Mods 5-6-7 Practice

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

1. If goods A and Z are complements, an increase in the price of good Z will:
   A. increase the demand for good A.
   B. increase the quantity of good Z demanded and decrease the demand for good A.
   C. decrease the demand for good Z.
   D. decrease the demand for good A and decrease the demand for good Z.
   E. decrease the demand for good A.

2. Use the “Demand for Coconuts” Figure 5-1. If fish is a substitute good for coconuts and the price of fish increases, then the movement that would take place in the model could be:
   A. A to C.
   B. B to A.
   C. C to A.
   D. B to E.
   E. A to B.

3. The law of demand is illustrated when:
   A. an increase in tuition encourages more students to enroll in college because the quality of education has risen.
   B. an increase in the purchases of personal computers results from lower prices.
   C. higher oil prices cause oil companies to drill for new sources of oil.
   D. higher incomes cause more people to adopt golf as a sport.
   E. lower soybean prices cause farmers to plant fewer soybeans.

4. If people demand more of product A when the price of B falls, then A and B are:
   A. not related.
   B. substitutes.
   C. complements.
   D. inferior goods.
   E. capital goods.

5. If steak and potatoes are complements, when the price of steak goes up, the demand curve for potatoes:
A. shifts to the right.
B. shifts to the left.
C. stays the same.
D. shifts to the right and then moves back.
E. will get steeper and shift to the right.

6. A negative relationship between the quantity demanded and price is called the law of ________.
   A. demand.
   B. marginality.
   C. efficiency.
   D. supply.
   E. increasing marginal cost.

7. A decrease in the price of a good will result in:
   A. an increase in demand (a rightward shift in the demand curve).
   B. an increase in supply (a rightward shift in the supply curve).
   C. an increase in the quantity demanded along a given demand curve.
   D. An increase in the quantity supplied along a given supply curve.
   E. a decrease in supply (a leftward shift in the supply curve).

8. When the price of a good increases and the quantity demanded decreases, this is often referred to as:
   A. efficiency.
   B. the law of demand.
   C. the supply schedule.
   D. the production possibilities frontier.
   E. the budget constraint.

9. Consider the supply curve for cotton shirts. An increase in the price of cotton will:
   A. increase the supply of cotton shirts.
   B. decrease the supply of cotton shirts.
   C. not shift the supply of cotton shirts.
   D. decrease the demand for cotton shirts.
   E. increase the quantity supplied of cotton shirts.

10. Over the past few years the technology associated with producing flat-panel televisions has improved. This has led to a(n) ________ in ________ flat-panel televisions.
    A. increase; the supply of
    B. increase; the demand for
    C. decrease; the supply of
    D. decrease; the quantity supplied of
    E. decrease; the demand for

11. An increase in supply is caused by:
    A. an increase in input prices.
    B. suppliers' expectations of higher prices in the future.
    C. an increase in the price of the good.
    D. a decrease in prices of goods that are substitutes in production.
    E. a decrease in the number of firms producing the good.

12. Researchers find a new strain of genetically modified seeds results in a higher yield for corn producers. Holding all other things constant, this research will:
    A. shift the supply curve for corn left.
    B. increase the quantity supplied of corn.
C. decrease the quantity supplied of corn.
D. shift the supply curve for corn to the right.
E. shift the demand curve for corn to the right.

<table>
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<th>Price</th>
<th>Quantity Demanded</th>
<th>Quantity Supplied</th>
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</tr>
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<td>10</td>
<td>60</td>
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</tbody>
</table>

Table 6-4: Competitive Market for Good Z

13. Use Table 6-4. If the current price of Good Z is $15, there will be:
A. excess demand of 25 units.
B. excess supply of 25 units.
C. a shortage of 20 units.
D. a surplus of 45 units.
E. no excess demand or excess supply.

14. Use the “Demand and Supply of Gasoline” Figure 7-1. When the supply curve shifted from $S_1$ to $S_2$, the new intersection of supply and demand has a price of _______ and quantity of 400. This could have resulted from _______.
A. $1.50; an increase in consumers' income if gasoline is a normal good
B. $1.50; an increase in refining technology
C. $2.00; an increase in the number of buyers
D. $2.00; an increase in consumers' income
E. $1.50; an increase in the price of crude oil
15. Use the “Demand and Supply of Wheat” Figure 7-2. If there were a decrease in supply of 2,000 bushels at each price, the equilibrium price and quantity would be _______ and _______ units, respectively.
   A. $5; 5,000
   B. $7; 5,000
   C. $6; 4,000
   D. $8; 6,000
   E. $10; 2,000

16. If tortilla chips are a normal good, what happens to equilibrium price and quantity when there is an increase in income?
   A. Equilibrium price decreases and equilibrium quantity increases.
   B. Equilibrium price decreases and equilibrium quantity decreases.
   C. Equilibrium price increases and equilibrium quantity increases.
   D. Equilibrium price increases and equilibrium quantity decreases.
   E. Equilibrium price increases and the equilibrium quantity stays the same.

17. Consider the market for iPods. What happens if a fantastic new alternative MP3 player is developed and, at the same time, a boat carrying a large shipment of iPods is attacked by sea monsters and sunk?
   A. Price decreases and quantity increases.
   B. Price increases and quantity increases.
   C. The change in price is uncertain and quantity decreases.
   D. Price increases and the change in quantity is uncertain.
   E. Price decreases and the change in quantity is uncertain.

18. An ambiguous change in price and a decrease in quantity are most likely caused by:
   A. no shift in supply and a shift to the left in demand.
   B. a shift to the left in supply and a shift to the left in demand.
   C. a shift to the right in supply and a shift to the left in demand.
   D. a shift to the left in supply and a shift to the right in demand.
   E. a shift to the right in supply and a shift to the right in demand.

19. Market demand for a good is initially made up of 50 buyers. Suppose there is a decrease in the number of buyers by 10. Holding everything else constant, one would expect that:
   A. the supply curve shifts left.
B. the quantity supplied will increase.
C. the supply curve shifts right.
D. the quantity supplied will decrease.
E. the price increased.

20. An increase in the price of wheat, an important ingredient in the production of bread, combined with an increase in the number of people consuming bread, will result in which of the following changes in the bread market?
   A. Both the equilibrium price and quantity will increase.
   B. Equilibrium quantity will decrease, but equilibrium price may decrease, increase, or stay the same.
   C. Both the equilibrium price and quantity will decrease.
   D. Equilibrium price will increase, but equilibrium quantity may decrease, increase, or stay the same.
   E. Equilibrium price will increase and quantity will decrease.
MULTIPLE CHOICE

1. ANS: E  PTS: 1  DIF: M  REF: Module 5
   SKL: Critical Thinking
2. ANS: A  PTS: 1  DIF: M  REF: Module 5
   SKL: Critical Thinking
3. ANS: B  PTS: 1  DIF: M  REF: Module 5
   SKL: Critical Thinking
4. ANS: C  PTS: 1  DIF: M  REF: Module 5
   SKL: Critical Thinking
5. ANS: B  PTS: 1  DIF: M  REF: Module 5
   SKL: Critical Thinking
6. ANS: A  PTS: 1  DIF: E  REF: Module 5
   SKL: Definitional
7. ANS: C  PTS: 1  DIF: M  REF: Module 5
   SKL: Concept-Based
8. ANS: B  PTS: 1  DIF: E  REF: Module 5
   SKL: Critical Thinking
9. ANS: B  PTS: 1  DIF: M  REF: Module 6
   SKL: Analytical Thinking
10. ANS: A  PTS: 1  DIF: M  REF: Module 6
    SKL: Critical Thinking
11. ANS: D  PTS: 1  DIF: D  REF: Module 6
    SKL: Concept-Based
12. ANS: D  PTS: 1  DIF: E  REF: Module 6
    SKL: Analytical Thinking
13. ANS: B  PTS: 1  DIF: E  REF: Module 6
    SKL: Analytical Thinking
14. ANS: B  PTS: 1  DIF: M  REF: Module 7
    SKL: Critical Thinking
15. ANS: B  PTS: 1  DIF: D  REF: Module 7
    SKL: Analytical Thinking
16. ANS: C  PTS: 1  DIF: M  REF: Module 7
    SKL: Critical Thinking
17. ANS: C  PTS: 1  DIF: D  REF: Module 7
    SKL: Analytical Thinking
18. ANS: B  PTS: 1  DIF: D  REF: Module 7
    SKL: Analytical Thinking
19. ANS: D  PTS: 1  DIF: D  REF: Module 7
    SKL: Analytical Thinking
20. ANS: D  PTS: 1  DIF: D  REF: Module 7
    SKL: Critical Thinking