Sample Exam Questions/Chapter 3

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) decrease the demand for good A.
   C) decrease the demand for good Z.
   D) decrease the demand for both good A and good Z.

2. 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.

3. You notice that the price of DVD players falls and the quantity of DVD players sold increases. Which of the following may cause this change?
   A) Demand for DVD players shifts to the right.
   B) Demand for DVD players shifts to the left.
   C) Supply of DVD players shifts to the right.
   D) Supply of DVD players shifts to the left.

4. An increase in the price and an ambiguous change in quantity is most likely caused by:
   A) a shift to the left in demand and no shift in supply.
   B) a shift to the left in supply and no shift 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.

5. If the supply and demand curves intersect at a price of $14, then any price below that would result in:
   A) a shortage.
   B) a surplus.
   C) equilibrium.
   D) an increase in demand.
6. (Figure: Demand for Coconuts) Look at the figure Demand for Coconuts. If coconuts are a normal good and the income level of consumers falls, it will be represented in the figure as a movement from:
A) $A$ to $C$.
B) $B$ to $A$.
C) $C$ to $A$.
D) $E$ to $B$.

7. When milk prices increased in 2008, one milk consumer stated that the reason he cut down on milk consumption is so that he could drive his car. This action represents a:
A) movement along the demand curve for milk.
B) movement along the supply curve for milk.
C) shift of the demand curve for milk.
D) shift of the supply curve for milk.
Use the following to answer question 8:

### Table: The Demand for Chocolate-Covered Peanuts

<table>
<thead>
<tr>
<th>Price per Bag</th>
<th>George</th>
<th>Barbara</th>
<th>Dan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.90</td>
<td>10</td>
<td>0</td>
<td>60</td>
</tr>
<tr>
<td>0.80</td>
<td>15</td>
<td>10</td>
<td>80</td>
</tr>
<tr>
<td>0.70</td>
<td>20</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>0.60</td>
<td>25</td>
<td>30</td>
<td>120</td>
</tr>
<tr>
<td>0.50</td>
<td>30</td>
<td>40</td>
<td>140</td>
</tr>
<tr>
<td>0.40</td>
<td>35</td>
<td>50</td>
<td>160</td>
</tr>
<tr>
<td>0.30</td>
<td>40</td>
<td>60</td>
<td>180</td>
</tr>
</tbody>
</table>

8. (Table: The Demand for Chocolate-Covered Peanuts) Look at the table The Demand for Chocolate-Covered Peanuts. If George, Barbara, and Dan are the only three buyers in the market and the price of a bag of chocolate-covered peanuts is $0.80, the total market demand is _______ bags per month.

A) 70  
B) 80  
C) 105 
D) 280
9. (Figure: Shifts in Demand and Supply II) Look at the figure Shifts in Demand and Supply II. The figure shows how supply and demand might shift in response to specific events. Suppose the technology for producing ethanol fuel improves. Which panel best describes how this will affect the market for ethanol?

A) panel A
B) panel B
C) panel C
D) panel D
Use the following to answer question 10:

**Figure: Four Markets for DVDs**

10. (Figure: Four Markets for DVDs) Look at the figure Four Markets for DVDs. If $D_1$ or $S_1$ is the original curve and $D_2$ or $S_2$ is the new curve, which of the graphs shows what may happen in the market for DVDs if the cost of producing DVD players increases?  
A) A  
B) B  
C) C  
D) D
11. (Figure: The Demand and Supply of Wheat) Look at the figure The Demand and Supply of Wheat. If there were a decrease in supply of 2,000 bushels at each price, the equilibrium price and quantity would be _______ and _______ bushels, respectively.
   A) $5; 5,000
   B) $7; 5,000
   C) $6; 4,000
   D) $8; 6,000

12. What is the difference between a shortage and scarcity?
   A) Scarcity will almost always exist, but a shortage will exist only if the price is kept below the equilibrium level.
   B) Scarcity is a result of two or more alternative uses, and quantities of supply and demand adjusting to flexible prices will create shortages.
   C) A shortage will exist when a good is scarce.
   D) There is no distinction between the two. They are the same thing.
13. Rice and potatoes are substitutes. If the price of rice rises and there is a bumper crop of potatoes, in the market for potatoes one would expect the:
   A) equilibrium price to rise, fall, or stay the same and equilibrium quantity to rise.
   B) equilibrium price to rise and the equilibrium quantity to fall.
   C) equilibrium price and quantity both to fall.
   D) equilibrium price to rise and the equilibrium quantity to fall, rise, or stay the same.

14. Which of the following statements is correct?
   A) A change in demand is a movement along the demand curve, and a change in quantity demanded is a shift of the demand curve.
   B) Both a change in quantity demanded and a change in demand are movements along the demand curve, only in different directions.
   C) Both a change in quantity demanded and a change in demand are shifts of the demand curve, only in different directions.
   D) A change in quantity demanded is a movement along the demand curve, and a change in demand is a shift of the demand curve.

15. A decrease in supply is caused by:
   A) a decrease in input prices.
   B) an increase in the number of sellers in the market.
   C) suppliers' expectations of higher prices in the future.
   D) an advancement in the technology for producing the good.

16. A negative relationship between the quantity demanded and price is called the law of
   A) demand
   B) marginality
   C) efficiency
   D) supply

17. The ______ tomatoes will decrease if fertilizer prices rise.
   A) demand for
   B) quantity demanded of
   C) supply of
   D) equilibrium price of

18. 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) increase the quantity supplied of cotton shirts.
   D) decrease the demand for cotton shirts.
19. Consider the market for corn. What happens if there is an increased demand for corn tortillas and at the same time a new corn seed becomes available that dramatically increases the per-acre yield?
   A) Price and quantity decrease.
   B) The change in price is indeterminate; quantity decreases.
   C) The change in price is indeterminate; quantity increases.
   D) Price increases; the change in quantity is indeterminate.

20. If the supply and demand curves intersect at a price of $47, then any price above that would result in:
   A) a shortage.
   B) a surplus.
   C) equilibrium.
   D) an increase in demand.

Use the following to answer question 21:

**Figure: Demand for DVDs**

A)

B)

C)

D)
21. (Figure: Demand for DVDs) Look at the figure Demand for DVDs. A decrease in the price of movie tickets (a substitute) would result in a change illustrated by:
A) the move from f to g in panel A.
B) the move from h to i in panel B.
C) the move from j to k in panel C.
D) the move from l to m in panel D.

Use the following to answer question 22:

**Figure: Shifts in Demand and Supply**

22. (Figure: Shifts in Demand and Supply) Look at the figure Shifts in Demand and Supply. The figure shows how supply and demand might shift in response to specific events. Suppose the population increases. Which panel best describes how this will affect the market for apples?
A) panel A
B) panel B
C) panel C
D) panel D
Answer Key

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