Name:_____

Demand, Supply, Equilibrium

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

____ 1. Which of the following would NOT be a determinant of demand?
   a. the price of related goods
   b. income
   c. tastes
   d. the prices of the inputs used to produce the good

____ 2. If the price of a substitute to good X increases, then
   a. the demand for good X will increase.
   b. the market price of good X will decrease.
   c. the demand for good X will decrease.
   d. the demand for good X will not change.

____ 3. Suppose you like banana cream pie made with vanilla pudding. Assuming all other things are constant, you notice that the price of bananas is higher. How would your demand for vanilla pudding be affected by this?
   a. It would decrease.
   b. It would increase.
   c. It would be unaffected.
   d. There is insufficient information given to answer the question.

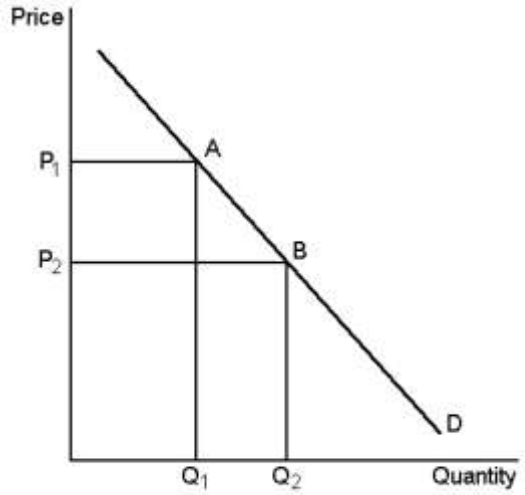
____ 4. A higher price for batteries would tend to
   a. increase the demand for flashlights.
   b. decrease the demand for electricity.
   c. increase the demand for electricity.
   d. increase the demand for batteries.

____ 5. What will happen in the rice market if buyers are expecting higher prices in the near future?
   a. The demand for rice will increase.
   b. The demand for rice will decrease.
   c. The demand for rice will be unaffected.
   d. The supply of rice will increase.

____ 6. Holding all else constant, a higher price for ski lift tickets would be expected to
   a. increase the number of skiers.
   b. decrease demand for skis.
   c. decrease the demand for other winter recreational activities.
   d. decrease the supply of ski resorts.

Name:_____

Graph 4-1



____ 7. Refer to Graph 4-1. The movement from point A to point B on the graph shows
   a. a decrease in demand.
   b. an increase in demand.
   c. an increase in quantity demanded.
   d. a decrease in quantity demanded.

____ 8. *Ceteris paribus* is a Latin phrase that literally means
   a. "other things being equal."
   b. "after this therefore because of this."
   c. "to respond slowly to a change in price."
   d. "There's no such thing as a free lunch."

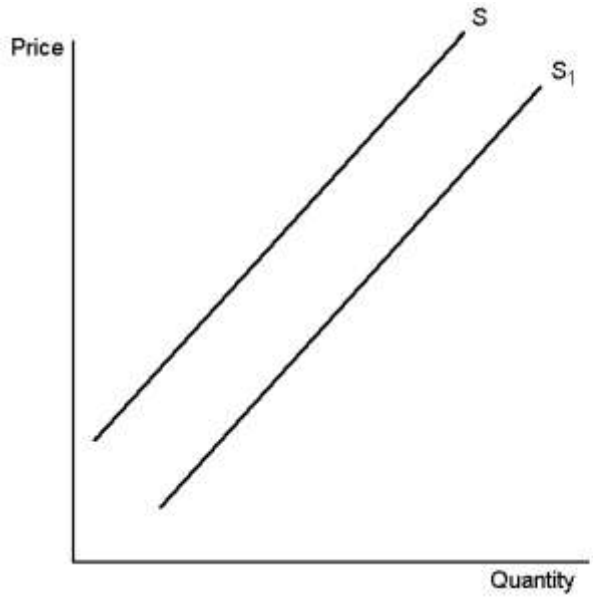
____ 9. When the price of a good or service changes,
   a. there is a movement along a stable demand curve.
   b. demand shifts in the opposite direction.
   c. demand shifts in the same direction.
   d. supply shifts in the opposite direction.

____ 10. Other things equal, when the price of a good rises, the quantity supplied of the good also rises. This is
   a. the law of increasing costs.
   b. the law of diminishing returns.
   c. the law of supply.
   d. the law of demand.

____ 11. Suppose that there is an increase in input prices. We would expect
   a. supply to increase.
   b. supply to decrease.
   c. supply could increase or decrease.
   d. supply to remain unchanged.

Graph 4-4

Name:_____

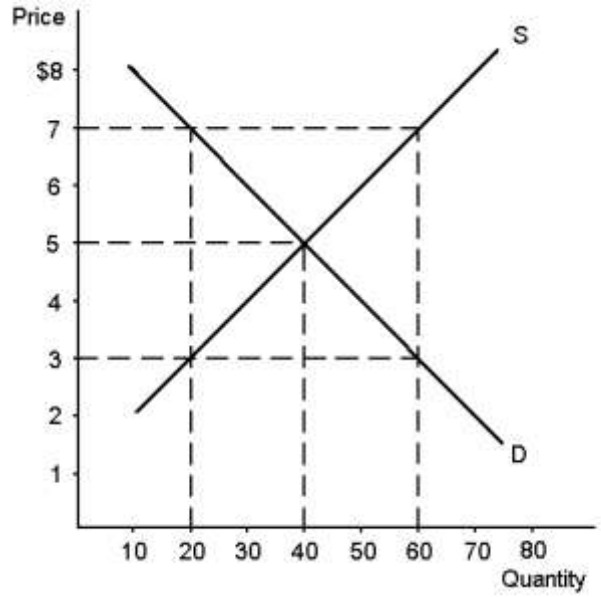


____ 12. Refer to Graph 4-4. On the graph, the movement from S to S_1 could be caused by
a. a decrease in the price of the good.
b. an increase in income.
c. an improvement in technology.
d. an increase in input prices.

____ 13. If, at the current price, there is a shortage of a good,
a. the price is below the equilibrium price.
b. the market can be in equilibrium.
c. sellers are producing more than buyers wish to buy.
d. All of the above answers are correct.

Name:_____

Graph 4-5



____ 14. Refer to Graph 4-5. According to the graph, equilibrium price and quantity are
a. $7, 20.
b. $7, 60.
c. $5, 40.
d. $3, 60.

____ 15. Refer to Graph 4-5. According to the graph, at a price of $7,
a. there would be a shortage of 40 units.
b. there would be a surplus of 40 units.
c. there would be a surplus of 20 units.
d. the market would be in equilibrium.

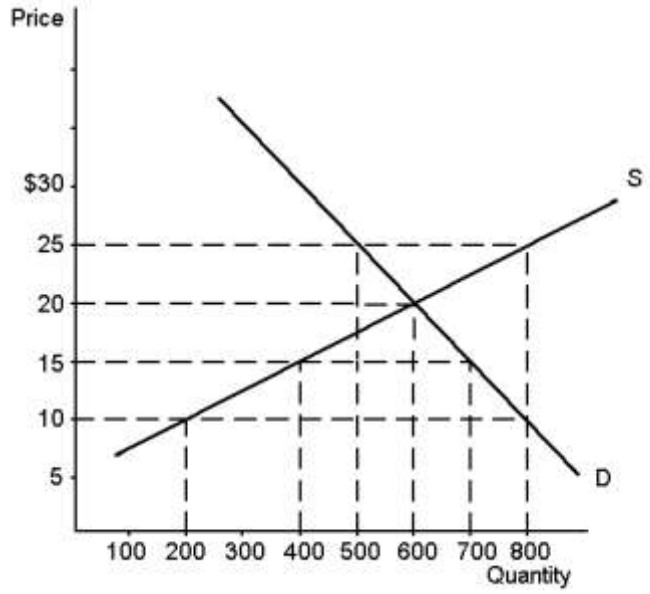
Table 4-2

PRICE	QUANTITY DEMANDED	QUANTITY SUPPLIED
$10	10	100
8	20	80
6	30	60
4	40	40
2	50	20

____ 16. Refer to Table 4-2. In the table shown, if the price were $8,
a. a surplus of 30 units would exist and price would tend to fall.
b. a surplus of 60 units would exist and price would tend to rise.
c. a surplus of 60 units would exist and price would tend to fall.
d. a shortage of 30 units would exist and price would tend to rise.

Name:_____

Graph 4-6



____ 17. Refer to the Graph 4-6. If price is $15, quantity supplied would be
a. 200.
b. 400.
c. 500.
d. 700.

____ 18. Refer to the Graph 4-6. At a price of $20
a. the market would be in equilibrium.
b. 600 units would be bought and sold.
c. there would be no pressure for price to change.
d. All of the above are true.

____ 19. Refer to the Graph 4-6. In this market, equilibrium price and quantity would be
a. $15, 400.
b. $20, 600.
c. $25, 500.
d. $25, 800.

____ 20. When the price is higher than the equilibrium price,
a. a shortage will exist.
b. buyers desire to purchase more than is produced.
c. sellers desire to produce and sell more than buyers wish to purchase.
d. quantity demanded equals quantity supplied.

____ 21. When there is a shortage in a market,
a. there is downward pressure on price.
b. there is upward pressure on price.
c. the market could still be in equilibrium.
d. the price must be above equilibrium.

____

Name:_____

_____22. Suppose that a decrease in the price of X results in less of good Y sold. This would mean that X and Y are
a. complementary goods.
b. substitute goods.
c. unrelated goods.
d. normal goods.

____ 23. Which of the following is a determinant of demand?
a. the price of a substitute good
b. the price of a complement good
c. the price of the good next month
d. all of the above

____ 24. When we move up or down a given demand curve,
a. only price is held constant.
b. all nonprice determinants of demand are assumed to be constant.
c. income and the price of the good are held constant.
d. all determinants of quantity demanded are held constant.

____ 25. Which of the following would NOT shift the demand curve for a good or service?
a. a change in income
b. a change in the price of a related good
c. a change in expectations about the price of the good or service
d. a change in the price of the good or service

____ 26. The downward-sloping demand curve reflects which of the following?
a. The price is positively related to quantity supplied.
b. There is an inverse relationship between price and quantity demanded.
c. There is a direct relationship between price and quantity demanded.
d. When the price falls, buyers willingly buy less.

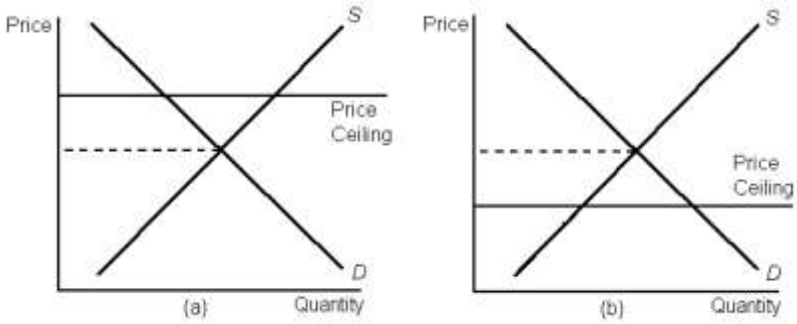
____ 27. Holding the nonprice determinants of supply constant, a change in price would
a. result in a change in supply.
b. result in a movement along a stable supply curve.
c. result in a shift of demand.
d. have no effect on the quantity supplied.

____ 28. Wheat is the main input in the production of flour. If the price of wheat increases, all else equal, we would expect
a. the supply of flour to be unaffected.
b. the supply of flour to decrease.
c. the supply of flour to increase.
d. the demand for flour to decrease.

____ 29. Suppose that the number of buyers in a market increases and a technological advancement occurs also. What would we expect to happen in the market?
a. The equilibrium price would increase, but the impact on the amount sold in the market would be indeterminate.
b. The equilibrium price would decrease, but the impact on the amount sold in the market would be indeterminate.
c. Both equilibrium price and equilibrium quantity would increase.
d. Equilibrium quantity would increase, but the impact on equilibrium price would be indeterminate.

Name:_____

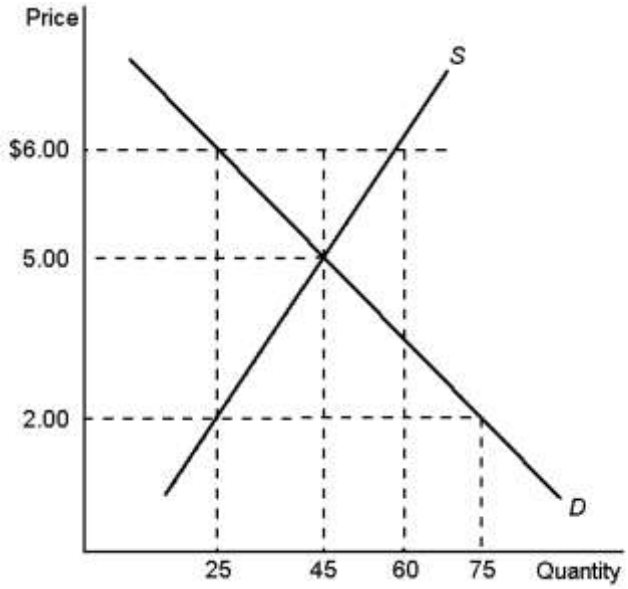
Graph 6-1



____ 30. In Graph 6-1, a binding price ceiling is shown in
a. panel (a).
b. panel (b).
c. both panel (a) and panel (b).
d. neither panel (a) nor panel (b).

____ 31. In which panel(s) in Graph 6-1 would there be a shortage for CDs at the market price?
a. panel (a)
b. panel (b)
c. panel (a) and panel (b)
d. neither panel (a) nor panel (b)

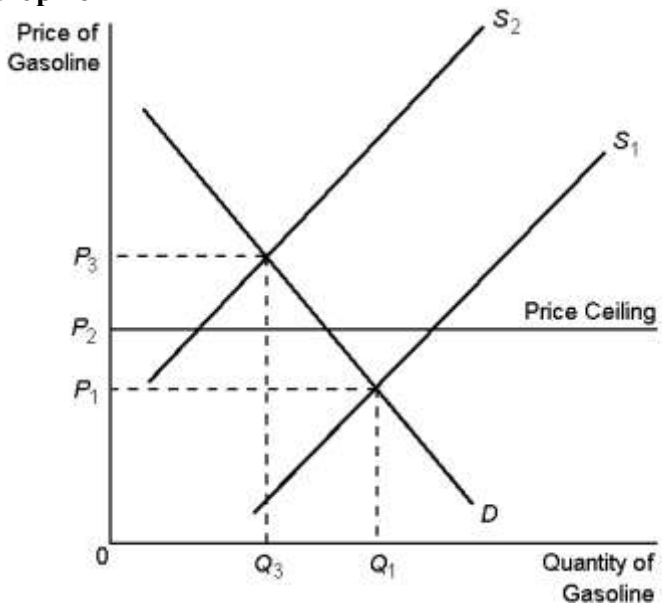
Graph 6-3



____ 32. According to Graph 6-3, a binding price floor would exist at a price of
a. $6.00.
b. $5.00.
c. $2.00.
d. none of the above.

Name:_____

Graph 6-4



____ 33. According to Graph 6-4, when the supply curve for gasoline shifts from S_1 to S_2
a. the price will increase to P_3.
b. a surplus will occur at the new market price of P_2.
c. the market price will stay at P_1 due to the price ceiling.
d. a shortage will occur at the price ceiling of P_2.

Name:_____

Short Answer

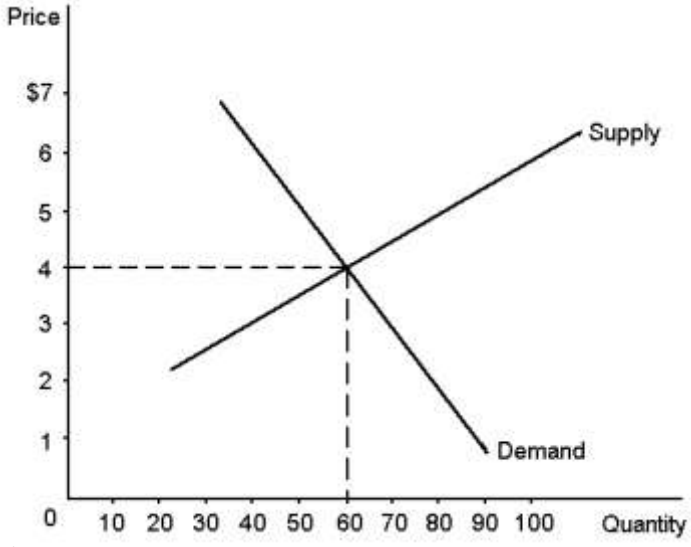
34. Use the following graph to answer parts A-D.

A. What is true about the market of this good at the price of $4?

B. Draw and label a price ceiling? Describe the market effects of this ceiling?

C. Suppose this demand and supply graph represents the market for cream. Draw a new graph below to show the effects on the cream market if there was damage to the Brazilian coffee crop.

D. Draw a new graph to show and analyze the impact of your events in the markets for "coffee houses," such as Starbucks.



35. Fill in the accompanying table, showing whether equilibrium price and equilibrium quantity go up, down or stay the same, or is indeterminate.

	No Change in Supply	An Increase in Supply	A Decrease in Supply
No Change in Demand			
An Increase in Demand			
A Decrease in Demand			

Name:_____

Demand, Supply, Equilibrium
Answer Section

MULTIPLE CHOICE

1. D
2. A
3. A
4. C
5. A
6. B
7. C
8. A
9. A
10. C
11. B
12. C
13. A
14. C
15. B
16. C
17. B
18. D
19. B
20. C
21. B
22. B
23. D
24. B
25. D
26. B
27. B
28. B
29. D
30. B
31. B
32. A
33. D

SHORT ANSWER

Name:_____

	No Change in Supply	An Increase in Supply	A Decrease in Supply
No Change in Demand	P same Q same	P down Q up	P up Q down
An Increase in Demand	P up Q up	P ambiguous Q up	P up Q ambiguous
A Decrease in Demand	P down Q down	P down Q ambiguous	P ambiguous Q Down