

2002 AP[®] MICROECONOMICS FREE-RESPONSE QUESTIONS

3. The table below shows total utility in utils that a utility-maximizing consumer receives from consuming two goods: apples and oranges.

Apples		Oranges	
<u>Quantity</u>	<u>Total utility</u>	<u>Quantity</u>	<u>Total utility</u>
0	0	0	0
1	20	1	30
2	35	2	50
3	45	3	65
4	50	4	75
5	52	5	80

Assume that apples cost \$1 each, oranges cost \$2 each, and the consumer spends the entire income of \$7 on apples and oranges.

- (a) Using the concept of marginal utility per dollar spent, identify the combination of apples and oranges the consumer will purchase. Explain your reasoning.
- (b) With the prices of apples and oranges remaining constant, assume that the consumer's income increases to \$12. Identify each of the following.
- The combination of apples and oranges the consumer will now purchase
 - The total utility the consumer will receive from consuming the combination in (i)
- (c) With income remaining at \$12, assume the price of oranges increases to \$4 each. Identify each of the following.
- The combination of apples and oranges the consumer will now purchase
 - The total utility the consumer will receive from consuming the combination in (i)

END OF EXAMINATION

2). Assume that bread and butter are complementary goods. Assume that wheat farmers experience an unexpected and unanticipated increase in the output per acreage.

A. For each of the following markets, draw correctly labeled supply and demand graphs and show the effects of the increase in wheat per acre on the equilibrium price and quantity on each of the following markets.

- i. The wheat market
- ii. The bread market
- iii. The butter market

B. Assume now that the government reports on the favorable dietary effects of wheat consumption that helps people reduce weight. Given the results in part (a-i), explain the effects of the news on the equilibrium price and equilibrium quantity of wheat.

Name: _____ Date: _____

1. When total utility is at a maximum, marginal utility is
 - A) increasing.
 - B) at a minimum.
 - C) equal to zero.
 - D) decreasing.
 - E) at a maximum.

2. The marginal utility of additional units consumed of any good
 - A) remains the same.
 - B) is always negative.
 - C) is always positive.
 - D) increases.
 - E) decreases.

3. If the sixth slice of pizza you eat yields dissatisfaction, then
 - A) you receive disutility from that slice.
 - B) you receive utility from that slice.
 - C) total utility is increasing.
 - D) the principle of diminishing marginal utility does not hold.
 - E) the marginal utility of the sixth slice is positive.

4. Marginal utility is
 - A) equal to the price of the good.
 - B) the usefulness of the last or next unit of a good consumed.
 - C) the utility associated with the consumption of a market basket of goods and services.
 - D) the change in total utility associated with consuming an additional good that was not consumed before.
 - E) the change in total utility associated with consuming an additional unit of a good.

Use the following to answer questions 5-6:

Quantity	Total Utility of X	Total Utility of Y
1	24	85
2	42	130
3	56	160
4	66	185
5	74	200
6	80	210
7	84	215

5. Refer to the table above. Assume that the price of good X is \$2 per unit, that the price of good Y is \$5 per unit, and that the consumer has \$14 to spend buying X and Y. Under the circumstances, a utility-maximizing consumer should buy
- A) 7 units of X.
 - B) 2.8 units of Y.
 - C) 2 units of X and 2 units of Y.
 - D) anything she wants because it is not possible to determine the utility-maximizing combination.
 - E) 6 units of X and 7 of Y.
6. Refer to the table above. Assume that the price of good X is \$2 per unit, that the price of good Y is \$5 per unit, and that the consumer has \$14 to spend buying X and Y. What is the total utility associated with the utility-maximizing combination?
- A) 84
 - B) 154
 - C) 172
 - D) It is not possible to determine the total utility.
 - E) 215
7. Assume that Dr. Consumer spent his whole budget to purchase 8 units of good S and 3 units of good T when the price of S was \$2 per unit and the price of T was \$3 per unit. Assume also that the marginal utility of the eighth unit of S was 16 and the marginal utility of the third unit of T was 18. If S and T are the only goods available, one can conclude that Dr. Consumer
- A) maximized utility.
 - B) should have purchased more of S and less of T.
 - C) should have purchased more of T and less of S.
 - D) should have purchased less of both goods.
 - E) should not have spent all his income.

8. A consumer is purchasing two goods, A and B. The marginal utilities of A and B are 20 and 10, respectively. To maximize satisfaction, a consumer should
- A) buy more of A and less of B.
 - B) buy less of A and more of B.
 - C) buy equal quantities of A and B.
 - D) buy only A.
 - E) Cannot be determined from the information given.
9. As the price of a good increases,
- A) that good will yield less satisfaction per dollar than before.
 - B) that good will yield more satisfaction per dollar than before.
 - C) the quantity demanded of that good will also increase.
 - D) the utility-maximizing quantity of that good remains the same.
 - E) None of the above.
10. Jennifer is trying to decide whether to buy a croissant or a bran muffin for tomorrow's breakfast. The croissant costs \$2 and has a marginal utility of 30. The muffin costs \$1 and has a marginal utility of 20. Which should she buy?
- A) The croissant, because it has a higher marginal utility
 - B) The croissant, because it has a lower marginal utility per dollar
 - C) The muffin, because it costs less
 - D) The muffin, because it has a higher marginal utility per dollar
 - E) It doesn't matter, because the croissant and the muffin have the same value to her.
11. When marginal utility is zero, total utility is
- A) increasing.
 - B) decreasing.
 - C) at its maximum.
 - D) at its minimum.
 - E) zero.
12. A price floor
- A) is not allowed.
 - B) is a situation where the price is not allowed to increase above a certain level.
 - C) is a situation where the price is not allowed to decrease below a certain level.
 - D) creates a shortage of a good.
 - E) is sometimes necessary to help with the natural functioning of the market mechanism.

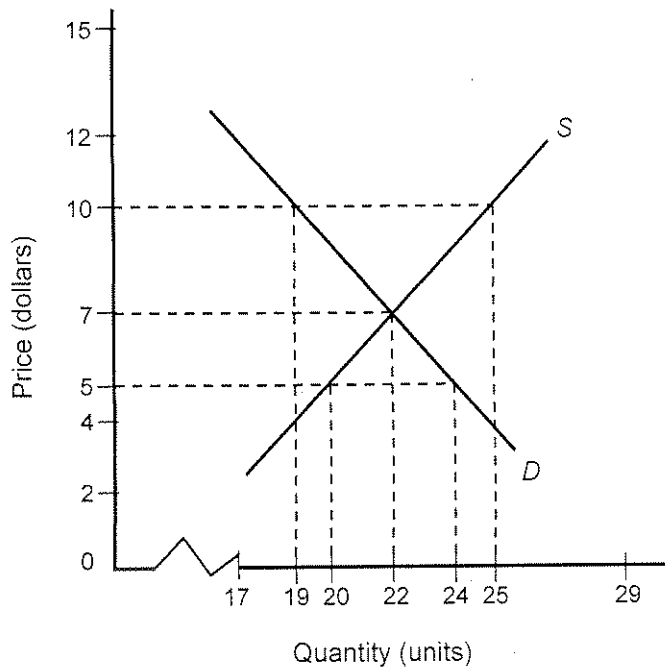
13. Which of the following is *not* an example of a price ceilings?
- A) The government sets the price of housing in China below equilibrium.
 - B) The former Soviet Union government set prices on food below that prevailing in the free market.
 - C) In the 1970s, the Nixon administration imposed wage and price controls, thereby keeping wages and prices from rising.
 - D) In the late 1970s, the U.S. government required gasoline to be sold at a price per gallon that was below what would have prevailed in a free market.
 - E) The U.S. government requires that sugar be sold at a price that exceeds the world price of sugar.

Use the following to answer questions 14-16:

Quantity Demanded	Price per Unit	Quantity Supplied
10	\$5	50
20	4	40
30	3	30
40	2	20
50	1	10

14. Referring to the table above, if government imposes a price of \$2,
- A) the price will be above equilibrium.
 - B) the price will fall to \$1 because producers will be forced to incur losses.
 - C) demand will increase.
 - D) a surplus will result equal to 20 units.
 - E) a shortage will result equal to 20 units.
15. Referring to the table above, if government imposes a price ceiling of \$4,
- A) the price ceiling will not have an effect.
 - B) the price will fall to \$1 because producers will be forced to incur losses.
 - C) demand will increase.
 - D) a surplus will result equal to 20 units.
 - E) a shortage will result equal to 20 units.
16. Referring to the table above, if government imposes a price floor of \$2,
- A) the price floor will not have an effect.
 - B) the price will fall to \$1 because producers will be forced to incur losses.
 - C) demand will increase.
 - D) a surplus will result equal to 20 units.
 - E) a shortage will result equal to 20 units.

Use the following to answer questions 17-23:



17. In the figure above, quantity supplied exceeds quantity demanded at
- A) \$4.
 - B) \$7.
 - C) \$10.
 - D) \$5.
 - E) \$2.
18. In the figure above, when the price is set at \$10, there is
- A) a shortage.
 - B) a surplus.
 - C) equilibrium.
 - D) excess quantity demanded of 6 units.
 - E) excess quantity supplied of 3 units.
19. In the figure above, when quantity is limited to 19 units, what is the highest price consumers are willing to pay?
- A) \$5
 - B) \$10
 - C) \$7
 - D) \$4
 - E) \$12

20. In the figure above, when the price is set at \$5, there is
- A) a shortage.
 - B) a surplus.
 - C) excess quantity supplied of 4 units.
 - D) equilibrium.
 - E) excess quantity demanded of 2 units.
21. In the figure above, quantity demanded exceeds quantity supplied at
- A) \$5.
 - B) \$10.
 - C) \$12.
 - D) \$15.
 - E) \$7.
22. In the figure above, if price falls from \$7 to \$5,
- A) demand will increase.
 - B) quantity demanded will increase.
 - C) there will be a surplus of 4 units.
 - D) supply will decrease.
 - E) quantity supplied will increase.
23. In the figure above, equilibrium price and quantity are
- A) \$7 and 22 units, respectively.
 - B) \$10 and 19 units, respectively.
 - C) \$10 and 25 units, respectively.
 - D) \$5 and 20 units, respectively.
 - E) \$5 and 24 units, respectively.
24. When economists use the term *utility*, they are talking about
- A) the usefulness of a good in everyday life: shovels have utility, but diamond rings don't have utility.
 - B) a measure of the satisfaction received from possessing or consuming goods and services.
 - C) businesses that sell electricity and natural gas.
 - D) the satisfaction received from a good minus the price of the good.
 - E) the satisfaction received from a good plus the price of the good.

Answer Key

1. C
2. E
3. A
4. E
5. C
6. C
7. B
8. E
9. A
10. D
11. C
12. C
13. E
14. E
15. A
16. A
17. C
18. B
19. B
20. A
21. A
22. B
23. A
24. B

Practice Test for AP Unit 2**Multiple Choice**

Identify the choice that best completes the statement or answers the question.

- _____ 1. The forces that make market economies work are
- work and leisure.
 - politics and religion.
 - supply and demand.
 - taxes and government spending.
- _____ 2. In a market economy, supply and demand determine
- both the quantity of each good produced and the price at which it is sold.
 - the quantity of each good produced, but not the price at which it is sold.
 - the price at which each good is sold, but not the quantity of each good produced.
 - neither the quantity of each good produced nor the price at which it is sold.
- _____ 3. The quantity demanded of a good is the amount that buyers
- are willing to purchase.
 - are willing and able to purchase.
 - are willing and able and need to purchase.
 - are able to purchase.
- _____ 4. "Other things equal, when the price of a good rises, the quantity demanded of the good falls, and when the price falls, the quantity demanded rises." This relationship between price and quantity demanded
- applies to most goods in the economy.
 - is represented by a downward-sloping demand curve.
 - is referred to as the law of demand.
 - All of the above are correct.
- _____ 5. The following table contains a demand schedule for a good.

Price	Quantity Demanded
\$10	100
\$20	?

If the law of demand applies to this good, then "?" could be

- 0.
- 100.
- 200.
- 400.

Table 4-1

Price	Aaron's Quantity Demanded	Angela's Quantity Demanded	Austin's Quantity Demanded	Alyssa's Quantity Demanded
\$0.00	20	16	4	8
\$0.50	18	12	6	6
\$1.00	14	10	2	5
\$1.50	12	8	0	4
\$2.00	6	6	0	2
\$2.50	0	4	0	0

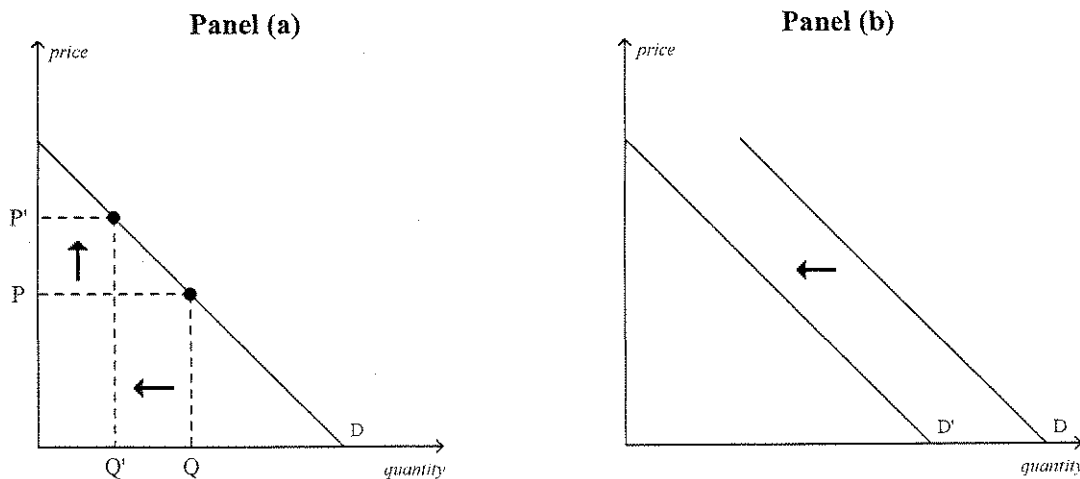
- _____ 6. Refer to Table 4-1. Whose demand does *not* obey the law of demand?
- Aaron's
 - Angela's
 - Austin's
 - Alyssa's
- _____ 7. A leftward shift of a demand curve is called
- an increase in demand.
 - a decrease in demand.
 - a decrease in quantity demanded.
 - an increase in quantity demanded.
- _____ 8. A movement downward and to the right along a demand curve is called
- an increase in demand.
 - a decrease in demand.
 - a decrease in quantity demanded.
 - an increase in quantity demanded.
- _____ 9. Which of the following changes would *not* shift the demand curve for a good or service?
- a change in income
 - a change in the price of the good or service
 - a change in expectations about the future price of the good or service
 - a change in the price of a related good or service
- _____ 10. If the demand for a good falls when income falls, then the good is called
- a normal good.
 - a regular good.
 - a luxury good.
 - an inferior good.
- _____ 11. If Francis experiences a decrease in his income, then we would expect Francis's demand for
- each good he purchases to remain unchanged.
 - normal goods to decrease.
 - luxury goods to increase.
 - inferior goods to decrease.

- _____ 12. Which of the following would shift the demand curve for gasoline to the right?
- a decrease in the price of gasoline
 - an increase in consumer income, assuming gasoline is a normal good
 - an increase in the price of cars, a complement for gasoline
 - a decrease in the expected future price of gasoline
- _____ 13. If a decrease in income increases the demand for a good, then the good is
- a substitute good.
 - a complementary good.
 - a normal good.
 - an inferior good.
- _____ 14. Currently you purchase 6 packages of hot dogs a month. You will graduate from college in December, and you will start a new job in January. You have no plans to purchase hot dogs in January. For you, hot dogs are
- a substitute good.
 - a normal good.
 - an inferior good.
 - a complementary good.
- _____ 15. Two goods are substitutes when a decrease in the price of one good
- decreases the demand for the other good.
 - decreases the quantity demanded of the other good.
 - increases the demand for the other good.
 - increases the quantity demanded of the other good.
- _____ 16. Suppose that a decrease in the price of good X results in fewer units of good Y being sold. This implies that X and Y are
- complementary goods.
 - normal goods.
 - inferior goods.
 - substitute goods.
- _____ 17. A likely example of substitute goods for most people would be
- peanut butter and jelly.
 - tennis balls and tennis rackets.
 - televisions and subscriptions to cable television services.
 - pencils and pens.
- _____ 18. You wear either shorts or sweatpants every day. You notice that sweatpants have gone on sale, so your demand for
- sweatpants will increase.
 - sweatpants will decrease.
 - shorts will increase.
 - shorts will decrease.

- _____ 19. If goods A and B are complements, then an increase in the price of good A will result in
- more of good A being sold.
 - more of good B being sold.
 - less of good B being sold.
 - no difference in the quantity sold of either good.
- _____ 20. A likely example of complementary goods for most people would be
- butter and margarine.
 - lawnmowers and automobiles.
 - chips and salsa.
 - cola and lemonade.
- _____ 21. Suppose the American Medical Association announces that men who shave their heads are less likely to die of heart failure. We could expect the current demand for
- hair gel to increase.
 - razors to increase.
 - combs to increase.
 - shampoo to increase.
- _____ 22. Suppose scientists provide evidence that chocolate pudding increases the bad cholesterol levels of those who eat it. We would expect to see
- no change in the demand for chocolate pudding.
 - a decrease in the demand for chocolate pudding.
 - an increase in the demand for chocolate pudding.
 - a decrease in the supply of chocolate pudding.
- _____ 23. Which of the following events could shift the demand curve for gasoline to the left?
- The income of gasoline buyers rises, and gasoline is a normal good.
 - The income of gasoline buyers falls, and gasoline is an inferior good.
 - Public service announcements run on television encourage people to walk or ride bicycles instead of driving cars.
 - The price of gasoline rises.
- _____ 24. Today, people changed their expectations about the future. This change
- can cause a movement along a demand curve.
 - can affect future demand, but not today's demand.
 - can affect today's demand.
 - cannot affect either today's demand or future demand.
- _____ 25. If Juan expects to earn a higher income next month, he may choose to
- save more now and spend less of his current income on goods and services.
 - save less now and spend more of his current income on goods and services.
 - decrease his current demand for goods and services.
 - move along his current demand curves for goods and services.

- _____ 26. You love peanut butter. You hear on the news that 50 percent of the peanut crop in the South has been wiped out by drought, and that this will cause the price of peanuts to double by the end of the year. As a result,
- your demand for peanut butter will increase, but not until the end of the year.
 - your demand for peanut butter increases today.
 - your demand for peanut butter decreases as you look for a substitute good.
 - your demand for peanut butter shifts left today.
- _____ 27. Warrensburg is a small college town in Missouri. At the end of August each year, the market demand for fast food in Warrensburg
- increases.
 - decreases.
 - remains constant, but we observe a movement downward and to the right along the demand curve.
 - remains constant, but we observe a movement upward and to the left along the demand curve.

Figure 4-4



- _____ 28. Refer to Figure 4-4. The graphs show the demand for cigarettes. In Panel (a), the arrows are consistent with which of the following events?
- The price of marijuana, a complement to cigarettes, increased.
 - Mandatory health warnings were placed on cigarette packages.
 - Several foreign countries banned U.S. cigarettes in their countries.
 - A tax was placed on cigarettes.
- _____ 29. Refer to Figure 4-4. The graphs show the demand for cigarettes. In Panel (a), the arrows are consistent with which of the following events?
- Tobacco and marijuana are complements and the price of marijuana decreased.
 - Tobacco is a "gateway drug" and the price of marijuana increased.
 - The price of cigarettes increased.
 - The arrows are consistent with all of these events.

- _____ 30. Refer to Figure 4-4. The graphs show the demand for cigarettes. In Panel (b), the arrows are consistent with which of the following events?
- The price of cigarettes increased.
 - A tax was placed on cigarettes.
 - The prohibition of cigarette advertisements on television.
 - Tobacco and marijuana are complements and the price of marijuana decreased.
- _____ 31. The quantity supplied of a good is the amount that
- buyers are willing and able to purchase.
 - sellers are able to produce.
 - buyers and sellers agree will be brought to market.
 - sellers are willing and able to sell.
- _____ 32. If the price of a good is low,
- firms would increase profit by increasing output.
 - the quantity supplied of the good could be zero.
 - the supply curve for the good will shift to the left.
 - firms can and should raise the price of the product.
- _____ 33. "Other things equal, when the price of a good rises, the quantity supplied of the good also rises, and when the price falls, the quantity supplied falls as well." This relationship between price and quantity supplied
- is referred to as the law of supply.
 - applies only to a few goods in the economy.
 - is represented by a downward-sloping supply curve.
 - All of the above are correct.
- _____ 34. Which of these statements best represents the law of supply?
- When input prices increase, sellers produce less of the good.
 - When production technology improves, sellers produce less of the good.
 - When the price of a good decreases, sellers produce less of the good.
 - When sellers' supplies of a good increase, the price of the good increases.
- _____ 35. A supply curve slopes upward because
- as more is produced, total cost of production falls.
 - an increase in input prices increases supply.
 - the quantity supplied of most goods and services increases over time.
 - an increase in price gives producers an incentive to supply a larger quantity.
- _____ 36. The following table contains a supply schedule for a good.

Price	Quantity Supplied
\$10	100
\$20	?

If the law of supply applies to this good, then "?" could be

- 0.
- 50.
- 100.
- 150.

- _____ 37. An increase in quantity supplied
- results in a movement downward and to the left along a fixed supply curve.
 - results in a movement upward and to the right along a fixed supply curve.
 - shifts the supply curve to the left.
 - shifts the supply curve to the right.
- _____ 38. A leftward shift of a supply curve is called
- an increase in supply.
 - a decrease in supply.
 - a decrease in quantity supplied.
 - an increase in quantity supplied.
- _____ 39. The supply curve for coffee
- shifts when the price of coffee changes because the price of coffee is measured on the vertical axis of the graph.
 - shifts when the price of coffee changes because the quantity supplied of coffee is measured on the horizontal axis of the graph.
 - does not shift when the price of coffee changes because the price of coffee is measured on the vertical axis of the graph.
 - does not shift when the price of coffee changes because the quantity supplied of coffee is measured on the horizontal axis of the graph.
- _____ 40. Lead is an important input in the production of crystal. If the price of lead decreases, then we would expect the supply of
- crystal to be unaffected.
 - crystal to decrease.
 - crystal to increase.
 - lead to increase.
- _____ 41. Workers at a bicycle assembly plant currently earn the mandatory minimum wage. If the federal government increases the minimum wage by \$1.00 per hour, then it is likely that the
- demand for bicycle assembly workers will increase.
 - supply of bicycles will shift to the right.
 - supply of bicycles will shift to the left.
 - firm must increase output to maintain profit levels.
- _____ 42. A technological advance will shift the
- supply curve to the right.
 - supply curve to the left.
 - demand curve to the right.
 - demand curve to the left.
- _____ 43. What will happen in the rice market now if sellers expect higher rice prices in the near future?
- The supply of rice will increase.
 - The supply of rice will decrease.
 - The supply of rice will be unaffected.
 - The demand for rice will decrease.

- _____ 44. A decrease in the number of sellers in the market causes
- the supply curve to shift to the left.
 - the supply curve to shift to the right.
 - a movement up and to the right along a stationary supply curve.
 - a movement downward and to the left along a stationary supply curve.
- _____ 45. Which of the following would shift the supply curve for gasoline to the right?
- An increase in the demand for gasoline.
 - An increase in the price of gasoline.
 - An increase in the number of producers of gasoline
 - An increase in the price of oil, an input into the production of gasoline.
- _____ 46. The unique point at which the supply and demand curves intersect is called
- market harmony.
 - coincidence.
 - equivalence.
 - equilibrium.
- _____ 47. At the equilibrium price, the quantity of the good that buyers are willing and able to buy
- is greater than the quantity that sellers are willing and able to sell.
 - exactly equals the quantity that sellers are willing and able to sell.
 - is less than the quantity that sellers are willing and able to sell.
 - (a) and (c) could both be correct.
- _____ 48. When the price of a good is higher than the equilibrium price,
- a shortage will exist.
 - buyers desire to purchase more than is produced.
 - sellers desire to produce and sell more than buyers wish to purchase.
 - quantity demanded exceeds quantity supplied.
- _____ 49. A surplus exists in a market if
- there is an excess demand for the good.
 - the situation is such that the law of supply and demand would predict an increase in the price of the good from its current level.
 - the current price is above its equilibrium price.
 - quantity demanded exceeds quantity supplied.
- _____ 50. Which of the following would cause price to decrease?
- a decrease in supply
 - an increase in demand
 - a surplus of the good
 - a shortage of the good
- _____ 51. Suppose roses are currently selling for \$40 per dozen, but the equilibrium price of roses is \$30 per dozen. We would expect a
- shortage to exist and the market price of roses to increase.
 - shortage to exist and the market price of roses to decrease.
 - surplus to exist and the market price of roses to increase.
 - surplus to exist and the market price of roses to decrease.

- _____ 52. A university's football stadium is never more than half-full during football games. This indicates
- the ticket price is above the equilibrium price.
 - the ticket price is below the equilibrium price.
 - the ticket price is at the equilibrium price.
 - nothing about the equilibrium price.
- _____ 53. When the price of a good is lower than the equilibrium price,
- a surplus will exist.
 - buyers desire to purchase more than is produced.
 - sellers desire to produce and sell more than buyers wish to purchase.
 - quantity supplied exceeds quantity demanded.
- _____ 54. A shortage exists in a market if
- there is an excess supply of the good.
 - the situation is such that the law of supply and demand would predict a decrease in the price of the good from its current level.
 - the current price is below its equilibrium price.
 - quantity supplied exceeds quantity demanded.
- _____ 55. Which of the following would cause price to increase?
- an increase in supply
 - a decrease in demand
 - a surplus of the good
 - a shortage of the good
- _____ 56. Suppose roses are currently selling for \$20 per dozen, but the equilibrium price of roses is \$30 per dozen. We would expect a
- shortage to exist and the market price of roses to increase.
 - shortage to exist and the market price of roses to decrease.
 - surplus to exist and the market price of roses to increase.
 - surplus to exist and the market price of roses to decrease.

Table 4-5

Price	Quantity Demanded	Quantity Supplied
\$10	10	60
\$8	20	45
\$6	30	30
\$4	40	15
\$2	50	0

- _____ 57. **Refer to Table 4-5.** The equilibrium price and quantity, respectively, are
- \$2 and 50.
 - \$6 and 30.
 - \$6 and 60.
 - \$12 and 30.

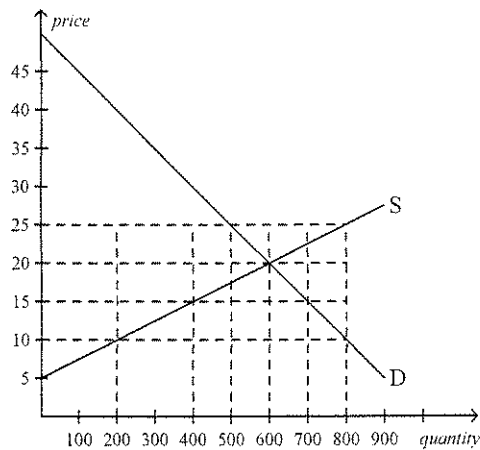
- _____ 58. **Refer to Table 4-5.** If the price were \$8, a
- shortage of 20 units would exist and price would tend to rise.
 - surplus of 25 units would exist and price would tend to fall.
 - shortage of 25 units would exist and price would tend to rise.
 - surplus of 45 units would exist and price would tend to fall.
- _____ 59. **Refer to Table 4-5.** If the price were \$4, a
- surplus of 15 units would exist and price would tend to fall.
 - shortage of 25 units would exist and price would tend to rise.
 - surplus of 25 units would exist and price would tend to fall.
 - shortage of 40 units would exist and price would tend to rise.

Table 4-8

	An Increase in Supply	A Decrease in Supply
An Increase in Demand	A	B
A Decrease in Demand	C	D

- _____ 60. **Refer to Table 4-8.** Which space represents an increase in equilibrium quantity and an indeterminate change in equilibrium price?
- A
 - B
 - C
 - D
- _____ 61. **Refer to Table 4-8.** Which space represents an increase in equilibrium price and an indeterminate change in equilibrium quantity?
- A
 - B
 - C
 - D
- _____ 62. **Refer to Table 4-8.** Which space represents a decrease in equilibrium price and an indeterminate change in equilibrium quantity?
- A
 - B
 - C
 - D
- _____ 63. **Refer to Table 4-8.** Which space represents a decrease in equilibrium quantity and an indeterminate change in equilibrium price?
- A
 - B
 - C
 - D

Figure 4-10

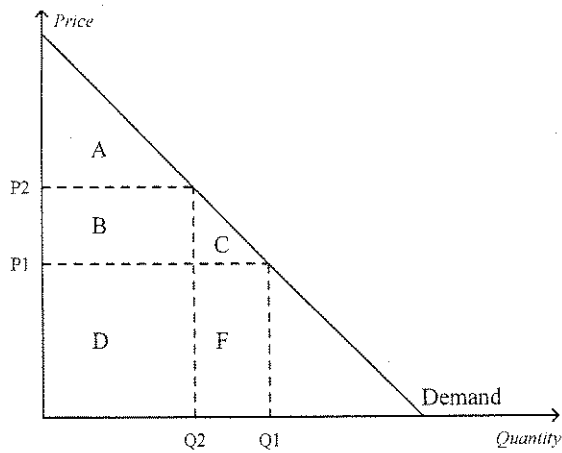


64. Refer to Figure 4-10. In this market, equilibrium price and quantity, respectively, are
- \$15 and 400.
 - \$20 and 600.
 - \$25 and 500.
 - \$25 and 800.
65. Refer to Figure 4-10. At a price of \$20, which of the following statements is *not* correct?
- The market is in equilibrium.
 - Equilibrium price is equal to equilibrium quantity.
 - There is no pressure for price to change.
 - The quantity of the good that is bought and sold is 600.
66. Refer to Figure 4-10. If price is \$25, then quantity demanded and quantity supplied, respectively, are
- 500 and 500.
 - 500 and 800.
 - 600 and 600.
 - 800 and 500.
67. Refer to Figure 4-10. If the price is \$25, then there would be an
- excess supply of 100 and price would fall.
 - excess supply of 300 and price would fall.
 - excess demand of 100 and price would fall.
 - excess demand of 300 and price would fall.
68. Refer to Figure 4-10. If the price is \$10, then there would be a
- shortage of 400 and price would rise.
 - surplus of 400 and price would rise.
 - shortage of 600 and price would rise.
 - surplus of 600 and price would rise.

- _____ 69. Refer to Figure 4-10. At a price of \$15,
- quantity demanded exceeds quantity supplied.
 - there is a shortage.
 - there is an excess demand.
 - All of the above are correct.
- _____ 70. If the demand for a product decreases, then we would expect
- equilibrium price to increase and equilibrium quantity to decrease.
 - equilibrium price to decrease and equilibrium quantity to increase.
 - equilibrium price and equilibrium quantity to both increase.
 - equilibrium price and equilibrium quantity to both decrease.
- _____ 71. Suppose buyers of computers and printers regard those two goods as complements. Then an increase in the price of computers will cause
- a decrease in the demand for printers and a decrease in the quantity supplied of printers.
 - a decrease in the supply of printers and a decrease in the quantity demanded of printers.
 - a decrease in the equilibrium price of printers and an increase in the equilibrium quantity of printers.
 - an increase in the equilibrium price of printers and a decrease in the equilibrium quantity of printers.
- _____ 72. What will happen to the equilibrium price and quantity of traditional camera film if traditional cameras become more expensive, digital cameras become cheaper, the cost of the resources needed to manufacture traditional film falls, and more firms decide to manufacture traditional film?
- Price will fall and the effect on quantity is ambiguous.
 - Price will rise and the effect on quantity is ambiguous.
 - Quantity will fall and the effect on price is ambiguous.
 - Quantity will rise and the effect on price is ambiguous.
- _____ 73. New cars are normal goods. What will happen to the equilibrium price of new cars if the price of gasoline rises, the price of steel falls, public transportation becomes cheaper and more comfortable, auto-workers accept lower wages, and automobile insurance becomes more expensive?
- Price will rise.
 - Price will fall.
 - Price will stay exactly the same.
 - The price change will be ambiguous.
- _____ 74. Which of the following events will definitely cause equilibrium quantity to rise?
- demand increases and supply decreases
 - demand and supply both decrease
 - demand decreases and supply increases
 - demand and supply both increase
- _____ 75. Which of the following events would cause both the equilibrium price and equilibrium quantity of number two grade potatoes (an inferior good) to increase?
- an increase in consumer income
 - a decrease in consumer income
 - greater government restrictions on agricultural chemicals
 - fewer government restrictions on agricultural chemicals

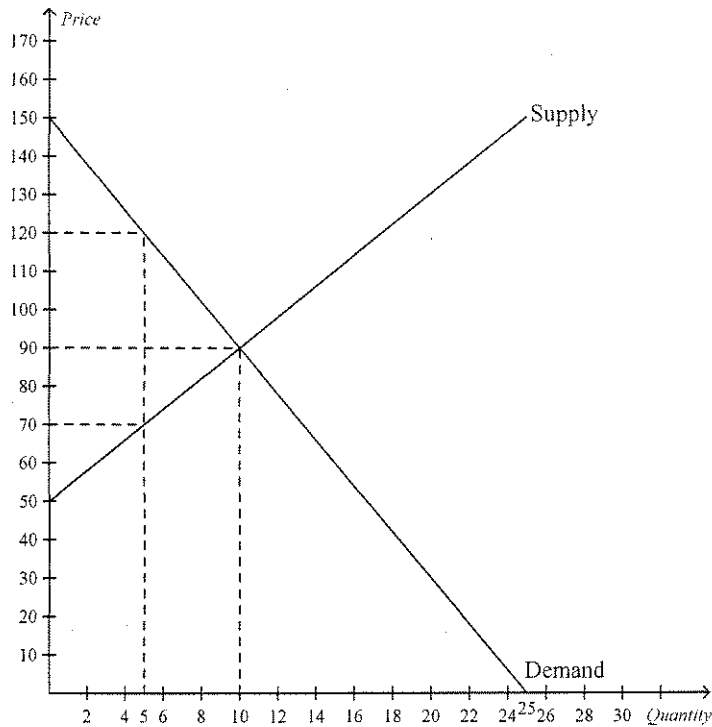
- _____ 76. Which of the following events would cause the price of oranges to fall?
- There is a shortage of oranges.
 - An article is published in which it is claimed that tangerines cause a serious disease, and oranges and tangerines are substitutes.
 - The price of land throughout Florida decreases, and Florida produces a significant proportion of the nation's oranges.
 - All of the above are correct.
- _____ 77. Which of the following events would definitely result in a higher price in the market for Snickers?
- Demand for Snickers increases and supply of Snickers decreases.
 - Demand for Snickers and supply of Snickers both decrease.
 - Demand for Snickers decreases and supply of Snickers increases.
 - Demand for Snickers and supply of Snickers both increase
- _____ 78. Consumer surplus is
- the amount a buyer is willing to pay for a good minus the amount the buyer actually pays for it.
 - the amount a buyer is willing to pay for a good minus the cost of producing the good.
 - the amount by which the quantity supplied of a good exceeds the quantity demanded of the good.
 - a buyer's willingness to pay for a good plus the price of the good.
- _____ 79. On a graph, the area below a demand curve and above the price measures
- producer surplus.
 - consumer surplus.
 - deadweight loss.
 - willingness to pay.
- _____ 80. On a graph, consumer surplus is represented by the area
- between the demand and supply curves.
 - below the demand curve and above price.
 - below the price and above the supply curve.
 - below the demand curve and to the right of equilibrium price.
- _____ 81. Olaf would be willing to pay \$35 to attend a dog show, but he buys a ticket for \$20. Olaf values the dog show at
- \$15.
 - \$20.
 - \$35.
 - \$50.
- _____ 82. If a consumer places a value of \$15 on a particular good and if the price of the good is \$17, then the
- consumer has consumer surplus of \$2 if he or she buys the good.
 - consumer does not purchase the good.
 - market is not a competitive market.
 - price of the good will fall due to market forces.

Figure 7-1



- _____ 83. Refer to Figure 7-1. When the price is P_1 , consumer surplus is
- A.
 - $A+B$.
 - $A+B+C$.
 - $A+B+D$.
- _____ 84. Refer to Figure 7-1. When the price is P_2 , consumer surplus is
- A.
 - B.
 - $A+B$.
 - $A+B+C$.
- _____ 85. Refer to Figure 7-1. When the price rises from P_1 to P_2 , consumer surplus
- increases by an amount equal to A.
 - decreases by an amount equal to $B+C$.
 - increases by an amount equal to $B+C$.
 - decreases by an amount equal to C.

Figure 7-4



- _____ 86. Refer to Figure 7-4. At the equilibrium price, consumer surplus is
- \$200.
 - \$300.
 - \$500.
 - \$600.
- _____ 87. Refer to Figure 7-4. If the government imposes a price floor of \$120 in this market, then consumer surplus will decrease by
- \$75.
 - \$125.
 - \$225.
 - \$300.
- _____ 88. Producer surplus is the
- area under the supply curve to the left of the amount sold.
 - amount a seller is paid minus the cost of production.
 - area between the supply and demand curves, above the equilibrium price.
 - cost to sellers of participating in a market.

Practice Test for AP Unit 2
Answer Section

MULTIPLE CHOICE

1. ANS: C PTS: 1 DIF: 1 REF: 4-0
 NAT: Analytic LOC: Markets, market failure, and externalities
 TOP: Market economies MSC: Definitional
2. ANS: A PTS: 1 DIF: 1 REF: 4-0
 NAT: Analytic LOC: Markets, market failure, and externalities
 TOP: Market economies MSC: Definitional
3. ANS: B PTS: 1 DIF: 1 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Quantity demanded
 MSC: Definitional
4. ANS: D PTS: 1 DIF: 1 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Law of demand
 MSC: Definitional
5. ANS: A PTS: 1 DIF: 2 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Law of demand
 MSC: Applicative
6. ANS: C PTS: 1 DIF: 2 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Law of demand
 MSC: Applicative
7. ANS: B PTS: 1 DIF: 2 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Demand curve
 MSC: Interpretive
8. ANS: D PTS: 1 DIF: 2 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Demand curve
 MSC: Interpretive
9. ANS: B PTS: 1 DIF: 2 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Demand curve
 MSC: Interpretive
10. ANS: A PTS: 1 DIF: 1 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Normal goods
 MSC: Definitional
11. ANS: B PTS: 1 DIF: 2 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Normal goods
 MSC: Applicative
12. ANS: B PTS: 1 DIF: 2 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Normal goods
 MSC: Applicative
13. ANS: D PTS: 1 DIF: 1 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Inferior goods
 MSC: Definitional
14. ANS: C PTS: 1 DIF: 2 REF: 4-2
 NAT: Analytic LOC: Supply and demand TOP: Inferior goods
 MSC: Applicative

- | | | | | |
|-----|--|----------------------------------|--------|-----------------------------------|
| 15. | ANS: A
NAT: Analytic
MSC: Definitional | PTS: 1
LOC: Supply and demand | DIF: 1 | REF: 4-2
TOP: Substitutes |
| 16. | ANS: D
NAT: Analytic
MSC: Interpretive | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Substitutes |
| 17. | ANS: D
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Substitutes |
| 18. | ANS: D
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Substitutes |
| 19. | ANS: C
NAT: Analytic
MSC: Interpretive | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Complements |
| 20. | ANS: C
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Complements |
| 21. | ANS: B
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Tastes |
| 22. | ANS: B
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Tastes |
| 23. | ANS: C
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Tastes |
| 24. | ANS: C
NAT: Analytic
MSC: Interpretive | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Expectations |
| 25. | ANS: B
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Expectations |
| 26. | ANS: B
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Expectations |
| 27. | ANS: A
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Number of buyers |
| 28. | ANS: D
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Demand curve |
| 29. | ANS: C
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Demand curve |
| 30. | ANS: C
NAT: Analytic
MSC: Applicative | PTS: 1
LOC: Supply and demand | DIF: 2 | REF: 4-2
TOP: Demand curve |

31.	ANS: D NAT: Analytic MSC: Definitional	PTS: 1 LOC: Supply and demand	DIF: 1	REF: 4-3 TOP: Quantity supplied
32.	ANS: B NAT: Analytic MSC: Interpretive	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Quantity supplied
33.	ANS: A NAT: Analytic MSC: Definitional	PTS: 1 LOC: Supply and demand	DIF: 1	REF: 4-3 TOP: Law of supply
34.	ANS: C NAT: Analytic MSC: Interpretive	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Law of supply
35.	ANS: D NAT: Analytic MSC: Interpretive	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Law of supply
36.	ANS: D NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Law of supply
37.	ANS: B NAT: Analytic MSC: Interpretive	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Supply curve
38.	ANS: B NAT: Analytic MSC: Interpretive	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Supply curve
39.	ANS: C NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Supply curve
40.	ANS: C NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Input prices
41.	ANS: C NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Input prices
42.	ANS: A NAT: Analytic MSC: Interpretive	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Technology
43.	ANS: B NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Expectations
44.	ANS: A NAT: Analytic MSC: Interpretive	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Number of sellers
45.	ANS: C NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 4-3 TOP: Number of sellers
46.	ANS: D NAT: Analytic	PTS: 1 LOC: Equilibrium	DIF: 1 TOP: Equilibrium	REF: 4-4 MSC: Definitional

47.	ANS: B	PTS: 1	DIF: 1	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Equilibrium	MSC: Definitional
48.	ANS: C	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Surpluses	MSC: Interpretive
49.	ANS: C	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Surpluses	MSC: Interpretive
50.	ANS: C	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Surpluses	MSC: Interpretive
51.	ANS: D	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Surpluses	MSC: Applicative
52.	ANS: A	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Surpluses	MSC: Applicative
53.	ANS: B	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Shortages	MSC: Interpretive
54.	ANS: C	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Shortages	MSC: Interpretive
55.	ANS: D	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Shortages	MSC: Interpretive
56.	ANS: A	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Shortages	MSC: Applicative
57.	ANS: B	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Equilibrium	MSC: Applicative
58.	ANS: B	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Surpluses	MSC: Applicative
59.	ANS: B	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Shortages	MSC: Applicative
60.	ANS: A	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Equilibrium	MSC: Interpretive
61.	ANS: B	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Equilibrium	MSC: Interpretive
62.	ANS: C	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Equilibrium	MSC: Interpretive
63.	ANS: D	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Equilibrium	MSC: Interpretive
64.	ANS: B	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Equilibrium	MSC: Applicative
65.	ANS: B	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Equilibrium	MSC: Applicative
66.	ANS: B	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Surpluses	MSC: Applicative
67.	ANS: B	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Surpluses	MSC: Applicative
68.	ANS: C	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Shortages	MSC: Applicative
69.	ANS: D	PTS: 1	DIF: 2	REF: 4-4
	NAT: Analytic	LOC: Equilibrium	TOP: Shortages	MSC: Applicative

70.	ANS: D NAT: Analytic	PTS: 1 LOC: Equilibrium	DIF: 2 TOP: Equilibrium	REF: 4-4 MSC: Interpretive
71.	ANS: A NAT: Analytic	PTS: 1 LOC: Equilibrium	DIF: 2 TOP: Equilibrium	REF: 4-4 MSC: Applicative
72.	ANS: A NAT: Analytic	PTS: 1 LOC: Equilibrium	DIF: 3 TOP: Equilibrium	REF: 4-4 MSC: Analytical
73.	ANS: B NAT: Analytic	PTS: 1 LOC: Equilibrium	DIF: 3 TOP: Equilibrium	REF: 4-4 MSC: Analytical
74.	ANS: D NAT: Analytic	PTS: 1 LOC: Equilibrium	DIF: 2 TOP: Equilibrium	REF: 4-4 MSC: Interpretive
75.	ANS: B NAT: Analytic	PTS: 1 LOC: Equilibrium	DIF: 2 TOP: Equilibrium	REF: 4-4 MSC: Applicative
76.	ANS: C NAT: Analytic	PTS: 1 LOC: Equilibrium	DIF: 2 TOP: Equilibrium	REF: 4-4 MSC: Applicative
77.	ANS: A NAT: Analytic	PTS: 1 LOC: Equilibrium	DIF: 2 TOP: Equilibrium	REF: 4-4 MSC: Applicative
78.	ANS: A NAT: Analytic MSC: Definitional	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 7-1 TOP: Consumer surplus
79.	ANS: B NAT: Analytic MSC: Interpretive	PTS: 1 LOC: Supply and demand	DIF: 1	REF: 7-1 TOP: Consumer surplus
80.	ANS: B NAT: Analytic MSC: Interpretive	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 7-1 TOP: Consumer surplus
81.	ANS: C NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 7-1 TOP: Consumer surplus
82.	ANS: B NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 7-1 TOP: Consumer surplus
83.	ANS: C NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 7-1 TOP: Consumer surplus
84.	ANS: A NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 7-1 TOP: Consumer surplus
85.	ANS: B NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 2	REF: 7-1 TOP: Consumer surplus
86.	ANS: B NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 3	REF: 7-1 TOP: Consumer surplus
87.	ANS: C NAT: Analytic MSC: Applicative	PTS: 1 LOC: Supply and demand	DIF: 3	REF: 7-1 TOP: Consumer surplus

88. ANS: B PTS: 1 DIF: 2 REF: 7-2
NAT: Analytic LOC: Supply and demand TOP: Producer surplus
MSC: Interpretive