Topic: Predicting Changes in Price and Quantity

12) When the demand for good A increases,
A) the equilibrium price and equilibrium quantity will increase.
B) the equilibrium price will rise but the equilibrium quantity will decrease.
C) the equilibrium price and equilibrium quantity will decrease.
D) the equilibrium price will decrease but the equilibrium quantity will increase.
E) a surplus will result.
Answer: A
Diff: 1
Topic: Predicting Changes in Price and Quantity

13) When the supply of good A decreases,
A) the equilibrium price and the equilibrium quantity will increase.
B) the equilibrium price will increase but the equilibrium quantity will decrease.
C) the equilibrium price and the equilibrium quantity will decrease.
D) the equilibrium price will decrease but the equilibrium quantity will increase.
E) a surplus will result.
Answer: B
Diff: 1
Topic: Predicting Changes in Price and Quantity

14) If A is an inferior good and consumer income rises, the demand for A
A) increases and the equilibrium price and the equilibrium quantity increase.
B) increases and the equilibrium price rises but the equilibrium quantity decreases.
C) decreases and the equilibrium price and the equilibrium quantity decrease.
D) decreases and the equilibrium price falls but the equilibrium quantity increases.
E) decreases and the equilibrium price rises; as a result, the equilibrium quantity decreases.
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity

15) If A and B are substitutes and the price of A rises, we will observe
A) an increase in the equilibrium price and the equilibrium quantity of B.
B) a decrease in the equilibrium price and the equilibrium quantity of B.
C) an increase in the equilibrium price but a decrease in the equilibrium quantity of B.
D) a decrease in equilibrium price but an increase in the equilibrium quantity of B.
E) none of the above.
Answer: A
Diff: 2
Topic: Predicting Changes in Price and Quantity

16) If A and B are substitutes and the cost of a factor of production used in the production of A increases, then the price of
A) B falls but the price of A rises.
B) B rises but the price of A falls.
C) A falls, and the price of B will stay unchanged.
D) A and B fall.
E) A and B rise.
Answer: E
Diff: 3
Topic: Predicting Changes in Price and Quantity

17) If A and B are substitutes in production and the price of A falls, the supply of B
A) increases and the price of B rises.
B) increases and the price of B falls.
C) decreases and the price of B falls.
D) decreases and the price of B rises.
E) does not change.
Answer: B
Diff: 3
Topic: Predicting Changes in Price and Quantity

18) If A and B are complements in production and the price of A falls, the supply of B
A) increases and the price of B rises.
B) increases and the price of B falls.
C) decreases and the price of B falls.
D) decreases and the price of B rises.
E) does not change.
Answer: D
Diff: 3
Topic: Predicting Changes in Price and Quantity

19) Crude oil is a very important factor of production used in the production of gasoline. If the price of crude oil rises, we would expect the
A) price of gasoline to rise due to an increase in demand.
B) price of gasoline to fall due to an increase in demand.
C) price of gasoline to rise due to a decrease in supply.
D) equilibrium quantity of gasoline to fall due to an increase in supply.
E) equilibrium quantity of gasoline to rise due to an increase in demand.
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity

20) If demand increases and supply decreases, then the
A) equilibrium quantity increases but the effect on the equilibrium price is unknown.
B) equilibrium quantity decreases but the effect on the equilibrium price is unknown.
C) equilibrium price falls but the effect on the equilibrium quantity is unknown.
D) equilibrium price rises but the effect on the equilibrium quantity is unknown.
E) effect on both equilibrium price and quantity is unknown.
Answer: D
Diff: 2
Topic: Predicting Changes in Price and Quantity

21) If demand decreases and supply increases, then the
A) equilibrium quantity increases but the effect on the equilibrium price is unknown.
B) equilibrium quantity decreases but the effect on the equilibrium price is unknown.
C) equilibrium price falls but the effect on equilibrium quantity is unknown.
D) equilibrium price rises but the effect on equilibrium quantity is unknown.
E) effect on both equilibrium price and quantity is unknown.
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity

22) If we observe a rise in the equilibrium price of good A, we know that either the demand for A has
A) increased or the supply of A has decreased or both.
B) increased or the supply of A has increased or both.
C) decreased or the supply of A has increased or both.
D) decreased or the supply of A has decreased or both.
E) none of the above.
Answer: A
Diff: 2
Topic: Predicting Changes in Price and Quantity

23) If we observe a fall in the equilibrium price of good A, we know that either the demand for A has
A) increased or the supply of A has decreased or both.
B) increased or the supply of A has increased or both.
C) decreased or the supply of A has increased or both.
D) decreased or the supply of A has decreased or both.
E) none of the above.
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity

24) If we observe an increase in the equilibrium quantity of good A, we know that
A) either the demand for A has increased or the supply of A has decreased or both.
B) either the demand for A has increased or the supply of A has increased or both.
C) either the demand for A has decreased or the supply of A has increased or both.
D) either the demand for A has decreased or the supply of A has decreased or both.
E) none of the above.
Answer: B
Diff: 2
Topic: Predicting Changes in Price and Quantity

25) If we observe a decrease in the equilibrium quantity of good A, we know that
A) either the demand for A has increased or the supply of A has decreased or both.
B) either the demand for A has increased or the supply of A has increased or both.
C) either the demand for A has decreased or the supply of A has increased or both.
D) either the demand for A has decreased or the supply of A has decreased or both.
E) none of the above.
Answer: D
Diff: 2
Topic: Predicting Changes in Price and Quantity

26) Which of the following will definitely result in an increase in the equilibrium price?
A) an increase in both demand and supply
B) a decrease in both demand and supply
C) an increase in demand combined with a decrease in supply
D) a decrease in demand combined with an increase in supply
E) an increase in supply combined with a decrease in demand
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity
Source: Study Guide

27) Which one of the following will definitely lower the equilibrium price?
A) an increase in both demand and supply
B) a decrease in both demand and supply
C) an increase in demand combined with a decrease in supply
D) a decrease in demand combined with an increase in supply
E) a decrease in supply combined with an increase in demand
Answer: D
Diff: 2
Topic: Predicting Changes in Price and Quantity

28) Which one of the following will definitely decrease the equilibrium quantity?
A) an increase in both demand and supply
B) a decrease in both demand and supply
C) an increase in demand combined with a decrease in supply
D) a decrease in demand combined with an increase in supply
E) none of the above
Answer: B
Diff: 2
Topic: Predicting Changes in Price and Quantity

29) A technological improvement in the production of good A
A) decreases the supply of A.
B) increases the demand for A.
C) decreases the equilibrium price of A and decreases the equilibrium quantity.
D) decreases the quantity demanded of A.
E) increases the supply of A.
Answer: E
Diff: 2
Topic: Predicting Changes in Price and Quantity

30) Which of the following events leads to a rise in the price of oranges?
A) a rise in the price of apples
B) a scientific discovery that oranges cause hair loss
C) a decrease in income if oranges are a normal good
D) good growing weather in Florida
E) a technological improvement in the production of oranges
Answer: A
Diff: 2
Topic: Predicting Changes in Price and Quantity

31) If A and B are complements and the cost of a factor of production used in the production of A decreases, then the price of
A) both A and B will rise.
B) both A and B will fall.
C) A will fall and the price of B will rise.
D) A will rise and the price of B will fall.
E) A will fall and the price of B will remain unchanged.
Answer: C
Diff: 3
Topic: Predicting Changes in Price and Quantity
Source: Study Guide

32) If both demand and supply increase, then the equilibrium price
A) and equilibrium quantity increases.
B) falls but the equilibrium quantity increases.
C) could either rise or fall, but the equilibrium quantity increases.
D) rises and the equilibrium quantity could either increase or decrease.
E) falls and the equilibrium quantity could either increase or decrease.
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity

33) There have been severe problems in the Atlantic fishing industry, with large falls in the fish stocks. As a result,
A) the price of fish will fall.
B) the quantity of fish sold will increase as fishermen will catch more to make up for the shortage.
C) the equilibrium price and the equilibrium quantity will fall or rise depending on how large the fall in fish stocks.
D) both the equilibrium price and the equilibrium quantity will rise, as consumers will desire even more fish, because they are scarce.
E) the fall in the fish stocks will lead to a shortage, and a rise in the equilibrium price and a decrease in the equilibrium quantity.
Answer: E
Diff: 2
Topic: Predicting Changes in Price and Quantity

34) There have been severe falls in the fish stocks in the Atlantic fishing industry. As a result, we would expect
A) an increase in the demand for meat (e.g., beef), because meat is a complement of fish.
B) a fall in the price of fish, leading to a decrease in the demand for meat, because meat and fish are substitutes.
C) a fall in the price of fish, leading to an increase in the demand for meat, because meat and fish are substitutes.
D) an increase in the demand for meat, because meat is a substitute for fish.
E) a rise in the price of fish, leading to a decrease in the demand for meat, because meat and fish are complements.
Answer: D
Diff: 3
Topic: Predicting Changes in Price and Quantity

35) If Canadians suddenly develop a strong urge to escape the cold winter by taking vacations in Hawaii, the
A) price of a vacation in Hawaii rises and the quantity demanded of Hawaiian vacations decreases.
B) price of a skiing vacation in the mountains rises.
C) initial result of the change is a surplus of vacations in Hawaii, leading to a price rise.
D) price of airline tickets falls as ticket agents make deals in response to this change.
E) price of luggage will rise, because luggage and vacations are complements.
Answer: E
Diff: 2
Topic: Predicting Changes in Price and Quantity

36) The Genius Software Company has developed an amazing new software package to be used only with Einstein Computers. As a result, the equilibrium price of
A) all computers rises.
B) rival software packages falls leading to an overall increase in the equilibrium quantity of these packages.
C) all software packages rises.
D) Einstein computers rises, accompanied by an increase in the equilibrium quantity.
E) Einstein computers rises, leading to a decrease in the equilibrium quantity.
Answer: D
Diff: 2
Topic: Predicting Changes in Price and Quantity

Use the information below to answer the following questions.

Fact 3.5.1

The market for coffee is initially in equilibrium. Pepsi is a substitute for coffee; cream is a complement of coffee. Consider the market for coffee. Assume that all ceteris paribus assumptions continue to hold except for the event listed.

37) Refer to Fact 3.5.1. If coffee is a normal good, then a decrease in income will
A) increase the price and the quantity demanded of coffee.
B) increase the price and the quantity supplied of coffee.
C) decrease the price and the quantity demanded of coffee.
D) decrease the price and the quantity supplied of coffee.
E) cause none of the above.
Answer: D
Diff: 3
Topic: Predicting Changes in Price and Quantity
Source: Study Guide

38) Refer to Fact 3.5.1. An increase in the price of Pepsi, a substitute for coffee will
A) increase the price and the quantity demanded of coffee.
B) increase the price and the quantity supplied of coffee.
C) decrease the price and the quantity demanded of coffee.
D) decrease the price and the quantity supplied of coffee.
E) cause none of the above.
Answer: B
Diff: 3
Topic: Predicting Changes in Price and Quantity
Source: Study Guide

39) Refer to Fact 3.5.1. A technological improvement lowers the cost of producing coffee. At the same time, preferences for coffee decrease. The equilibrium quantity of coffee
A) increases.
B) decreases.
C) remains the same.
D) increases or decreases depending on whether the price of coffee falls or rises.
E) increases, decreases, or remains the same depending on the relative shifts of the demand and supply curves.
Answer: E
Diff: 2
Topic: Predicting Changes in Price and Quantity
Source: Study Guide

40) Refer to Fact 3.5.1. If there is an increase in the wages of farm workers who harvest coffee beans, the equilibrium quantity of coffee
A) increases.
B) decreases.
C) remains the same.
D) increases or decreases depending on the slope of the supply and demand curves.
E) increases or decreases depending on the relative shifts of the supply and demand curves.
Answer: B
Diff: 2
Topic: Predicting Changes in Price and Quantity

41) Refer to Fact 3.5.1. The price of cream falls. Simultaneously, there is an increase in the wages of farm workers who harvest coffee beans. The equilibrium quantity of coffee
A) increases.
B) decreases.
C) remains the same.
D) increases or decreases depending on the slope of the supply and demand curves.
E) increases, decreases, or remains the same depending on the relative shifts of the supply and demand curves.
Answer: E
Diff: 2
Topic: Predicting Changes in Price and Quantity

42) Refer to Fact 3.5.1. A new study comes out, revealing that drinking Pepsi increases your ability to study. The equilibrium quantity of coffee
A) increases.
B) decreases.
C) remains the same.
D) increases or decreases depending on the slope of the supply and demand curves.
E) increases or decreases depending on the relative shifts of the supply and demand curves.
Answer: B
Diff: 3
Topic: Predicting Changes in Price and Quantity

43) Farm land can be used to produce either cattle or corn. If the demand for cattle increases, then the
A) demand for corn increases.
B) supply of corn increases.
C) demand for corn decreases.
D) supply of corn decreases.
E) both B and C.
Answer: D
Diff: 3
Topic: Predicting Changes in Price and Quantity

44) When the price of good A rises, the supply curve of good B shifts rightward. Which of the following statements are true?
A) A and B are substitutes.
B) A and B are complements.
C) A and B are substitutes in production.
D) A and B are complements in production.
E) A is a factor used in the production of B.
Answer: D
Diff: 3
Topic: Predicting Changes in Price and Quantity

45) "As domestic car prices have increased, consumers have found foreign cars to be a better bargain. Consequently, domestic car sales have fallen and foreign car sales have risen." Based on this information alone, there has been a
A) shift in the demand curves for both domestic and foreign cars.
B) shift in the supply curves for both domestic and foreign cars.
C) movement along the demand curves for both domestic and foreign cars.
D) movement along the demand curve for domestic cars and a shift of the demand curve for foreign cars.
E) shift of the demand curve for domestic cars and a movement along the demand curve for foreign cars.
Answer: D
Diff: 2
Topic: Predicting Changes in Price and Quantity

Use the figure below to answer the following questions.

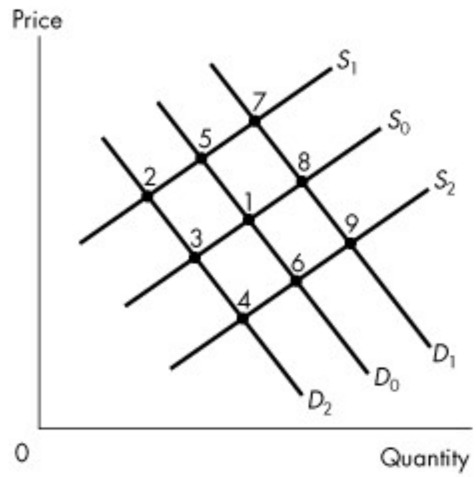

Figure 3.5.2

Original equilibrium at 1.

46) Refer to Figure 3.5.2, which represents the market for beans. If the price of peas, a substitute for beans rises, what is the new beans equilibrium, ceteris paribus?
A) 8
B) 3
C) 9
D) 5
E) 6
Answer: A
Diff: 3
Topic: Predicting Changes in Price and Quantity

47) Refer to Figure 3.5.2, which represents the market for beer. If the price of pizza, a complement of beer rises, what is the new beer equilibrium, ceteris paribus?
A) 8
B) 3
C) 9
D) 5
E) 6
Answer: B
Diff: 3
Topic: Predicting Changes in Price and Quantity

48) Refer to Figure 3.5.2, which represents the market for beans. If the price of peas, a substitute for beans in production, rises, what is the new beans equilibrium, ceteris paribus?
A) 8
B) 3
C) 9
D) 5
E) 6
Answer: D
Diff: 3
Topic: Predicting Changes in Price and Quantity

49) Refer to Figure 3.5.2, which represents the market for cow manure. If the price of milk, a complement in production of manure, rises, what is the new manure equilibrium, ceteris paribus ?
A) 8
B) 3
C) 9
D) 5
E) 6
Answer: E
Diff: 3
Topic: Predicting Changes in Price and Quantity

50) Refer to Figure 3.5.2, which represents the market for beans. If the price of peas, a substitute for beans and a substitute in production, rises, what is the new beans equilibrium, ceteris paribus ?
A) 2
B) 3
C) 9
D) 4
E) 7
Answer: E
Diff: 3
Topic: Predicting Changes in Price and Quantity

51) Refer to Figure 3.5.2, which represents the market for beans. If the price of peas, a substitute for beans, rises, and the cost of producing beans decreases, what is the new beans equilibrium, ceteris paribus?
A) 2
B) 3
C) 9
D) 4
E) 7
Answer: C
Diff: 3
Topic: Predicting Changes in Price and Quantity

52) Refer to Figure 3.5.2, which represents the market for tacos. A new scientific study reveals that tacos cause bad breath. Simultaneously, the cost of producing tacos decreases. What is the new equilibrium, ceteris paribus?
A) 2
B) 3
C) 9
D) 4
E) 7
Answer: D
Diff: 3
Topic: Predicting Changes in Price and Quantity

53) Refer to Figure 3.5.2, which represents the market for tacos. A new scientific study reveals that tacos cause bad breath. Simultaneously, the cost of producing tacos increases. What is the new equilibrium, ceteris paribus?
A) 2
B) 3
C) 9
D) 4
E) 7
Answer: A
Diff: 3
Topic: Predicting Changes in Price and Quantity

Use the table below to answer the following questions.

Table 3.5.1
The Market for Car-Seat Heaters

Price (dollars per heater)	Quantity Demanded (heaters per month)	Quantity Supplied (heaters per month)
40	500	300
50	450	350
60	400	400
70	350	450
80	300	500
90	250	550
100	200	600

54) Refer to Table 3.5.1. The equilibrium price is $________ and the equilibrium quantity is ________ heaters per month.
A) 80; 500
B) 80; 300
C) 50; 450
D) 50; 350
E) 60; 400
Answer: E
Diff: 1
Topic: Predicting Changes in Price and Quantity

55) Refer to Table 3.5.1. If the price is set at $80, there will be a
A) shortage of 200 units and price will rise.
B) shortage of 200 units and demand will fall.
C) surplus of 200 units and demand will rise.
D) surplus of 200 units and supply will fall.
E) surplus of 200 units and price will fall.
Answer: E
Diff: 2
Topic: Predicting Changes in Price and Quantity

56) Refer to Table 3.5.1. Suppose the cost of production rises, causing supply to decrease by 100 units at each price. The new equilibrium price is $________ and equilibrium quantity is ________ units.
A) 70; 450
B) 70; 350
C) 50; 450
D) 50; 350
E) 60; 400
Answer: B
Diff: 2
Topic: Predicting Changes in Price and Quantity

57) Refer to Table 3.5.1. Suppose a problem develops with car-seat heaters - they malfunction and occasionally cause serious burns. As a result, demand decreases by 100 heaters at each price. The new equilibrium price is $________ and the new equilibrium quantity is ________ heaters per month.
A) 70; 450
B) 70; 350
C) 50; 450
D) 50; 350
E) 60; 400
Answer: D
Diff: 2
Topic: Predicting Changes in Price and Quantity

58) Refer to Table 3.5.1. Suppose a problem develops with car-seat heaters - they malfunction and occasionally cause serious burns. As a result, demand decreases by 100 heaters at each price. Simultaneously, the cost of production rises, and supply decreases by 100 heaters at each price. The new equilibrium price is $________ and the new equilibrium quantity is ________ heaters per month.
A) 70; 450
B) 70; 350
C) 50; 450
D) 50; 350
E) 60; 300
Answer: E
Diff: 2
Topic: Predicting Changes in Price and Quantity

Use the figure below to answer the following questions.

Table 3.5.2
Demand and Supply Schedules for Cups of Coffee each day at CoolU

Price (dollars per cup)	Quantity Demanded (cups of coffee per day)	Quantity Supplied (cups of coffee per day)
0.70	1,200	0
0.80	1,100	200
0.90	1,000	400
1.00	900	600
1.10	800	800
1.20	700	1,000
1.30	600	1,200
1.40	500	1,400
1.50	400	1,600

59) Refer to Table 3.5.2. The equilibrium price is $________ and the equilibrium quantity is ________ cups a day.
A) 1.30; 1200
B) 0.90; 1000
C) 1.10; 900
D) 1.10; 800
E) 1.00; 800
Answer: D
Diff: 1
Topic: Predicting Changes in Price and Quantity

60) Refer to Table 3.5.2. If the price is set at $0.80 per cup, there is a ________ leading to a price ________.
A) shortage; rise
B) shortage; fall
C) surplus; rise
D) surplus; fall
E) equilibrium; rise
Answer: A
Diff: 1
Topic: Predicting Changes in Price and Quantity

61) Refer to Table 3.5.2. If the price is set at $1.30 per cup, there is a ________ leading to a price ________.
A) shortage; rise
B) shortage; fall
C) surplus; rise
D) surplus; fall
E) equilibrium; rise
Answer: D
Diff: 1
Topic: Predicting Changes in Price and Quantity

62) Refer to Table 3.5.2. A premature frost destroys half the coffee trees. This change would be represented as a
A) leftward shift of the demand curve.
B) rightward shift of the demand curve.
C) leftward shift of the supply curve.
D) rightward shift of the supply curve.
E) movement down along the supply curve.
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity

63) Refer to Table 3.5.2. A premature frost destroys half the coffee trees and the supply of coffee is cut in half. The new equilibrium price is $________ and the new equilibrium quantity is ________ cups a day.
A) 1.30; 600
B) 1.50; 400
C) 0.90; 400
D) 1.20; 700
E) 1.30; 500
Answer: A
Diff: 2
Topic: Predicting Changes in Price and Quantity

64) Refer to Table 3.5.2. Professor Hyper publishes a new study, showing that coffee raises the test performance of students. Students double their demand for coffee. This change would be represented as a
A) leftward shift of the demand curve.
B) rightward shift of the demand curve.
C) leftward shift of the supply curve.
D) rightward shift of the supply curve.
E) movement up along the demand curve.
Answer: B
Diff: 2
Topic: Predicting Changes in Price and Quantity

65) Refer to Table 3.5.2. Professor Hyper publishes a new study, showing that coffee raises the test performance of students. Students double their demand for coffee. The new equilibrium price is $________, and the new equilibrium quantity is ________ cups a day.
A) 1.20; 1,000
B) 1.30; 1,200
C) 1.50; 1,600
D) 1.40; 1,400
E) none of the above
Answer: B
Diff: 2
Topic: Predicting Changes in Price and Quantity

66) Refer to Table 3.5.2. Professor Hyper publishes a new study, showing that coffee raises the test performance of students. Students double their demand for coffee. In addition, a premature frost destroys half the coffee trees and the supply of coffee is cut in half. The new equilibrium price is $________ and the new equilibrium quantity is ________ cups a day.
A) 1.10; 400
B) 1.10; 1,600
C) 1.10; 800
D) 1.50; 800
E) 1.50; 400.
Answer: D
Diff: 3
Topic: Predicting Changes in Price and Quantity

Use the table below to answer the following questions.

Table 3.5.3
Demand and supply schedules for designer sport t-shirts at CoolU

Price (dollars per t-shirt)	Quantity Supplied (t-shirts per month)	Quantity Demanded (t-shirts per month)
3	150	300
4	160	280
5	170	260
6	180	240
7	190	220
8	200	200
9	210	180
10	220	160
11	230	140
12	240	120

67) Refer to Table 3.5.3. The equilibrium price is $________ and the equilibrium quantity is ________ t-shirts per month.
A) 6; 200
B) 7; 220
C) 8; 180
D) 8; 220
E) 7; 200
Answer: E
Diff: 1
Topic: Predicting Changes in Price and Quantity

68) Refer to Table 3.5.3. Suppose that the price of a designer sport t-shirt is $6. The market has ________ leading to ________.
A) an equilibrium; no change in the price
B) a shortage; a fall in the price
C) a shortage; a rise in the price
D) a surplus; a fall in the price
E) a surplus; a rise in the price
Answer: C
Diff: 2
Topic: Predicting Changes in Price and Quantity

69) Refer to Table 3.5.3. Suppose that the price of a designer sport t-shirt is $10. The market has ________ leading to ________.
A) an equilibrium; no change in the price
B) a shortage; a fall in the price
C) a shortage; a rise in the price
D) a surplus; a fall in the price
E) a surplus; a rise in the price
Answer: D
Diff: 1
Topic: Predicting Changes in Price and Quantity

70) Refer to Table 3.5.3. In a television interview, Joe Cool shows off his designer sport t-shirt, setting off a new craze that doubles business at the sportswear establishments. This would be represented as a
A) movement up along the demand curve.
B) rightward shift of the demand curve.
C) leftward shift of the demand curve.
D) rightward shift of the supply curve.
E) leftward shift of the supply curve.
Answer: B
Diff: 1
Topic: Predicting Changes in Price and Quantity

71) Refer to Table 3.5.3. In a television interview, Joe Cool shows off his designer sport t-shirt, setting off a new craze that doubles business at the sportswear establishments. The new equilibrium price is $________ and the new equilibrium quantity is ________ t-shirts per month.
A) 12; 240
B) 8; 400
C) 16; 400
D) 12; 120
E) 16; 200
Answer: A
Diff: 2
Topic: Predicting Changes in Price and Quantity

72) Refer to Table 3.5.3. A new store opens up on the edge of campus, Great Wild North Sportswear, which has the capacity to do as much business as all the existing businesses. This would be represented as a
A) movement up along the demand curve.
B) rightward shift of the demand curve.
C) leftward shift of the demand curve.
D) rightward shift of the supply curve.
E) leftward shift of the supply curve.
Answer: D
Diff: 2
Topic: Predicting Changes in Price and Quantity

73) Refer to Table 3.5.3. A new store opens up on the edge of campus, Great Wild North Sportswear, which has the capacity to do as much business as all the existing businesses. The new equilibrium price is $________ and the new equilibrium quantity is ________ t-shirts per month.
A) 8; 400
B) 3; 300
C) 0; 400
D) 16; 200
E) 4; 400
Answer: B
Diff: 3
Topic: Predicting Changes in Price and Quantity

74) Refer to Table 3.5.3. A new store opens up on the edge of campus, Great Wild North Sportswear, which has the capacity to do as much business as all the existing businesses. In addition, in a television interview, Joe Cool shows off his designer sport t-shirt, setting off a new craze that doubles business at the local sportswear establishments. The new equilibrium price is $________ and the new equilibrium quantity is ________ t-shirts per month.
A) 8; 400
B) 8; 200
C) 3; 400
D) 12; 240
E) 16; 400
Answer: A
Diff: 3
Topic: Predicting Changes in Price and Quantity

Use the table below to answer the following questions.

Table 3.5.4
Quantities demanded and supplied in equilibrium
before and after a drought strikes potato farms

	Potatoes		Hamburgers		Rice	
	before	after	before	after	before	after
Region 1	100	30	50	20	3	50
Region 2	10	5	4	50	50	60

75) Refer to Table 3.5.4. In Region 1, potatoes and hamburgers are
A) substitutes.
B) complements.
C) normal goods.
D) unrelated goods.
E) inferior goods.
Answer: B
Diff: 3
Topic: Predicting Changes in Price and Quantity

76) In Table 3.5.4 potatoes and rice are
A) substitutes in Region 1 and complements in Region 2.
B) substitutes in Region 2 and complements in Region 1.
C) complements in both regions.
D) substitutes in both regions.
E) unrelated goods in both regions.
Answer: D
Diff: 3
Topic: Predicting Changes in Price and Quantity

77) According to the information in Table 3.5.4, in Region 1 there is
A) an increase in the quantity of rice supplied.
B) a decrease in the quantity of rice supplied
C) an increase in the supply of rice.
D) a decrease in the supply of rice.
E) an increase in the quantity of rice demanded.
Answer: A
Diff: 3
Topic: Predicting Changes in Price and Quantity

78) "As fewer people buy computers, the demand for Internet service will decrease and the price of Internet service will increase. The rise in the price of Internet service will increase the supply of Internet service." This statement is ________ because ________.
A) false; the decrease in the demand for Internet service creates a surplus and to eliminate the surplus, supply increases
B) true; when the demand for Internet service increases, the supply of Internet service increases so that the price of Internet service does not increase
C) true, when the demand for Internet service increases, the supply of Internet service increases too so that no surplus occurs
D) true; the increase in the price of Internet service increases the supply of Internet service to eliminate the shortage
E) false; a decrease in demand for Internet service does not increase the price of Internet service and an increase in the price of Internet service does not increase the supply of Internet service
Answer: E
Diff: 3
Topic: Predicting Changes in Price and Quantity
Source: MyEconLab

79) The following events occur one at a time:

I. The price of crude oil rises.
II. The price of a car rises.
III. All speed limits on highways are abolished.
IV. Robots cut car production costs.

The quantity of gasoline supplied ________.
A) increases when all speed limits on highways are abolished
B) increases when the price of crude oil rises
C) decreases when robots cut car production costs
D) increases when the price of a car rises
E) decreases when the price of crude oil rises
Answer: A
Diff: 3
Topic: Predicting Changes in Price and Quantity
Source: MyEconLab

3.6 Mathematical Note

1) The demand curve for knobs is P = 75 - 6QD and the supply curve for knobs is P = 35 + 2QS. What is the equilibrium price of a knob?
A) $5.
B) $10.
C) $40.
D) $45.
E) None of the above.
Answer: D
Diff: 2
Topic: Mathematical Note
Source: Study Guide

2) The y- axis intercept of the supply curve is 40 and the slope is 6. The equation of the supply curve is ________.
A) P = 3 + 40QS
B) P = 40 + 6QS
C) P = 40 - 6QS
D) QS = 40 + 6P
E) QS = 40 - 6P
Answer: B
Diff: 2
Topic: Mathematical Note
Source: MyEconLab

3) The y- axis intercept of the demand curve is 60 and the slope is - 8. The equation of the demand curve is ________.
A) P = 8 - 60QD
B) P = 60 - 8QD
C) QD = 60 - 8P
D) P = 60 + 8QD
E) QD = 60 + 8P
Answer: B
Diff: 2
Topic: Mathematical Note
Source: MyEconLab

4) The demand curve is $P = 700 - 10QD$. The supply curve is $P = 400 + 5QS$. At market equilibrium, the equilibrium quantity is ________ and the equilibrium price is ________.
A) 20; 500
B) 5; 0.05
C) 0.05; 5
D) 500; 20
E) 300; 15
Answer: A
Diff: 2
Topic: Mathematical Note
Source: MyEconLab

5) The demand curve is $P = 700 - 20QD$. The supply curve is $P = 300 + 20QS$. At market equilibrium, the equilibrium quantity is ________ and the equilibrium price is ________.
A) 10; 500
B) 500; 10
C) 0.10; 20
D) 20; 0.10
E) 400; 40
Answer: A
Diff: 2
Topic: Mathematical Note
Source: MyEconLab

6) The demand curve is $P = 800 - 25QD$. The supply curve is $P = 500 + 25QS$. At market equilibrium, the equilibrium quantity is ________ and the equilibrium price is ________.
A) 25; 0.17
B) 650; 6.0
C) 0.17; 25
D) 6.0; 650
E) 1,300; zero
Answer: D
Diff: 2
Topic: Mathematical Note
Source: MyEconLab