Chapter 03 Testbank

1. In Cuba, a bureaucratic committee makes the production decisions for the country's firms and factories. Therefore Cuba is an example of a

   A. centralized economy.
   B. capitalist economy.
   C. mixed economy.
   D. pure free-market economy.

2. The entire group of buyers and sellers of a particular good or service makes up

   A. only the demand curve.
   B. only the supply curve.
   C. a market.
   D. equilibrium.

3. In order to understand how the price of a good is determined in the free market, one must account for the desires of:

   A. purchasers exclusively.
   B. sellers exclusively.
   C. governmental agencies exclusively.
   D. purchasers and sellers.

4. Buyers and sellers of a particular good comprise the

   A. market for the good.
   B. demand for the good.
   C. supply for the good.
   D. production possibilities curve for the good.

5. In a market, the demanders are the _____ and the suppliers are the _____.

   A. bosses; workers
   B. poor; wealthy
   C. buyers; sellers
   D. sellers; buyers

6. "Holding all other relevant factors constant, consumers will purchase more of a good as the price falls." This statement reflects the behavior underlying

   A. the demand curve.
   B. an increase in demand.
   C. the supply curve.
   D. a decrease in the demand curve.

7. The demand curve illustrates the fact that consumers

   A. tend to purchase more of a good as its price rises.
   B. purchase name brand products more frequently than generic products.
   C. tend to purchase more of a good as its price falls.
   D. purchase more of a good as their incomes rise.

8. Which of the following is NOT true of a demand curve?

   A. It has negative slope.
   B. It shows the amount consumers are willing and able to purchase at various prices, holding other factors constant.
   C. It relates the price of an item to the quantity demanded of that item.
   D. It shows how an increase in price leads to an increase in quantity demanded of a good.

9. A demand curve is _____ sloping because _____.

   A. downward; of increasing opportunity costs.
   B. upward; people prefer to purchase high quality consumer goods.
   C. downward; reservation prices tend to fall over time.
   D. downward; fewer people are willing to buy the item at higher prices.

10. As coffee becomes more expensive, Jamal starts drinking tea, therefore quantity demanded for coffee decreases. This is called

    A. the income effect.
    B. the change in equilibrium.
    C. the substitution effect.
    D. a shift in the demand curve.

11. You can spend $5 for a snack and you would like to have two servings of black cherries. When you get to the grocery store, you find out the price for black cherries has increased from $2.50 to $2.99 per serving. You decide to have one serving of black cherries for snack. This is best described as a(n)

    A. substitution effect.
    B. income effect.
    C. buyer's reservation price.
    D. seller's reservation price.

12. The quantity of nail polish demanded by Jihane decreased after the price of nail polish increased. Jihane decides to find a cheaper brand of nail polish. This is called a(n)

    A. substitution effect of a price change.
    B. income effect of a price change.
    C. decrease in buyer's reservation price.
    D. increase in buyer's reservation price.

13. The buyer's reservation price of a particular good or service is the

    A. minimum amount one would be willing to pay for it.
    B. same as the market price.
    C. maximum amount one would be willing to pay for it.
    D. price one must pay to ensure one gets it.

14. Sarah purchases a leather purse for $400. One can infer that

    A. she paid too much.
    B. her reservation price was at least $400.
    C. her reservation price was exactly $400.
    D. her reservation price was less than $400.

15. Samia saw a pair of jeans that she was willing to buy for $35. The price tag, though, said they were $29.99. Therefore,

    A. Samia should not buy the jeans because they will be of lower quality than she expected.
    B. Samia should not buy the jeans because the price is not equal to her reservation price.
    C. Samia should buy the jeans because the price is less than her reservation price.
    D. Samia should buy the jeans because the price is more than her reservation price.

16. Sellers tend to offer _____ for sale as price increases, and so the supply curve is _____ sloping.

    A. goods; not
    B. more; downward
    C. less; upward
    D. more; upward

17. The supply curve illustrates that firms

A. increase the supply of a good when its price rises.
B. increase the quantity supplied of a good when its price rises.
C. decrease the quantity supplied of a good when input prices fall.
D. decrease the quantity supplied to earn higher profits.

18. As the price of a good rises,

A. firms earn larger profits.
B. more firms can cover their opportunity costs of producing the good.
C. firms find they can raise price by even more.
D. government regulation becomes more justified.

19. Supply curves are generally _____ sloping because _____.

A. downward; more consumers will buy the good if the price falls.
B. upward; of the principle of increasing opportunity costs.
C. downward; it is less expensive to mass produce goods.
D. upward; of inflation.

20. Last summer real estate prices in your town soared. You started noticing more For Sale signs in your neighbors' yards. You conclude that

    A. people don't like to live in your neighborhood anymore.
    B. when housing prices rose, they started to exceed some of your neighbors' reservation prices.
    C. the demand curve for housing in your town has shifted to the left while supply remained constant.
    D. the supply curve for housing in your town has shifted to the right while demand has remained constant.

21. Yasmina's marginal cost for producing a pitcher of lemonade is $0.25. Therefore, $0.25 can also be called her

    A. marginal revenue.
    B. equilibrium price.
    C. reservation price.
    D. producers surplus.

22. A market comprised of a downward sloping demand curve that intersects an upward sloping supply curve is said to be stable because

    A. price will never change.
    B. quantity will never change.
    C. demand will never change.
    D. at any price other than equilibrium, forces in the market move price towards the equilibrium.

23. Which of the following is NOT a characteristic of a market in equilibrium?

A. Excess supply is zero.

B. All consumers are able to purchase as much as they wish.

C. Excess demand is zero.

D. The equilibrium price is stable, i.e., there is no pressure for it to change.

24. A market in disequilibrium would feature

A. a stable price.

B. consumers able to purchase all they wish at the market price.

C. a stable quantity.

D. either excess supply or excess demand.

25. The equilibrium price and quantity of any good or service is established by

A. only demanders.

B. only suppliers.

C. government regulations.

D. both demanders and suppliers.

26. A shortage occurs when

A. demand is greater than supply.

B. the equilibrium price is too high.

C. quantity demanded exceeds quantity supplied.

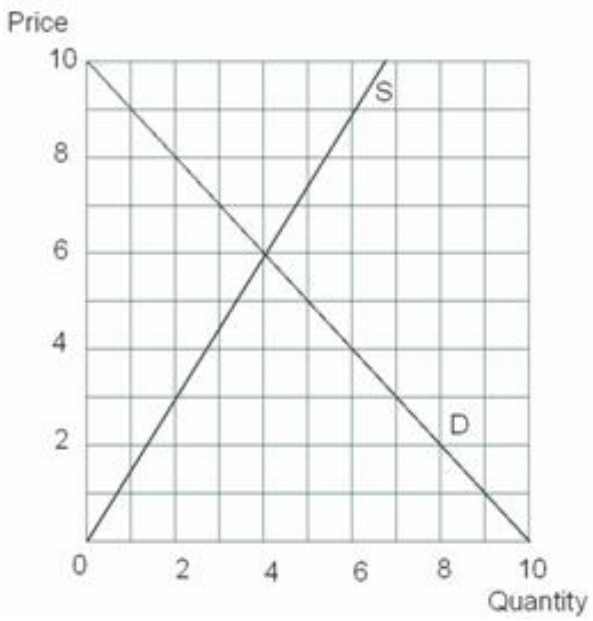
D. quantity supplied exceeds quantity demanded

27. Whenever the quantity demanded is not equal to the quantity supplied, the quantity that is actually sold in the market is

A. the quantity demanded.
B. the quantity supplied.
C. the smaller of the quantity demanded and the quantity supplied.
D. the greater of the quantity demanded and the quantity supplied.

28. If the market for Sport Utility Vehicles has excess supply, then one can say that

A. supply is greater than demand.
B. quantity supplied is greater than quantity demanded.
C. demand is greater than supply.
D. quantity demanded is greater than quantity supplied.



29. Refer to the figure above. The equilibrium price and quantity for this market is

A. $8, 6.

B. $6, 4.

C. $4, 6.

D. $2, 8.

30. Refer to the figure above. At a price of $9, the market will experience _____ in the amount of _____ units.

A. excess demand, 5 units

B. excess supply, 6 units

C. equilibrium, 4 units

D. excess supply, 5 units

31. Refer to the figure above. At a price of $3, the market will experience _____ in the amount of _____ units.

A. excess demand; 5 units
B. excess supply; 7 units
C. equilibrium; 4 units
D. excess supply; 3 units

32. Refer to the figure above. You notice that your grocery store always has day-old bakery products at a reduced price. Why might that be?

A. At the original price the quantity demanded was greater than the quantity supplied.
B. At the original price, there was a shortage of bakery products.
C. The original price was an equilibrium price because it was established in a free market.
D. At the original price, quantity supplied was greater than quantity demanded.

33. When the price of a good is below its equilibrium value,

A. consumers will bid the price up.
B. excess supply will occur.
C. it will tend to stay below the equilibrium value.
D. suppliers will notice their inventories are growing.

34. In a free market, if the price of a good is below the equilibrium price, then

A. government needs to set a higher price.
B. suppliers, dissatisfied with growing inventories, will raise the price.
C. demanders, to acquire the good, will bid the price higher.
D. suppliers, dissatisfied with growing inventories, will lower the price.

35. In a free market, if the price of a good is above the equilibrium price, then

A. suppliers, dissatisfied with growing inventories, will raise the price.
B. demanders, wanting to ensure they acquire the good, will bid the price lower.
C. government needs to set a lower price.
D. suppliers, dissatisfied with growing inventories, will lower the price.

36. Which of following is **not** true of an equilibrium price?

A. Consumers who are willing to pay the equilibrium price can acquire the good.
B. It measures the value of the last unit sold to consumers.
C. It is always a fair and just price.
D. Firms who are willing to accept the equilibrium price can sell what they produce.

37. When a market is not in equilibrium

A. government intervention is required to achieve equilibrium.
B. firms will increase contributions to political action committees.
C. the economic motives of sellers and buyers will move the market to its equilibrium.
D. it will simply stay in a state of disequilibrium.

38. If price is above the equilibrium value, then

A. producers will hope that buyers want more in the future.
B. buyers are unhappy because they are unable to find the good for sale.
C. producers find their inventories growing and will start to cut price.
D. government must enforce a price control.

39. Suppose you bought a concert ticket from Ticketmaster for $50, but when you got to the concert scalpers were selling tickets in the same seating area as yours for $25. What is probably true?

A. There is excess demand for this concert at the Ticketmaster price.
B. The ticket you bought was under-priced for the market.
C. There is an excess supply of tickets for this concert at the Ticketmaster price.
D. The Ticketmaster price is an equilibrium price.

40. You have noticed that there is a persistent shortage of teachers in an inner-city school district in your city. Based on this observation, you suspect that

A. The wage for teachers at those schools is higher than at other schools in the city.
B. The wage for teachers at those schools is lower than the equilibrium wage.
C. There is an excess supply of teachers.
D. The reservation price among teachers is lower than for other professions.

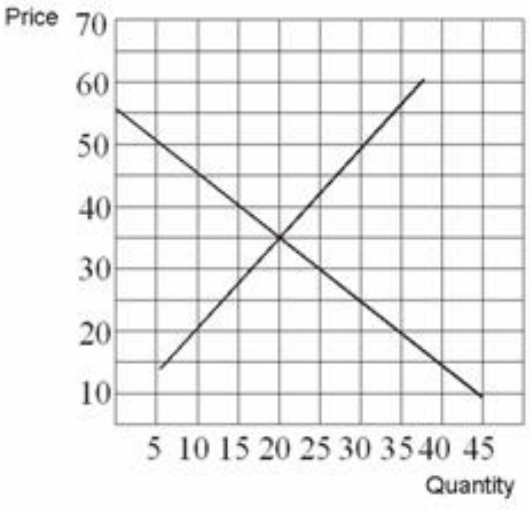
41. Suppose you notice that more and more people are driving gas-guzzling cars. Since you drive an economy car, their increased demand for gas:

A. does not affect you.

B. causes companies to charge a lower price, thus benefiting you.

C. causes the price you pay for gas to increase.

D. does not change the price you pay, but reduces the quantity of gas supplied.



42. Refer to the figure above. When this market is in equilibrium,

A. price is $30, and the quantity that will be sold is 15.

B. price is $25, and the quantity that will be sold is 20.

C. price is $25, and the quantity that will be sold is 5.

D. price is $35, and the quantity that will be sold is 20.

43. Refer to the figure above. At a price of $20,

A. the market would be in equilibrium.
B. there would be excess supply of approximately 25 units.
C. there would be excess demand of approximately 25 units.
D. there would be excess demand, but it is impossible to know by how much.

44. Refer to the figure above. Suppose all the sellers in this market started out charging a price of $45 per unit. What is the most likely result?

A. They would all make a large profit because $45 is more than the equilibrium price.
B. They would all just break even because $45 is their reservation price.
C. They would be forced to lower their prices because at $45 there would be excess supply.
D. They would be forced to lower their prices because at $45 there would be excess demand.

45. Refer to the figure above. Now suppose that the government imposes a price ceiling of $40. What is the most likely result?

A. Many sellers would go out of business because $40 is above the equilibrium.
B. There would be no change in the price.
C. The market would reach a new equilibrium at a price of $40.
D. An underground, or black, market would emerge where this product would be sold at a price above $40.

46. Which of the following is **not** a characteristic of governmental rent controls?

A. Equitable distribution of apartments.
B. Excess demand for apartments.
C. Fewer newly built apartment buildings.
D. Very low vacancy rates.

47. Minimum wage laws are an example of

A. mandated equilibrium wages.
B. a price ceiling.
C. a regulated price.
D. comparative advantage for unskilled workers.

48. Suppose one knows two facts: first, the market for prescription drugs experiences chronic shortages and second, government sets the price for prescription drugs. One can conclude that the

A. government has set the price too high.
B. government has set the price above the equilibrium price.
C. buyers are hoarding prescription drugs.
D. government has set the price below the equilibrium price.

49. A regulated maximum price that is above the equilibrium price

A. will lead to black markets.
B. will have no effect on the market.
C. will lead to excess supply in the market.
D. will lead to excess demand in the market.

50. In a market where government has set the price below the equilibrium price, one might expect

A. quantity demanded to equal quantity supplied.
B. excess supply.
C. a black market to develop as individuals try to take advantage of unexploited opportunities.
D. quantity supplied to surpass quantity demanded.

51. According to the text, government price controls fail because

A. they are not enforced.
B. legislation can not repeal basic economic motives.
C. bureaucrats lack accurate market data.
D. firms ignore the restrictions.

52. A movement along a demand curve from one price-quantity combination to another is called

A. a change in quantity demanded.
B. a shift in the demand curve.
C. a change in demand.
D. a change in quantity supplied.

53. "As the price of personal computers continues to fall, demand increases." This headline is inaccurate because

A. a change in the price of personal computers shifts the demand curve.
B. a change in the price of personal computers shifts the supply curve.
C. the statement is backwards: increased demand leads to lower prices.
D. falling prices for personal computers increases quantity demanded, not demand.

54. An increase in the quantity demanded of tea occurs whenever

A. the population of tea drinkers grows.
B. the price of coffee rises.
C. tea drinkers receive an increase in their incomes.
D. the price of the tea falls.

55. If the demand for a good decreases as income decreases, it is a(n)

A. complementary good.
B. normal good.
C. inferior good.
D. substitute good.

56. In the market for coffee, for some consumers

A. tea is a substitute.
B. non-dairy creamer is a substitute.
C. cola beverages are complements.
D. coffee mugs are substitutes.

57. In the market for office workers

A. there are no substitutes because each human is unique.

B. computers and desks are complements.

C. an increase in wages will increase the number of workers demanded.

D. a decrease in wages will shift the demand for workers to the left.

58. What might cause a demand function to shift to the **right**?

A. An increase in the price of a substitute.

B. An increase in the product's own price.

C. An increase in the price of a complement.

D. A decrease in the price of a substitute.

59. If the demand for spinach increases as income increases, this means that spinach is a(n)

A. complementary good.

B. normal good.

C. inferior good.

D. substitute good.

60. If the price of computers increases and the demand for monitors decreases, then

A. computers and monitors are complements.

B. computers are a normal good and monitors are inferior.

C. computers and monitors are substitutes.

D. computers are an inferior good and monitors are normal.

61. Whether or not a good can be classified as a complement depends on whether

A. most people tend to consume the goods together.
B. no substitutes exist.
C. an increase in demand for one good follows a decrease in the price of the other.
D. an increase in demand for one good follows an increase in the price of the other.

62. If pizzas are a normal good, then a decrease in the price of pizza will cause a(n)

A. increase in demand.
B. increase in quantity demanded.
C. decrease in quantity demanded.
D. decrease in the number of consumers.

63. If the demand for Personal Computers (PC) shifts to the right (up) as consumers' incomes rise, PC's are

A. inferior goods.
B. complement goods.
C. normal goods.
D. substitute goods.

64. As consumers' incomes increase, the demand for ice cream decreases. Ice cream is called a(n)

A. normal good.
B. complement good.
C. substitute good.
D. inferior good.

65. As consumers' incomes decrease, the demand curve for cheese sandwiches shifts to the right. Therefore cheese sandwiches are a(n)

A. normal good.
B. complement good.
C. substitute good.
D. inferior good.

66. Suppose the price of gasoline increases and that sport utility vehicles get poor gas mileage compared to other available cars. One would expect

A. the demand for gasoline to decrease.
B. the demand for sport utility vehicles to decrease.
C. the demand for sport utility vehicles to increase.
D. the quantity of sport utility vehicles demanded to decrease.

67. Suppose one could rent a car or take the train to go to Alexandria from Cairo. If the price of train tickets increases

A. the demand for train tickets will increase.
B. the demand for rental cars will increase.
C. the demand for train tickets will decrease.
D. the demand for rental cars will decrease.

68. Suppose the price of doughnuts decreases and doughnut holes are a by-product of producing doughnuts. One would expect

A. the supply of doughnuts to decrease.
B. the quantity supplied of doughnuts to decrease.
C. the supply of doughnut-holes to increase.
D. the quantity supplied of doughnut-holes to increase.

69. For two goods, X and Y, to be classified as substitutes, it must be the case that

A. X and Y are identical.
B. consumers tend to purchase both items.
C. when the price of X rises, the demand for Y decreases.
D. when the price of X rises, the demand for Y increases.

70. At the beginning of the fall semester, college towns experience large increases in their populations, causing a(n)

A. increase in the quantity of apartments demanded.
B. increase in the supply of apartments.
C. increase in the demand for apartments.
D. decrease in the quantity of apartments supplied.

71. Suppose one observes that when the price of butter increases, the demand for jam increases. One must conclude that

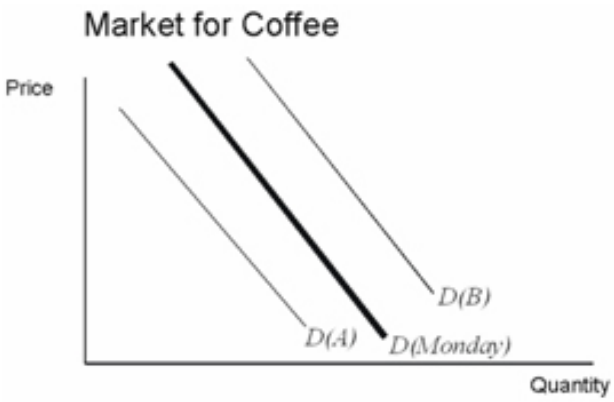
A. butter and jam are complements.

B. butter and jam are substitutes.

C. butter and jam are normal goods.

D. butter and jam are inferior goods.

Demand for coffee last Monday is shown in bold [labeled D(Monday)].



72. On Tuesday the news featured a story that a storm wiped out the entire coffee crop in Brazil. On Wednesday,

A. the demand function remained at D(Monday), but the quantity demanded increased.

B. demand shifted to D(A) in anticipation of future price increases.

C. demand shifted to D(B) in anticipation of future price increases.

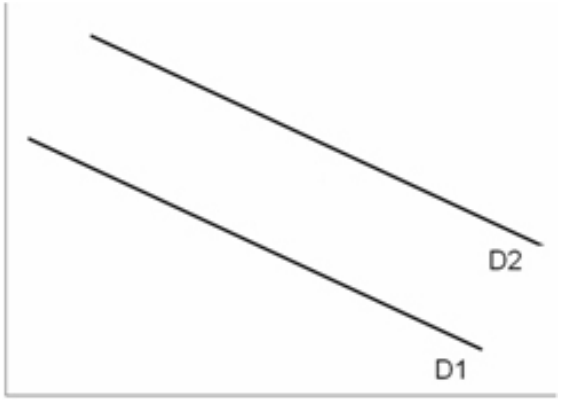
D. there would be no change in either the demand function or the quantity demanded because not enough time had passed for the storm's effects to be felt.

73. Assuming consumers eat either rice or pasta for dinner every night. If the price of rice increases, in the pasta market one would expect to see

A. increase in the quantity of pasta demanded.
B. increase in the demand for pasta.
C. decrease in the quantity of pasta demanded.
D. decrease in the demand for pasta.

74. Two recent studies conclude that increased fiber in the diet reduces the risk of developing colon cancer. The likely result will be that the

A. quantity demanded of high-fiber foods will fall.
B. demand for high-fiber foods will increase.
C. supply of high-fiber foods will increase.
D. price of high-fiber foods will rise.



75. Refer to the figure above. Moving from demand curve D1 to demand curve D2 illustrates a(n)

A. increase in quantity demanded.
B. increase in demand.
C. decrease in demand.
D. decrease in quantity demanded.

76. Refer to the figure above. Assume that these are demand curves for a normal good. Moving from demand curve D2 to demand curve D1 could be caused by a(n)

A. increase in consumers' incomes.
B. increase in quantity supplied.
C. increase in the price of a close substitute.
D. increase in the price of a complement.

77. Refer to the figure above. Assume that these are demand curves for a normal good. Moving from demand curve D1 to demand curve D2 could be caused by a(n)

A. decrease in consumers' incomes.
B. increase in quantity supplied.
C. increase in the price of a close substitute.
D. increase in the price of a complement.

78. A decrease in the demand for bananas with no concurrent change in the supply of bananas will result in a _____ equilibrium price and a(n) _____ equilibrium quantity.

A. higher; lower
B. lower; lower
C. higher; unchanged
D. higher; higher

79. As the price of cookies increases, firms that produce cookies will

A. increase the supply of cookies.
B. increase the quantity supplied of cookies.
C. decrease the supply of cookies.
D. decrease the quantity supplied of cookies.

80. Which of the following would cause an increase in quantity supplied of wheat?

A. The price farmers receive for their wheat rises.
B. The price of fertilizer farmers' use in their fields decreases.
C. The price firms pay for liability insurance falls.
D. New, better technology for farming are introduced.

81. As the price of flour (an input into the cookie production process) increases, firms that produce cookies will

A. increase the supply of cookies.
B. increase the quantity of cookies supplied.
C. decrease the supply of cookies.
D. decrease the quantity of cookies supplied.

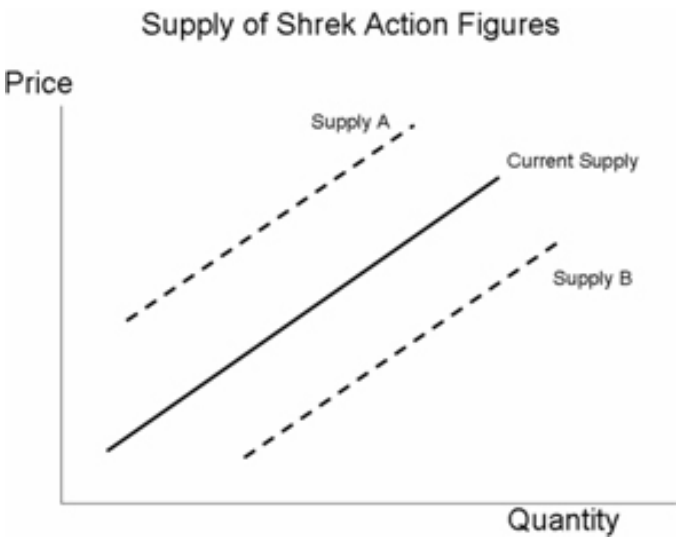
82. The technology used to manufacture Personal Computers (PCs) has improved. The likely result would be

A. an increase in supply of PCs.
B. an increase in quantity supplied of PCs.
C. a decrease in supply of PCs.
D. a decrease in quantity supplied of PCs.

83. What might cause a supply function to shift to the **left today**?

A. An increase in the product's own price.
B. An expectation that the product's price will fall in the future.
C. An expectation that the product's price will rise in the future.
D. A decrease in the price of one of the inputs to making the product.

The supply of Shrek action figures is shown below. The bold, solid line is the current supply.



84. Retailers learn that a new Shrek movie will be released next month. That news is likely to cause

A. no immediate change in supply, but a decrease in the quantity supplied.

B. no immediate change in supply, since the only effect will involve demand.

C. an immediate shift in the supply function to Supply B in anticipation of increased prices.

D. an immediate shift in the supply function to Supply A in anticipation of increased prices.

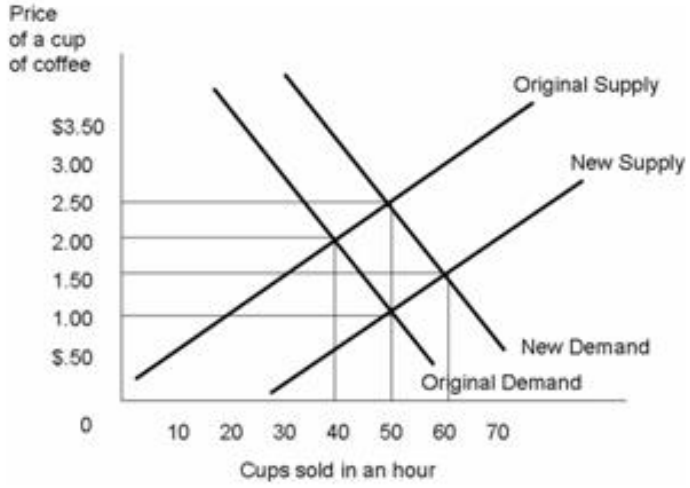
85. If the price of the plastic used to make action figures rises, supply will

A. shift from Current Supply to Supply B.

B. not change because a change in raw material prices cannot affect market prices.

C. shift from Current Supply to Supply A.

D. remain at Current Supply because Demand for Shrek figures is so strong.



86. Refer to the figure above. In the original market equilibrium

A. 50 cups of coffee are sold for $1.00 each.

B. 50 cups of coffee are sold for $2.50 each.

C. 40 cups of coffee are sold for $2.00 each.

D. 60 cups of coffee are sold for $1.50 each.

87. Refer to the figure above. What might cause Demand to shift from the Original Demand to the New Demand?

A. An expectation that coffee prices will fall in the future.

B. An increase in the price of coffee creamer.

C. An decrease in the price of tea.

D. An increase in incomes.

88. Refer to the figure above. What might cause Supply to shift from the Original Supply to the New Supply?

A. A storm in South America wipes out the entire coffee crop.
B. New technology reduces the amount of coffee beans necessary to make a good-tasting pot of coffee.
C. A news report that coffee consumption greatly increases productivity.
D. An increase in the price of tea.

89. Refer to the figure above. In this market, if everyone's reservation price for a cup of coffee increased by $1.00

A. the equilibrium price would increase by $1.00.
B. the equilibrium price would increase by less than $1.00.
C. the equilibrium price would increase by more than $1.00.
D. the equilibrium price would not change.

90. Refer to the figure above. Suppose coffee producers convinced the government to impose a price control requiring that coffee prices must be at least $2.50 at a time when the original (bold) demand function and supply function were applicable. The most likely result would be

A. a short term excess demand for coffee, followed by an increase in price.
B. excess demand for coffee that would not correct itself because price is set by law.
C. excess supply of coffee that would not correct itself because price is set by law.
D. new equilibrium at a price of $2.50 and a quantity of 50 cups.

91. Improvement in production technology causes an increase in

A. the quantity supplied by firms and an increase in market supply.
B. supply by firms and an increase in the market quantity supplied.
C. the quantity supplied by firms and an increase in the market quantity supplied.
D. supply by firms and an increase in market supply.

92. For firms that use crude oil as an input, an increase in the price of crude oil will cause the firm's

A. supply curve to shift left.
B. quantity supplied to increase.
C. supply curve to shift right.
D. quantity supplied to decrease.

93. If an industry experiences an increase in the number of firms, then

A. the new firms will produce more than the original firms.
B. the industry supply curve will shift left.
C. the new firms will produce the same amount as the original firms.
D. the industry supply curve will shift right.

94. Assume that the production technology required to produce goods X and Y are very similar. If a firm that is producing good X notices that the market price of good Y is rising, it will

A. intensify its production of good X.
B. shift into producing good Y.
C. anticipate a price increase for good X.
D. charge a higher price for good X.

95. Which of the following would cause supply to shift to the right?

A. The number of firms in the industry falls.
B. Demand for the good increases.
C. The production technology improves.
D. The price of the good increases.

96. Which of the following would cause supply to shift to the left?

A. Wages rise.
B. Demand for the good falls.
C. The price of the good falls.
D. Expectations about future demand improve.

97. An increase in consumer demand for espresso would lead to a(n) ____, while an increase in the number of firms producing espresso would lead to a(n) _____.

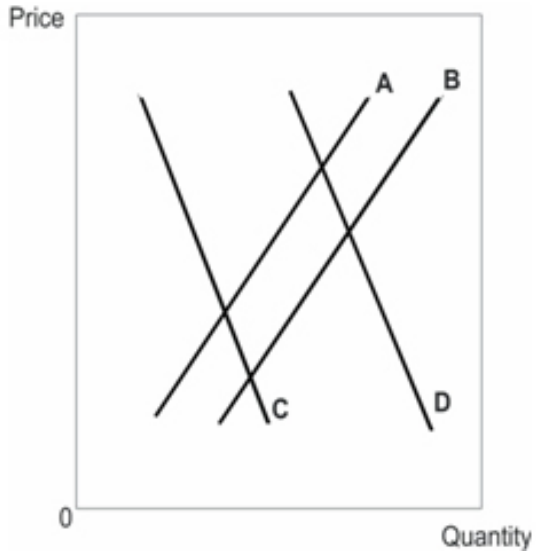
A. increase in quantity supplied; decrease in supply.
B. increase in supply; increase in quantity supplied.
C. increase in quantity supplied; increase in supply.
D. increase in supply; increase in supply.

98. As price increases, firms find that it is

A. beneficial to produce more units of output.
B. more difficult to sell their product.
C. beneficial to produce less units of output.
D. less difficult to sell their product.

99. What is the optimal supply of roadside litter?

A. Zero, because it is costless for each individual to throw away his or her own trash.
B. The quantity of litter that would remain if trash were picked up until the average cost of picking up trash equaled the total benefit.
C. The quantity of litter that would remain if trash were picked up until the marginal cost of picking up trash equaled the marginal benefit.
D. The quantity of litter that would remain if trash were picked up until the total cost of picking up trash equaled the marginal benefit.



100. Refer to the figure above. An increase in demand is represented by shifting from

A. curve A to curve B.
B. curve B to curve A.
C. curve C to curve D.
D. curve D to curve C.

101. Refer to the figure above. A decrease in demand is represented by shifting from

A. curve A to curve B.

B. curve B to curve A.

C. curve C to curve D.

D. curve D to curve C.

102. Refer to the figure above. An increase in supply is represented by shifting from

A. curve A to curve B.

B. curve B to curve A.

C. curve C to curve D.

D. curve C to curve B.

103. Refer to the figure above. A decrease in supply is represented by shifting from

A. curve A to curve B.

B. curve B to curve A.

C. curve C to curve D.

D. curve D to curve C.

104.Relative to column A, it appears that column B represents _____.

Price/Unit	Column A Units/year	Column B Units/year
$20	100	110
$30	85	95
$40	70	80
$50	55	65
$60	40	50

A. an increase in quantity demanded

B. an increase in demand

C. a decrease in quantity supplied

D. a change in supply

105.Relative to column C, it appears that column D represents _____.

Price/Unit	Column C Units/year	Column D Units/year
$20	50	40
$30	60	50
$40	70	60
$50	80	70
$60	90	80

A. an increase in quantity supplied.

B. an increase in demand.

C. a decrease in quantity demanded.

D. a change in supply.

Price/Unit	Column A Units/year	Column B Units/year
$20	100	40
$30	95	50
$40	80	60
$50	65	70
$60	50	80

106. Refer to the figure above. Assume that column A and column B are the initial demand and supply curves. At a price of $30, the market would experience

A. an equilibrium.

B. excess demand of 95 units.

C. excess supply of 45 units.

D. excess demand of 45 units.

107. Refer to the figure above. Assume that column A and column B are the initial demand and supply curves. At a price of $50, the market would experience

A. an equilibrium.

B. excess demand of 5 units.

C. excess supply of 70 units.

D. excess supply of 5 units.

108. An increase in the demand for Honda automobiles results in

A. a lower equilibrium price for Honda automobiles.

B. an increase in the quantity supplied of Honda automobiles.

C. an increase in the supply of Honda automobiles.

D. a lower equilibrium quantity of Honda automobiles.

109.Which of the following is NOT a determinant of demand for gasoline?

A. The price of gasoline.

B. The price of diesel.

C. The price of automobiles.

D. The quantity of gasoline supplied.

110.When supply of a good decreases, consumers respond by

A. decreasing their demand.

B. increasing their preferences for the good.

C. decreasing their quantity demanded.

D. increasing their quantity demanded.

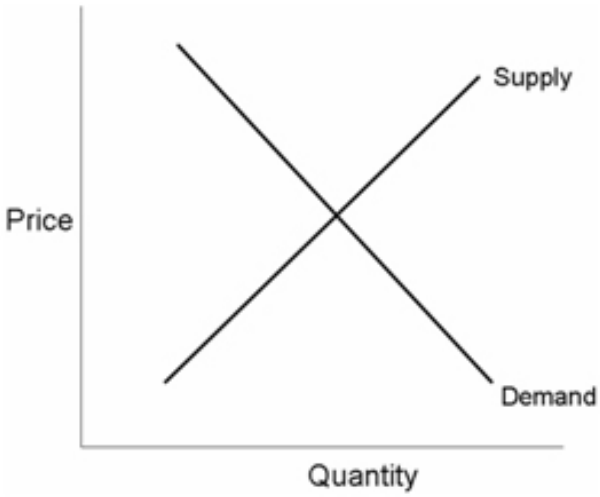
111.In general, when the supply curve shifts to the left and demand is constant then

A. the market cannot reestablish an equilibrium.

B. the equilibrium price will fall.

C. the equilibrium quantity will rise.

D. the equilibrium price will rise.



112. In the figure above, if supply were to shift to the left, and demand were to also shift to the left, in the new equilibrium,

A. both price and quantity would be lower.
B. both price and quantity would be higher.
C. price would be higher and quantity would be lower.
D. quantity would be lower, but the direction of the price change cannot be determined.

113. Refer to the figure above. Suppose supply increases substantially. Then

A. demand will also increase.
B. the quantity demanded will increase.
C. the quantity demanded will decrease.
D. price will also increase substantially.

114. Refer to the figure above. Suppose that only demand has suddenly shifted to the left. To restore equilibrium this market will have an immediate

A. excess demand, which will cause prices to rise to a new equilibrium.
B. excess supply, which will cause prices to rise to a new equilibrium.
C. excess demand, which will cause prices to fall to a new equilibrium.
D. excess supply, will cause prices to fall to a new equilibrium.

115. In general, when the demand curve shifts to the right and supply remains constant then

A. quantity demanded will rise.
B. the equilibrium price will fall.
C. the equilibrium quantity will rise.
D. the market cannot reestablish an equilibrium.

116. One observes that the equilibrium price of rice falls and the equilibrium quantity falls. Which of the following best fits the observed data?

A. An increase in demand with supply constant
B. An increase in demand coupled with a decrease in supply
C. An increase in demand coupled with an increase in supply
D. A decrease in demand with supply constant

117. One observes that the equilibrium price of a DVD player increases and the equilibrium quantity increases. Which of the following best fits the observed data?

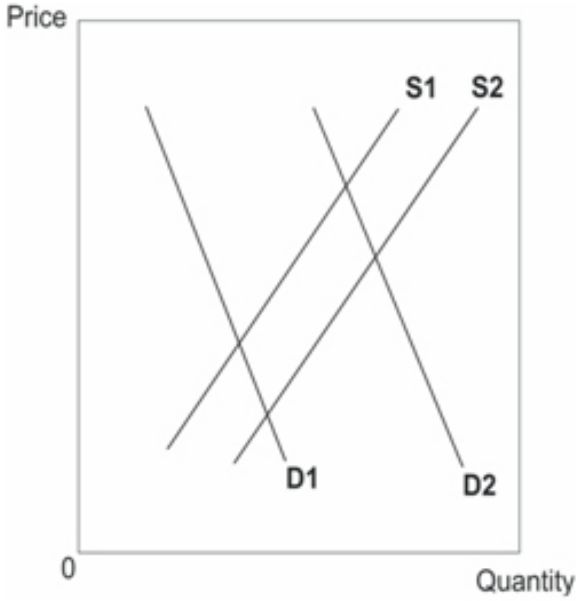
A. An increase in demand with supply constant
B. An increase in demand coupled with a decrease in supply
C. An increase in demand coupled with an increase in supply
D. A decrease in demand with supply constant

118. One observes that the equilibrium price of T-shirt increases and the equilibrium quantity falls. Which of the following best fits the observed data?

A. An increase in demand with supply constant
B. A decrease in supply with demand constant
C. An increase in demand coupled with an increase in supply
D. A decrease in demand with supply constant

119. One observes that the equilibrium price of apples falls and the equilibrium quantity increases. Which of the following best fits the observed data?

A. An increase in demand with supply constant
B. A decrease in supply with demand constant
C. An increase in demand coupled with an increase in supply
D. Demand constant and an increase in supply



120. Refer to the figure above. Assume demand remains unchanged at D1. If supply shifts from S1 to S2 then the equilibrium price will _____ and the equilibrium quantity will _____.

A. rise; fall

B. rise; rise

C. fall; fall

D. fall; rise

121. Refer to the figure above. Assume demand remains unchanged at D1. If supply shifts from S2 to S1 then the equilibrium price will _____ and the equilibrium quantity will _____.

A. rise; fall

B. rise; rise

C. fall; fall

D. fall; rise

122. If a market is in equilibrium and demand increases while supply decreases, the change in the equilibrium price is _____ and the change in the equilibrium quantity is _____.

A. positive; positive
B. positive; negative
C. positive; indeterminate
D. indeterminate; positive

123. If both supply and demand increase simultaneously, the new equilibrium price is _____ and the new equilibrium quantity is _____.

A. lower; lower
B. lower; indeterminate
C. indeterminate; higher
D. higher; indeterminate

124. If both supply and demand decrease simultaneously, the new equilibrium price is _____ and the new equilibrium quantity is _____.

A. lower; lower
B. lower; indeterminate
C. indeterminate; higher
D. indeterminate; lower

125. If supply decreases while demand increases simultaneously, the new equilibrium price is _____ and the new equilibrium quantity is _____.

A. lower; lower
B. lower; indeterminate
C. indeterminate; higher
D. higher; indeterminate

126. Suppose that both the equilibrium price and quantity of mustard fall. The most consistent explanation for these observations is

A. a decrease in demand for mustard with no change in supply.
B. an increase in demand for mustard with no change in supply.
C. an increase in demand for mustard and a decrease in the supply of mustard.
D. an increase in the supply of mustard with no change in demand.

127. Suppose that the equilibrium price of olives falls while the equilibrium quantity rises. The most consistent explanation for these observations is

A. a decrease in demand for olives with no change in supply.
B. an increase in demand for olives with no change in supply.
C. a decrease in the supply of olives and a decrease in the demand for olives.
D. an increase in the supply of olives with no change in demand.

128. Suppose that the equilibrium price of French fries rises while the equilibrium quantity falls. The most consistent explanation for these observations is

A. a decrease in demand for French fries with no change in supply.
B. an increase in demand for French fries with no change in supply.
C. an increase in the supply of French fries and an increase in the demand for French fries.
D. a decrease in the supply of French fries with no change in demand.

129. Assume the demand for coffee increases while the supply decreases. Which of the following outcomes is certain to occur?

A. The equilibrium price of coffee will rise.
B. The equilibrium quantity of coffee will rise.
C. The equilibrium price of coffee will fall.
D. The equilibrium quantity of coffee will fall.

130. Assume the demand for honey decreases while the supply of honey increases. Which of the following outcomes is certain to occur?

A. The equilibrium price of honey will rise.
B. The equilibrium quantity of honey will rise.
C. The equilibrium price of honey will fall.
D. The equilibrium quantity of honey will fall.

131. Assume both the demand and the supply of beets decrease. Which of the following outcomes is certain to occur?

A. The equilibrium price of beets will rise.
B. The equilibrium quantity of beets will rise.
C. The equilibrium price of beets will fall.
D. The equilibrium quantity of beets will fall.

132. Assume both the demand and the supply of bread increase. Which of the following outcomes is certain to occur?

A. The equilibrium price of bread will rise.
B. The equilibrium quantity of bread will rise.
C. The equilibrium price of bread will fall.
D. The equilibrium quantity of bread will fall.

133. Refer to the figure above. Assume the market is originally at point W. Movement to point X is a combination of

A. an increase in quantity supplied and an increase in demand.
B. an increase in supply and an increase in demand.
C. an increase in supply and an increase in quantity demanded.
D. a decrease in supply and an increase in quantity demanded.

134. Refer to the figure above. Assume the market is originally at point W. Movement to point Y is a combination of

A. an increase in quantity supplied and an increase in demand.
B. an increase in supply and an increase in demand.
C. an increase in supply and an increase in quantity demanded.
D. a decrease in supply and an increase in quantity demanded.

135. Refer to the figure above. Assume the market is originally at point W. Movement to point Z is a combination of

A. an increase in quantity supplied and an increase in demand.
B. an increase in supply and an increase in demand.
C. an increase in supply and an increase in quantity demanded.
D. a decrease in supply and an increase in quantity demanded.

136. Suppose that both supply and demand for DVD players decrease. One can predict that the

A. equilibrium price will rise but the equilibrium quantity can increase or decrease.
B. equilibrium price and quantity will decrease.
C. equilibrium price and quantity will rise.
D. equilibrium quantity will fall but the equilibrium price can rise or fall.

Farid runs a doughnut shop in a tiny 3-person town. Farid's rational consumers have the following demand schedules:

Price	Amer	Bushra	Karim
10 cents	10	4	6
25 cents	9	2	5
35 cents	7	1	5
50 cents	5	0	4

137.Market demand for doughnuts when the price is 50 cents is

A. 31 doughnuts.

B. 20 doughnuts.

C. 9 doughnuts.

D. 13 doughnuts.

138.From the data you can assume that Bushra

A. thinks that doughnuts are an inferior good.

B. would get more marginal utility from her first doughnut than anything else that she buys for 50 cents.

C. would get less marginal utility from her first doughnut than anything else that she buys for 50 cents.

D. is not a rational consumer.

This table shows demand for shoes in a 3 consumer market:

When the price of a pair of shoes is	Younes buys this many pairs	Rachid buys this many pairs	Fawzi buys this many
$100	none	1	none
$75	none	3	1
$50	1	7	3
$30	2	10	5

139.What is the market demand for shoes when the price is $50 per pair?

A. 7 Pairs of shoes.

B. 11 Pairs of shoes.

C. 15 Pairs of shoes.

D. It will depend on the supply at $50.

140.At $100 per pair, the market demand

A. intersects the y-axis.

B. intersects the x-axis.

C. is exactly the same as Rachid's demand.

D. is less than the quantity supplied.

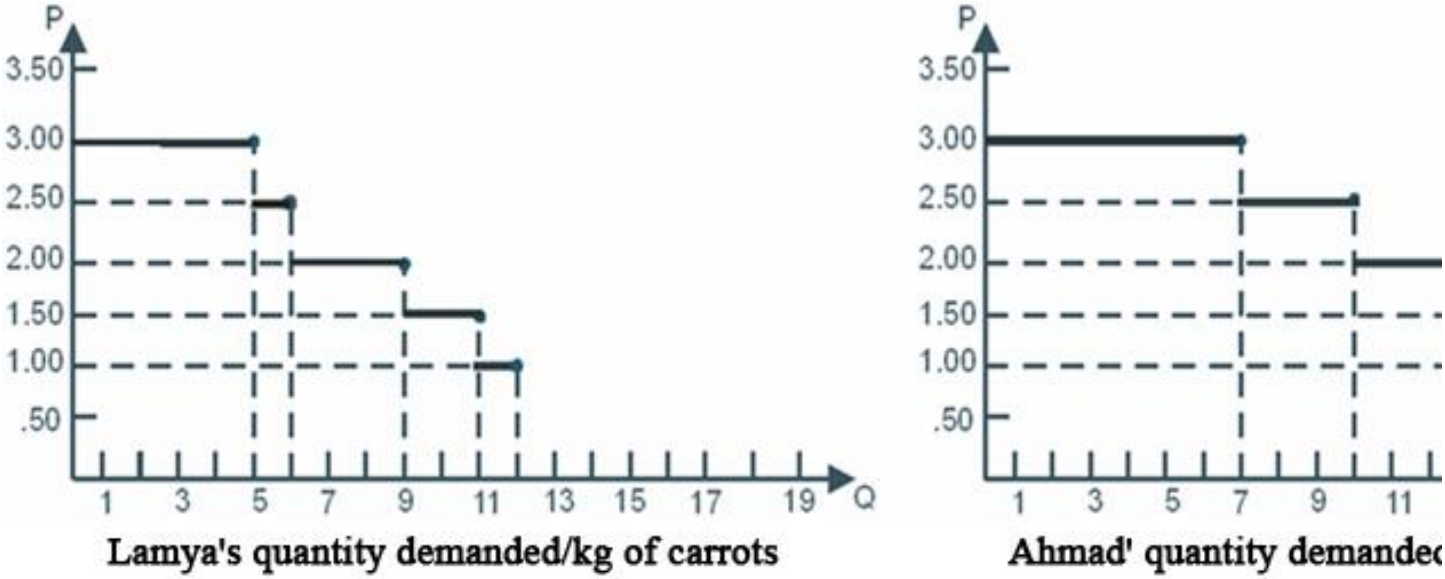
141.The data suggest that

A. Rachid has higher income than Younes or Fawzi.

B. Rachidhas lower income than Younes or Fawzi.

C. Rachid prefers shoes to other items Rachid buys.

D. Younes's demand for shoes is less than Rachid's.



142. Refer to the figure above. On the basis of the above graphs, it appears that _____ has the strongest demand for carrots.

A. Ahmad

B. Lamya

C. Lamya and Ahmad both

D. neither Lamya nor Ahmad

143. Refer to the figure above. At a price of $2.00, Lamya's quantity demanded is _____ and Ahmad's quantity demanded is _____.

A. 11, 14

B. 9, 16

C. 9, 14

D. 11, 13

144. Refer to the figure above. The market demand curve indicates that at a price of $2.50, _____ kg. will be demanded.

A. 3

B. 6

C. 10

D. 16

145. Refer to the figure above. The market demand curve indicates that 27 kg of carrots will be demanded at a price of

A. $1.00

B. $1.50

C. $2.00

D. $2.50

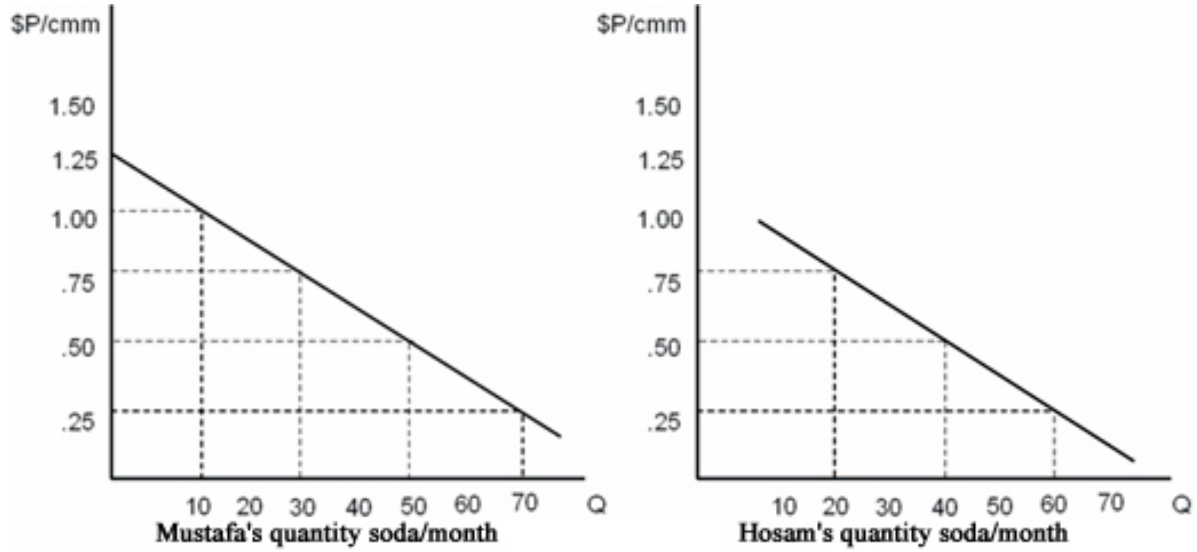
146. Refer to the figure above. When the price decreases from $3.00 to $2.50, quantity demanded in the market will _____ by _____ kg.

A. decrease, 3

B. increase, 3

C. decrease, 4

D. increase, 4



147. Refer to the figure above. On the basis of the above graphs, it appears that _____ has the strongest demand for soda.

A. Hosam

B. Mustafa

C. Mustafa and Hosam both

D. neither Mustafa nor Hosam

148. Refer to the figure above. At a price of $0.25, Mustafa's quantity demanded is _____ and Hosam's quantity demanded is _____.

A. 50, 40

B. 90, 80

C. 70, 80

D. 70, 60

149. Refer to the figure above. The market demand curve indicates that at a price of $0.75, _____ cans of soda will be demanded.

A. 20

B. 50

C. 70

D. 100

150. Refer to the figure above. The market demand curve indicates that 90 cans of soda will be demanded at a price of

A. $1.50

B. $1.25

C. $0.75

D. $0.50

151. Refer to the figure above. When the price increases from $0.75 to $1.00, quantity demanded in the market will _____ by _____ cans.

A. decrease, 20

B. increase, 20

C. decrease, 40

D. increase, 40

152.Refer to the figure above. At the price of $1.25,

A. market demand is 40 cans of soda.

B. market demand is 30 cans of soda.

C. market demand is 10 cans of soda.

D. Mustafa and Hosam exit the market.

153.When all buyers have identical demand curves, we can get the market demand curve by

A. adding their quantity demanded vertically

B. multiplying each quantity by the number of consumers

C. adding all the prices first than adding all the quantity demanded

D. adding each consumers utility

154.At the price of 25 cents/each, 500 consumers demand 4 oranges each. At the price of 20 cents/each, 750 consumers demand 5 oranges each. Therefore, the market demand curve for orange will have a quantity of _____ oranges demanded at the price of 25 cents/each and a quantity of _____ oranges demanded at the price of 20 cents/each.

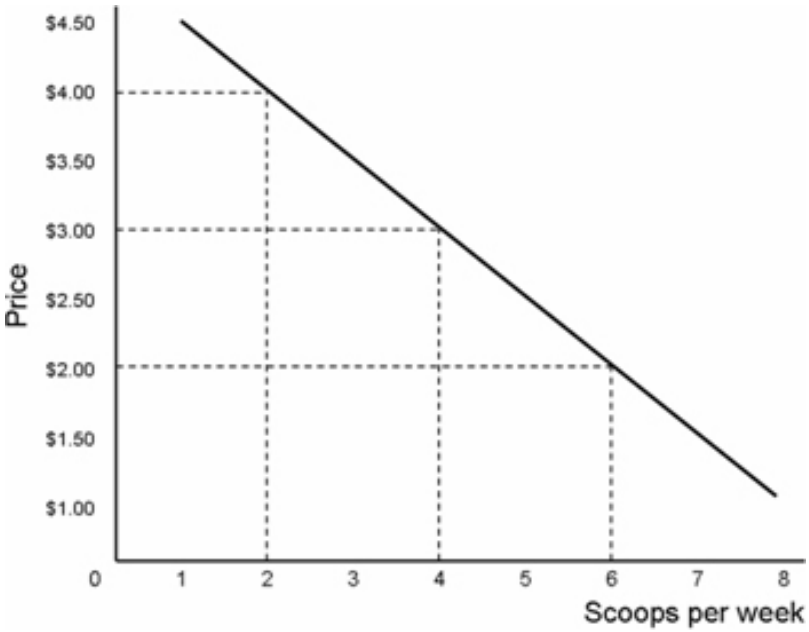
A. 4, 5

B. 500, 750

C. 1250, 1500

D. 2000, 3750

This graph shows one consumer's demand for ice cream at the student union:



155. During a regular semester, there are 500 students. Each student's demand for ice cream is as depicted above. When the price of one scoop of ice cream is $2.00, those 500 students purchase a total of

A. 2,000 scoops of ice cream

B. 2,500 scoops of ice cream

C. 3,000 scoops of ice cream

D. 5,000 scoops of ice cream

156. During the summer, there are only 300 ice cream consuming students on campus, each with demand as shown above. At $2.00 per scoop, those 300 students purchase ____ scoops of ice cream per week.

A. 1,200

B. 1,500

C. 1,800

D. 3,000

157. During the semester, the student union charges $3.00 per scoop. If every student who buys ice cream has the demand curve shown, when there are 1,000 students _____ scoops are sold per week.

A. 400
B. 1,000
C. 2,000
D. 4,000

158. During the semester, the student union sells a total of 7,200 scoops of ice cream at a price of $2.00 per scoop. If every student who buys ice cream has the demand curve shown, there must be _____ students purchasing ice cream.

A. 800
B. 1,200
C. 1,500
D. 2,000

159. An increase in the number of students enrolled on this campus will

A. cause the demand curve shown above to shift to the right.
B. cause the demand curve shown above to shift to the left.
C. cause an increase in market demand by increasing the number of individual demand curves.
D. not affect market demand, but increase quantity demanded by individuals.

160. Farid is one of the students whose demand is shown. When price is $4.00, Farid buys ____ scoops, but when price is $2.00, Farid buys _____ scoops.

A. 1; 3

B. 2; 5

C. 2; 4

D. 2; 6

161. As the market price of a service increases, more people will decide to perform that service because

A. higher prices always result in higher revenue.

B. more people will find that the market price exceeds their reservation price.

C. higher-priced services are more prestigious.

D. service jobs are in higher demand than manufacturing jobs.

162. The most important decision that sellers make is

A. whether to set profit maximization as a goal.

B. whether to produce another unit.

C. whether to change the price of their product.

D. whether to expand factory facilities.

163.A rational seller will sell another unit if

A. the profit earned from the sale of the next unit is greater than the profit earned on the sale of the last unit.
B. the cost of making the next unit is less than the revenue gained by selling the next unit.
C. the quantity demanded of the seller's output is greater than zero.
D. the price that could be charged is greater than the equilibrium price.

164.According to the cost-benefit principle, you should switch to another task or job when

A. the benefit from performing the new task is less than the benefit from continuing to perform the original task.
B. the benefit from performing the new task just exceeds the opportunity cost of performing that new task.
C. your productivity at the first task has diminished to the point at which the benefit from continuing with that task is zero.
D. the opportunity cost of performing the original task is less than the benefit of performing the original task.

165.A person's reservation price for performing a task equals

A. the equilibrium wage.
B. the total value of all of the other things the person could be doing during that time.
C. the value of the most attractive alternative activity that the person could be doing during that time.
D. the price for which the good produced could be sold.

166. Your neighbors have asked you to look after their dog while they are on vacation. It will take you one hour per day to feed, walk, and care for the dog, which you can do either before or after you go to work. Your regular job pays $10 per hour, and you can work for up to eight hours per day. Your reservation price for taking care of the neighbor's dog is

A. $10, because that is your opportunity cost of one hour of work.
B. $15, because overtime wages are generally equal to 1.5 times your regular wage when you work more than eight hours in one day.
C. zero, because your regular job is not available for the ninth hour of work.
D. the value of one hour of leisure, which is greater than zero.

167. Why are you more likely to see a poor person picking up aluminum cans than a wealthy person?

A. Wealthy people care less about the environment.
B. Wealthy people have higher opportunity costs for their time.
C. Wealthy people are more concerned about their public image.
D. Wealthy people are more likely to be aware of diseases that are transmitted through litter.

Jaafar is trying to decide how to divide his time between his job as a stocker in the local grocery store, which pays $7/hr for as many hours as he chooses to work, and cleaning windows for the businesses in downtown. He makes $2 for every window he cleans. Jaafar is indifferent between the two tasks, and the number of windows he can clean depends on how many hours he cleans a day, as shown in the table below:

Cleaning time (hr/day)	Total numbers of windows cleaned
0	0
1	7
2	11
3	14
4	16
5	17

168. What is Jaafar's hourly opportunity cost of cleaning windows?

A. $14

B. $8

C. $7

D. $2

169. His benefit from the first hour cleaning windows is

A. $14

B. $8

C. $7

D. $2

170. The first hour Jaafar spends cleaning windows costs him _____ that he could have earned in the grocery store.

A. $0

B. $2

C. $14

D. $7

171. A second hour cleaning windows will yield additional earnings of _____

A. $2

B. $14

C. $8

D. $7

172. Does the 3rd hour cleaning satisfy the cost-benefit principle?

A. yes, since he makes $28

B. yes, since the additional amount earned is $14

C. no, since the additional amount earned is $6

D. yes, since the additional amount earned is $6.

173. What is the smallest amount of money per window cleaned that would induce Jaafar to spend at least one hour per day cleaning?

A. $7
B. $1
C. $3
D. $2

174. What is Jaafar's reservation price for 4^{th} and 5^{th} hours of cleaning windows?

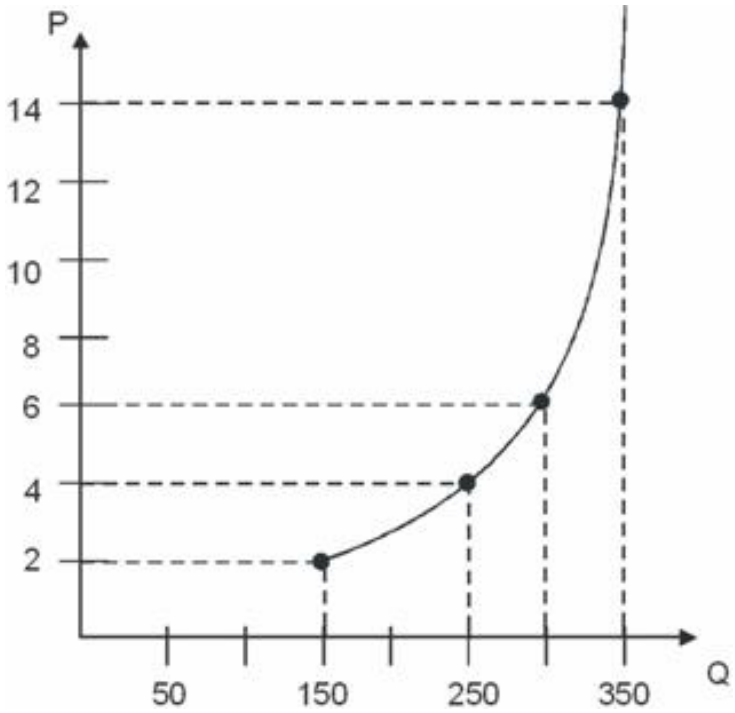
A. $7 and $7.5 respectively
B. $2 and $3.5 respectively
C. $3.5 and $7 respectively
D. $11 and $14 respectively

175. If we plot Jaafar's reservation price per window on the vertical axis and the number of windows cleaned each day on the horizontal axis, we will have John's _____ curve of window cleaning service.

A. marginal product
B. marginal cost
C. marginal benefit (utility)
D. demand

176. Your math professor has assigned 20 homework problems that are due next week. After working for an hour, you notice you have completed 4 problems. After another hour, you have completed 3 more problems. During the third hour, you finish 2 problems. What economic principle best explains this?

A. The principle of diminishing marginal utility: you do not enjoy working the problems as much during the last hour as you did during the first hour.
B. The low-hanging-fruit principle: you completed the easiest problems first.
C. The cost-benefit principle: the benefit of working an additional problem is less than the cost.
D. The principle of comparative advantage: you are better at English than at math.



177. Refer to the figure above. What is the seller's reservation price when producing 250 units?

A. $2
B. $4
C. $8
D. $14

178. Refer to the figure above. If the market price for this good is $6, how many units would this supplier produce?

A. 50

B. 150

C. 250

D. 300

179. Refer to the figure above. The relation between price and the quantity produced is _____ making this curve slope ____.

A. positive, downward

B. positive, upward

C. negative, downward

D. negative, upward

Chapter 03 Testbank Key

1. In Cuba, a bureaucratic committee makes the production decisions for the country's firms and factories. Therefore Cuba is an example of a

A. centralized economy.
B. capitalist economy.
C. mixed economy.
D. pure free-market economy.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #1
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: What, How, and For Whom? Central Planning Versus the Market

2. The entire group of buyers and sellers of a particular good or service makes up

A. only the demand curve.
B. only the supply curve.
C. a market.
D. equilibrium.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #2
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Buyers and Sellers in Markets

3. In order to understand how the price of a good is determined in the free market, one must account for the desires of:

A. purchasers exclusively.
B. sellers exclusively.
C. governmental agencies exclusively.
D. purchasers and sellers.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #3
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Buyers and Sellers in Markets

4. Buyers and sellers of a particular good comprise the

A. market for the good.
B. demand for the good.
C. supply for the good.
D. production possibilities curve for the good.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #4
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Buyers and Sellers in Markets

5. In a market, the demanders are the _____ and the suppliers are the _____.

A. bosses; workers

B. poor; wealthy

C. buyers; sellers

D. sellers; buyers

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #5
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Buyers and Sellers in Markets

6. "Holding all other relevant factors constant, consumers will purchase more of a good as the price falls." This statement reflects the behavior underlying

A. the demand curve.

B. an increase in demand.

C. the supply curve.

D. a decrease in the demand curve.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #6
Learning Objective: 03-01 How the demand curve summarizes the behavior of buyers in the marketplace.
Section: Buyers and Sellers in Markets

7. The demand curve illustrates the fact that consumers

A. tend to purchase more of a good as its price rises.

B. purchase name brand products more frequently than generic products.

C. tend to purchase more of a good as its price falls.

D. purchase more of a good as their incomes rise.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #7
Learning Objective: 03-01 How the demand curve summarizes the behavior of buyers in the marketplace.
Section: Buyers and Sellers in Markets

8. Which of the following is NOT true of a demand curve?

A. It has negative slope.

B. It shows the amount consumers are willing and able to purchase at various prices, holding other factors constant.

C. It relates the price of an item to the quantity demanded of that item.

D. It shows how an increase in price leads to an increase in quantity demanded of a good.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #8
Learning Objective: 03-01 How the demand curve summarizes the behavior of buyers in the marketplace.
Section: Buyers and Sellers in Markets

9. A demand curve is _____ sloping because _____.

A. downward; of increasing opportunity costs.

B. upward; people prefer to purchase high quality consumer goods.

C. downward; reservation prices tend to fall over time.

D. downward; fewer people are willing to buy the item at higher prices.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #9
Learning Objective: 03-01 How the demand curve summarizes the behavior of buyers in the marketplace.
Section: Buyers and Sellers in Markets

10. As coffee becomes more expensive, Jamal starts drinking tea, therefore quantity demanded for coffee decreases. This is called

A. the income effect.

B. the change in equilibrium.

C. the substitution effect.

D. a shift in the demand curve.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #10
Learning Objective: 03-01 How the demand curve summarizes the behavior of buyers in the marketplace.
Section: Buyers and Sellers in Markets

11. You can spend $5 for a snack and you would like to have two servings of black cherries. When you get to the grocery store, you find out the price for black cherries has increased from $2.50 to $2.99 per serving. You decide to have one serving of black cherries for snack. This is best described as a(n)

A. substitution effect.
B. income effect.
C. buyer's reservation price.
D. seller's reservation price.

AACSB: Reflective Thinking Skills
Blooms: Application
Frank - Chapter 03 #11
Learning Objective: 03-01 How the demand curve summarizes the behavior of buyers in the marketplace.
Section: Buyers and Sellers in Markets

12. The quantity of nail polish demanded by Jihane decreased after the price of nail polish increased. Jihane decides to find a cheaper brand of nail polish. This is called a(n)

A. substitution effect of a price change.
B. income effect of a price change.
C. decrease in buyer's reservation price.
D. increase in buyer's reservation price.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #12
Learning Objective: 03-01 How the demand curve summarizes the behavior of buyers in the marketplace.
Section: Buyers and Sellers in Markets

13. The buyer's reservation price of a particular good or service is the

A. minimum amount one would be willing to pay for it.

B. same as the market price.

C. maximum amount one would be willing to pay for it.

D. price one must pay to ensure one gets it.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #13
Learning Objective: 03-01 How the demand curve summarizes the behavior of buyers in the marketplace.
Section: Buyers and Sellers in Markets

14. Sarah purchases a leather purse for $400. One can infer that

A. she paid too much.

B. her reservation price was at least $400.

C. her reservation price was exactly $400.

D. her reservation price was less than $400.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #14
Learning Objective: 03-01 How the demand curve summarizes the behavior of buyers in the marketplace.
Section: Buyers and Sellers in Markets

15. Samia saw a pair of jeans that she was willing to buy for $35. The price tag, though, said they were $29.99. Therefore,

A. Samia should not buy the jeans because they will be of lower quality than she expected.
B. Samia should not buy the jeans because the price is not equal to her reservation price.
C. Samia should buy the jeans because the price is less than her reservation price.
D. Samia should buy the jeans because the price is more than her reservation price.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #15
Learning Objective: 03-01 How the demand curve summarizes the behavior of buyers in the marketplace.
Section: Buyers and Sellers in Markets

16. Sellers tend to offer _____ for sale as price increases, and so the supply curve is _____ sloping.

A. goods; not
B. more; downward
C. less; upward
D. more; upward

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #16
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Buyers and Sellers in Markets

17. The supply curve illustrates that firms

A. increase the supply of a good when its price rises.

B. increase the quantity supplied of a good when its price rises.

C. decrease the quantity supplied of a good when input prices fall.

D. decrease the quantity supplied to earn higher profits.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #17
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Buyers and Sellers in Markets

18. As the price of a good rises,

A. firms earn larger profits.

B. more firms can cover their opportunity costs of producing the good.

C. firms find they can raise price by even more.

D. government regulation becomes more justified.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #18
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Buyers and Sellers in Markets

19. Supply curves are generally _____ sloping because _____.

A. downward; more consumers will buy the good if the price falls.

B. upward; of the principle of increasing opportunity costs.

C. downward; it is less expensive to mass produce goods.

D. upward; of inflation.

AACSB: Analytical Skills

Blooms: Understanding
Frank - Chapter 03 #19
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Buyers and Sellers in Markets

20. Last summer real estate prices in your town soared. You started noticing more For Sale signs in your neighbors' yards. You conclude that

A. people don't like to live in your neighborhood anymore.
B. when housing prices rose, they started to exceed some of your neighbors' reservation prices.
C. the demand curve for housing in your town has shifted to the left while supply remained constant.
D. the supply curve for housing in your town has shifted to the right while demand has remained constant.

AACSB: Reflective Thinking Skills
Blooms: Understanding
Frank - Chapter 03 #20
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Buyers and Sellers in Markets

21. Yasmina's marginal cost for producing a pitcher of lemonade is $0.25. Therefore, $0.25 can also be called her

A. marginal revenue.
B. equilibrium price.
C. reservation price.
D. producers surplus.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #21
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Buyers and Sellers in Markets

22. A market comprised of a downward sloping demand curve that intersects an upward sloping supply curve is said to be stable because

A. price will never change.

B. quantity will never change.

C. demand will never change.

D. at any price other than equilibrium, forces in the market move price towards the equilibrium.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #22
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

23. Which of the following is NOT a characteristic of a market in equilibrium?

A. Excess supply is zero.

B. All consumers are able to purchase as much as they wish.

C. Excess demand is zero.

D. The equilibrium price is stable, i.e., there is no pressure for it to change.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #23
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

24. A market in disequilibrium would feature

A. a stable price.

B. consumers able to purchase all they wish at the market price.

C. a stable quantity.

D. either excess supply or excess demand.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #24
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

25. The equilibrium price and quantity of any good or service is established by

A. only demanders.

B. only suppliers.

C. government regulations.

D. both demanders and suppliers.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #25
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

26. A shortage occurs when

A. demand is greater than supply.

B. the equilibrium price is too high.

C. quantity demanded exceeds quantity supplied.

D. quantity supplied exceeds quantity demanded

AACSB: Analytical Skills

Blooms: Application
Frank - Chapter 03 #26
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

27. Whenever the quantity demanded is not equal to the quantity supplied, the quantity that is actually sold in the market is

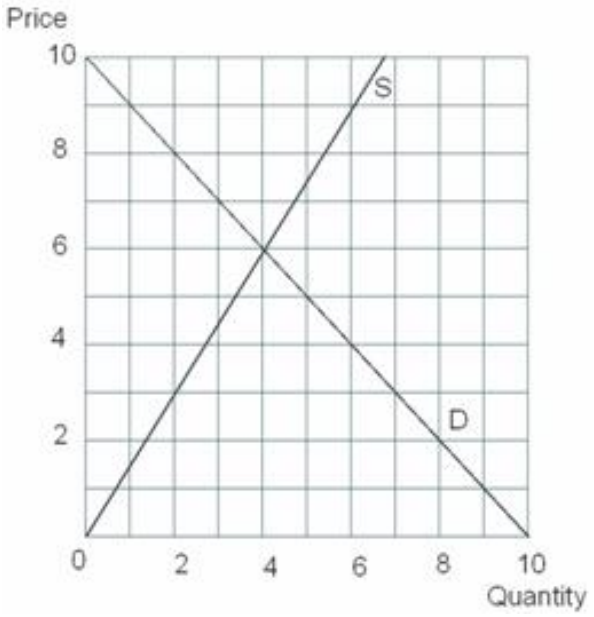
A. the quantity demanded.
B. the quantity supplied.
C. the smaller of the quantity demanded and the quantity supplied.
D. the greater of the quantity demanded and the quantity supplied.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #27
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

28. If the market for Sport Utility Vehicles has excess supply, then one can say that

A. supply is greater than demand.
B. quantity supplied is greater than quantity demanded.
C. demand is greater than supply.
D. quantity demanded is greater than quantity supplied.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #28
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium



Frank - Chapter 03

29. Refer to the figure above. The equilibrium price and quantity for this market is

A. $8, 6.

B. $6, 4.

C. $4, 6.

D. $2, 8.

AACSB: Analytical Skills

Blooms: Understanding

Frank - Chapter 03 #29

Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.

Section: Market Equilibrium

30. Refer to the figure above. At a price of $9, the market will experience _____ in the amount of _____ units.

A. excess demand, 5 units
B. excess supply, 6 units
C. equilibrium, 4 units
D. excess supply, 5 units

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #30
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

31. Refer to the figure above. At a price of $3, the market will experience _____ in the amount of _____ units.

A. excess demand; 5 units
B. excess supply; 7 units
C. equilibrium; 4 units
D. excess supply; 3 units

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #31
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

32. Refer to the figure above. You notice that your grocery store always has day-old bakery products at a reduced price. Why might that be?

A. At the original price the quantity demanded was greater than the quantity supplied.
B. At the original price, there was a shortage of bakery products.
C. The original price was an equilibrium price because it was established in a free market.
D. At the original price, quantity supplied was greater than quantity demanded.

AACSB: Reflective Thinking Skills
Blooms: Application
Frank - Chapter 03 #32
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

33. When the price of a good is below its equilibrium value,

A. consumers will bid the price up.
B. excess supply will occur.
C. it will tend to stay below the equilibrium value.
D. suppliers will notice their inventories are growing.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #33
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

34. In a free market, if the price of a good is below the equilibrium price, then

A. government needs to set a higher price.

B. suppliers, dissatisfied with growing inventories, will raise the price.

C. demanders, to acquire the good, will bid the price higher.

D. suppliers, dissatisfied with growing inventories, will lower the price.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #34
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

35. In a free market, if the price of a good is above the equilibrium price, then

A. suppliers, dissatisfied with growing inventories, will raise the price.

B. demanders, wanting to ensure they acquire the good, will bid the price lower.

C. government needs to set a lower price.

D. suppliers, dissatisfied with growing inventories, will lower the price.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #35
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

36. Which of following is **not** true of an equilibrium price?

A. Consumers who are willing to pay the equilibrium price can acquire the good.

B. It measures the value of the last unit sold to consumers.

C. It is always a fair and just price.

D. Firms who are willing to accept the equilibrium price can sell what they produce.

AACSB: Analytical Skills

Blooms: Understanding
Frank - Chapter 03 #36
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

37. When a market is not in equilibrium

A. government intervention is required to achieve equilibrium.
B. firms will increase contributions to political action committees.
C. the economic motives of sellers and buyers will move the market to its equilibrium.
D. it will simply stay in a state of disequilibrium.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #37
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

38. If price is above the equilibrium value, then

A. producers will hope that buyers want more in the future.
B. buyers are unhappy because they are unable to find the good for sale.
C. producers find their inventories growing and will start to cut price.
D. government must enforce a price control.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #38
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

39. Suppose you bought a concert ticket from Ticketmaster for $50, but when you got to the concert scalpers were selling tickets in the same seating area as yours for $25. What is probably true?

A. There is excess demand for this concert at the Ticketmaster price.
B. The ticket you bought was under-priced for the market.
C. There is an excess supply of tickets for this concert at the Ticketmaster price.
D. The Ticketmaster price is an equilibrium price.

AACSB: Reflective Thinking Skills
Blooms: Application
Frank - Chapter 03 #39
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

40. You have noticed that there is a persistent shortage of teachers in an inner-city school district in your city. Based on this observation, you suspect that

A. The wage for teachers at those schools is higher than at other schools in the city.
B. The wage for teachers at those schools is lower than the equilibrium wage.
C. There is an excess supply of teachers.
D. The reservation price among teachers is lower than for other professions.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #40
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

41. Suppose you notice that more and more people are driving gas-guzzling cars. Since you drive an economy car, their increased demand for gas:

A. does not affect you.

B. causes companies to charge a lower price, thus benefiting you.

C. causes the price you pay for gas to increase.

D. does not change the price you pay, but reduces the quantity of gas supplied.

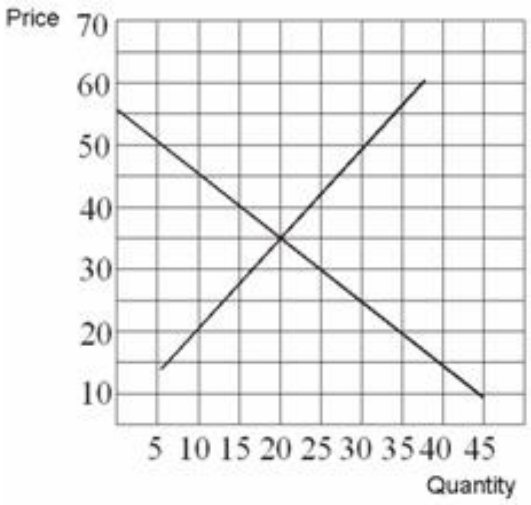
AACSB: Reflective Thinking Skills

Blooms: Application

Frank - Chapter 03 #41

Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.

Section: Market Equilibrium



Frank - Chapter 03

42. Refer to the figure above. When this market is in equilibrium,

A. price is $30, and the quantity that will be sold is 15.

B. price is $25, and the quantity that will be sold is 20.

C. price is $25, and the quantity that will be sold is 5.

D. price is $35, and the quantity that will be sold is 20.

AACSB: Analytical Skills

Blooms: Understanding

Frank - Chapter 03 #42

Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.

Section: Market Equilibrium

43. Refer to the figure above. At a price of $20,

A. the market would be in equilibrium.

B. there would be excess supply of approximately 25 units.

C. there would be excess demand of approximately 25 units.

D. there would be excess demand, but it is impossible to know by how much.

AACSB: Analytical Skills

Blooms: Application

Frank - Chapter 03 #43

Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.

Section: Market Equilibrium

44. Refer to the figure above. Suppose all the sellers in this market started out charging a price of $45 per unit. What is the most likely result?

A. They would all make a large profit because $45 is more than the equilibrium price.

B. They would all just break even because $45 is their reservation price.

C. They would be forced to lower their prices because at $45 there would be excess supply.

D. They would be forced to lower their prices because at $45 there would be excess demand.

AACSB: Analytical Skills

Blooms: Application

Frank - Chapter 03 #44

Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.

Section: Market Equilibrium

45. Refer to the figure above. Now suppose that the government imposes a price ceiling of $40. What is the most likely result?

A. Many sellers would go out of business because $40 is above the equilibrium.

B. There would be no change in the price.

C. The market would reach a new equilibrium at a price of $40.

D. An underground, or black, market would emerge where this product would be sold at a price above $40.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #45
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

46. Which of the following is **not** a characteristic of governmental rent controls?

A. Equitable distribution of apartments.

B. Excess demand for apartments.

C. Fewer newly built apartment buildings.

D. Very low vacancy rates.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #46
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

47. Minimum wage laws are an example of

A. mandated equilibrium wages.

B. a price ceiling.

C. a regulated price.

D. comparative advantage for unskilled workers.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #47
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

48. Suppose one knows two facts: first, the market for prescription drugs experiences chronic shortages and second, government sets the price for prescription drugs. One can conclude that the

A. government has set the price too high.

B. government has set the price above the equilibrium price.

C. buyers are hoarding prescription drugs.

D. government has set the price below the equilibrium price.

AACSB: Reflective Thinking Skills
Blooms: Application
Frank - Chapter 03 #48
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

49. A regulated maximum price that is above the equilibrium price

A. will lead to black markets.

B. will have no effect on the market.

C. will lead to excess supply in the market.

D. will lead to excess demand in the market.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #49
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

50. In a market where government has set the price below the equilibrium price, one might expect

A. quantity demanded to equal quantity supplied.

B. excess supply.

C. a black market to develop as individuals try to take advantage of unexploited opportunities.

D. quantity supplied to surpass quantity demanded.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #50
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

51. According to the text, government price controls fail because

A. they are not enforced.

B. legislation can not repeal basic economic motives.

C. bureaucrats lack accurate market data.

D. firms ignore the restrictions.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #51
Learning Objective: 03-03 How the supply and demand curves interact to determine the equilibrium price and quantity.
Section: Market Equilibrium

52. A movement along a demand curve from one price-quantity combination to another is called

A. a change in quantity demanded.

B. a shift in the demand curve.

C. a change in demand.

D. a change in quantity supplied.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #52
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

53. "As the price of personal computers continues to fall, demand increases." This headline is inaccurate because

A. a change in the price of personal computers shifts the demand curve.

B. a change in the price of personal computers shifts the supply curve.

C. the statement is backwards: increased demand leads to lower prices.

D. falling prices for personal computers increases quantity demanded, not demand.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #53
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

54. An increase in the quantity demanded of tea occurs whenever

A. the population of tea drinkers grows.

B. the price of coffee rises.

C. tea drinkers receive an increase in their incomes.

D. the price of the tea falls.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #54
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

55. If the demand for a good decreases as income decreases, it is a(n)

A. complementary good.

B. normal good.

C. inferior good.

D. substitute good.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #55
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

56. In the market for coffee, for some consumers

A. tea is a substitute.

B. non-dairy creamer is a substitute.

C. cola beverages are complements.

D. coffee mugs are substitutes.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #56
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

57. In the market for office workers

A. there are no substitutes because each human is unique.

B. computers and desks are complements.

C. an increase in wages will increase the number of workers demanded.

D. a decrease in wages will shift the demand for workers to the left.

AACSB: Analytical Skills

Blooms: Understanding
Frank - Chapter 03 #57
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

58. What might cause a demand function to shift to the **right**?

A. An increase in the price of a substitute.

B. An increase in the product's own price.

C. An increase in the price of a complement.

D. A decrease in the price of a substitute.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #58
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

59. If the demand for spinach increases as income increases, this means that spinach is a(n)

A. complementary good.

B. normal good.

C. inferior good.

D. substitute good.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #59
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

60. If the price of computers increases and the demand for monitors decreases, then

A. computers and monitors are complements.

B. computers are a normal good and monitors are inferior.

C. computers and monitors are substitutes.

D. computers are an inferior good and monitors are normal.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #60
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

61. Whether or not a good can be classified as a complement depends on whether

A. most people tend to consume the goods together.

B. no substitutes exist.

C. an increase in demand for one good follows a decrease in the price of the other.

D. an increase in demand for one good follows an increase in the price of the other.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #61
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

62. If pizzas are a normal good, then a decrease in the price of pizza will cause a(n)

A. increase in demand.

B. increase in quantity demanded.

C. decrease in quantity demanded.

D. decrease in the number of consumers.

AACSB: Analytical Skills

Blooms: Understanding
Frank - Chapter 03 #62
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

63. If the demand for Personal Computers (PC) shifts to the right (up) as consumers' incomes rise, PC's are

A. inferior goods.
B. complement goods.
C. normal goods.
D. substitute goods.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #63
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

64. As consumers' incomes increase, the demand for ice cream decreases. Ice cream is called a(n)

A. normal good.
B. complement good.
C. substitute good.
D. inferior good.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #64
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

65. As consumers' incomes decrease, the demand curve for cheese sandwiches shifts to the right. Therefore cheese sandwiches are a(n)

A. normal good.
B. complement good.
C. substitute good.
D. inferior good.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #65
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

66. Suppose the price of gasoline increases and that sport utility vehicles get poor gas mileage compared to other available cars. One would expect

A. the demand for gasoline to decrease.
B. the demand for sport utility vehicles to decrease.
C. the demand for sport utility vehicles to increase.
D. the quantity of sport utility vehicles demanded to decrease.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #66
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

67. Suppose one could rent a car or take the train to go to Alexandria from Cairo. If the price of train tickets increases

A. the demand for train tickets will increase.
B. the demand for rental cars will increase.
C. the demand for train tickets will decrease.
D. the demand for rental cars will decrease.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #67
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

68. Suppose the price of doughnuts decreases and doughnut holes are a by-product of producing doughnuts. One would expect

A. the supply of doughnuts to decrease.
B. the quantity supplied of doughnuts to decrease.
C. the supply of doughnut-holes to increase.
D. the quantity supplied of doughnut-holes to increase.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #68
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

69. For two goods, X and Y, to be classified as substitutes, it must be the case that

A. X and Y are identical.

B. consumers tend to purchase both items.

C. when the price of X rises, the demand for Y decreases.

D. when the price of X rises, the demand for Y increases.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #69
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

70. At the beginning of the fall semester, college towns experience large increases in their populations, causing a(n)

A. increase in the quantity of apartments demanded.

B. increase in the supply of apartments.

C. increase in the demand for apartments.

D. decrease in the quantity of apartments supplied.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #70
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

71. Suppose one observes that when the price of butter increases, the demand for jam increases. One must conclude that

A. butter and jam are complements.

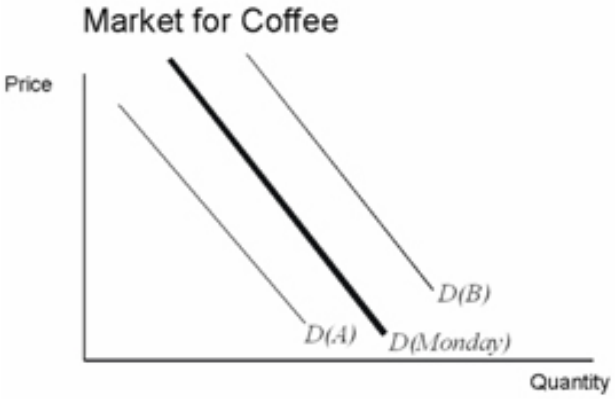
B. butter and jam are substitutes.

C. butter and jam are normal goods.

D. butter and jam are inferior goods.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #71
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

Demand for coffee last Monday is shown in bold [labeled D(Monday)].



Frank - Chapter 03

72. On Tuesday the news featured a story that a storm wiped out the entire coffee crop in Brazil. On Wednesday,

A. the demand function remained at D(Monday), but the quantity demanded increased.
B. demand shifted to D(A) in anticipation of future price increases.
C. demand shifted to D(B) in anticipation of future price increases.
D. there would be no change in either the demand function or the quantity demanded because not enough time had passed for the storm's effects to be felt.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #72
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

73. Assuming consumers eat either rice or pasta for dinner every night. If the price of rice increases, in the pasta market one would expect to see

A. increase in the quantity of pasta demanded.
B. increase in the demand for pasta.
C. decrease in the quantity of pasta demanded.
D. decrease in the demand for pasta.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #73
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

74. Two recent studies conclude that increased fiber in the diet reduces the risk of developing colon cancer. The likely result will be that the

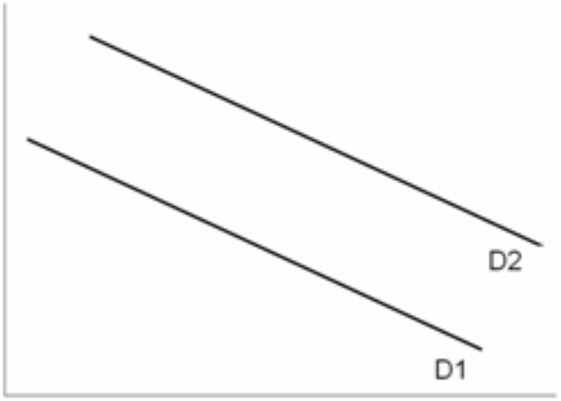
A. quantity demanded of high-fiber foods will fall.

B. demand for high-fiber foods will increase.

C. supply of high-fiber foods will increase.

D. price of high-fiber foods will rise.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #74
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities



Frank - Chapter 03

75. Refer to the figure above. Moving from demand curve D1 to demand curve D2 illustrates a(n)

A. increase in quantity demanded.

B. increase in demand.

C. decrease in demand.

D. decrease in quantity demanded.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #75
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

76. Refer to the figure above. Assume that these are demand curves for a normal good. Moving from demand curve D2 to demand curve D1 could be caused by a(n)

A. increase in consumers' incomes.
B. increase in quantity supplied.
C. increase in the price of a close substitute.
D. increase in the price of a complement.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #76
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

77. Refer to the figure above. Assume that these are demand curves for a normal good. Moving from demand curve D1 to demand curve D2 could be caused by a(n)

A. decrease in consumers' incomes.
B. increase in quantity supplied.
C. increase in the price of a close substitute.
D. increase in the price of a complement.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #77
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

78. A decrease in the demand for bananas with no concurrent change in the supply of bananas will result in a _____ equilibrium price and a(n) _____ equilibrium quantity.

A. higher; lower

B. lower; lower

C. higher; unchanged

D. higher; higher

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #78
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

79. As the price of cookies increases, firms that produce cookies will

A. increase the supply of cookies.

B. increase the quantity supplied of cookies.

C. decrease the supply of cookies.

D. decrease the quantity supplied of cookies.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #79
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

80. Which of the following would cause an increase in quantity supplied of wheat?

A. The price farmers receive for their wheat rises.

B. The price of fertilizer farmers' use in their fields decreases.

C. The price firms pay for liability insurance falls.

D. New, better technology for farming are introduced.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #80
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

81. As the price of flour (an input into the cookie production process) increases, firms that produce cookies will

A. increase the supply of cookies.

B. increase the quantity of cookies supplied.

C. decrease the supply of cookies.

D. decrease the quantity of cookies supplied.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #81
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

82. The technology used to manufacture Personal Computers (PCs) has improved. The likely result would be

A. an increase in supply of PCs.

B. an increase in quantity supplied of PCs.

C. a decrease in supply of PCs.

D. a decrease in quantity supplied of PCs.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #82
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

83. What might cause a supply function to shift to the **left today**?

A. An increase in the product's own price.

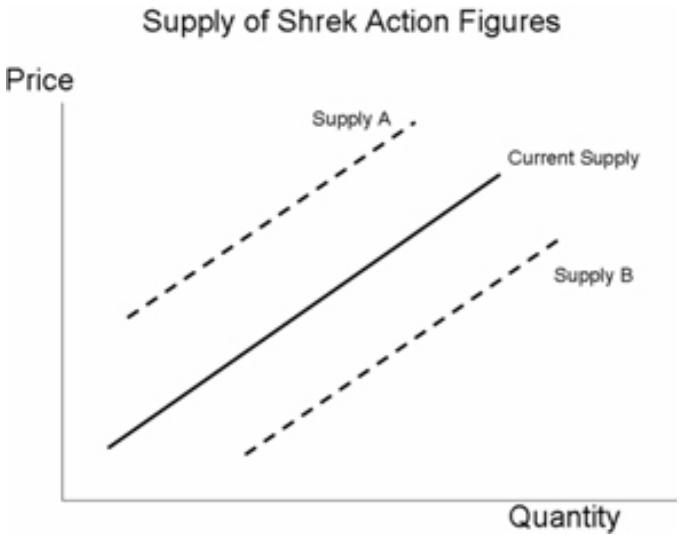
B. An expectation that the product's price will fall in the future.

C. An expectation that the product's price will rise in the future.

D. A decrease in the price of one of the inputs to making the product.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #83
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

The supply of Shrek action figures is shown below. The bold, solid line is the current supply.



Frank - Chapter 03

84. Retailers learn that a new Shrek movie will be released next month. That news is likely to cause

A. no immediate change in supply, but a decrease in the quantity supplied.
B. no immediate change in supply, since the only effect will involve demand.
C. an immediate shift in the supply function to Supply B in anticipation of increased prices.
D. an immediate shift in the supply function to Supply A in anticipation of increased prices.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #84
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

85. If the price of the plastic used to make action figures rises, supply will

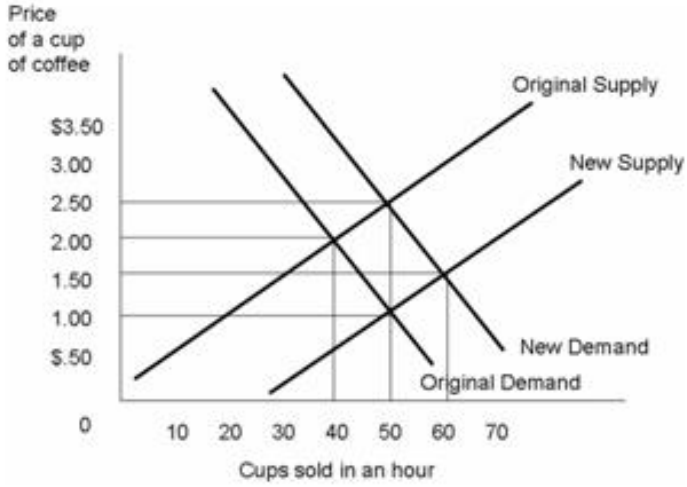
A. shift from Current Supply to Supply B.

B. not change because a change in raw material prices cannot affect market prices.

C. shift from Current Supply to Supply A.

D. remain at Current Supply because Demand for Shrek figures is so strong.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #85
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities



Frank - Chapter 03

86. Refer to the figure above. In the original market equilibrium

A. 50 cups of coffee are sold for $1.00 each.

B. 50 cups of coffee are sold for $2.50 each.

C. 40 cups of coffee are sold for $2.00 each.

D. 60 cups of coffee are sold for $1.50 each.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #86

Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

87. Refer to the figure above. What might cause Demand to shift from the Original Demand to the New Demand?

A. An expectation that coffee prices will fall in the future.
B. An increase in the price of coffee creamer.
C. An decrease in the price of tea.
D. An increase in incomes.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #87
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

88. Refer to the figure above. What might cause Supply to shift from the Original Supply to the New Supply?

A. A storm in South America wipes out the entire coffee crop.
B. New technology reduces the amount of coffee beans necessary to make a good-tasting pot of coffee.
C. A news report that coffee consumption greatly increases productivity.
D. An increase in the price of tea.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #88
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

89. Refer to the figure above. In this market, if everyone's reservation price for a cup of coffee increased by $1.00

A. the equilibrium price would increase by $1.00.
B. the equilibrium price would increase by less than $1.00.
C. the equilibrium price would increase by more than $1.00.
D. the equilibrium price would not change.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #89
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

90. Refer to the figure above. Suppose coffee producers convinced the government to impose a price control requiring that coffee prices must be at least $2.50 at a time when the original (bold) demand function and supply function were applicable. The most likely result would be

A. a short term excess demand for coffee, followed by an increase in price.
B. excess demand for coffee that would not correct itself because price is set by law.
C. excess supply of coffee that would not correct itself because price is set by law.
D. new equilibrium at a price of $2.50 and a quantity of 50 cups.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #90
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

91. Improvement in production technology causes an increase in

A. the quantity supplied by firms and an increase in market supply.
B. supply by firms and an increase in the market quantity supplied.
C. the quantity supplied by firms and an increase in the market quantity supplied.
D. supply by firms and an increase in market supply.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #91
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Determinants of Supply Revisited

92. For firms that use crude oil as an input, an increase in the price of crude oil will cause the firm's

A. supply curve to shift left.
B. quantity supplied to increase.
C. supply curve to shift right.
D. quantity supplied to decrease.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #92
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Determinants of Supply Revisited

93. If an industry experiences an increase in the number of firms, then

A. the new firms will produce more than the original firms.

B. the industry supply curve will shift left.

C. the new firms will produce the same amount as the original firms.

D. the industry supply curve will shift right.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #93
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Determinants of Supply Revisited

94. Assume that the production technology required to produce goods X and Y are very similar. If a firm that is producing good X notices that the market price of good Y is rising, it will

A. intensify its production of good X.

B. shift into producing good Y.

C. anticipate a price increase for good X.

D. charge a higher price for good X.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #94
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Determinants of Supply Revisited

95. Which of the following would cause supply to shift to the right?

A. The number of firms in the industry falls.

B. Demand for the good increases.

C. The production technology improves.

D. The price of the good increases.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #95
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Determinants of Supply Revisited

96. Which of the following would cause supply to shift to the left?

A. Wages rise.

B. Demand for the good falls.

C. The price of the good falls.

D. Expectations about future demand improve.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #96
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Determinants of Supply Revisited

97. An increase in consumer demand for espresso would lead to a(n) ____, while an increase in the number of firms producing espresso would lead to a(n) _____.

A. increase in quantity supplied; decrease in supply.

B. increase in supply; increase in quantity supplied.

C. increase in quantity supplied; increase in supply.

D. increase in supply; increase in supply.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #97
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Determinants of Supply Revisited

98. As price increases, firms find that it is

A. beneficial to produce more units of output.

B. more difficult to sell their product.

C. beneficial to produce less units of output.

D. less difficult to sell their product.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #98
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Determinants of Supply Revisited

99. What is the optimal supply of roadside litter?

A. Zero, because it is costless for each individual to throw away his or her own trash.

B. The quantity of litter that would remain if trash were picked up until the average cost of picking up trash equaled the total benefit.

C. The quantity of litter that would remain if trash were picked up until the marginal cost of picking up trash equaled the marginal benefit.

D. The quantity of litter that would remain if trash were picked up until the total cost of picking up trash equaled the marginal benefit.

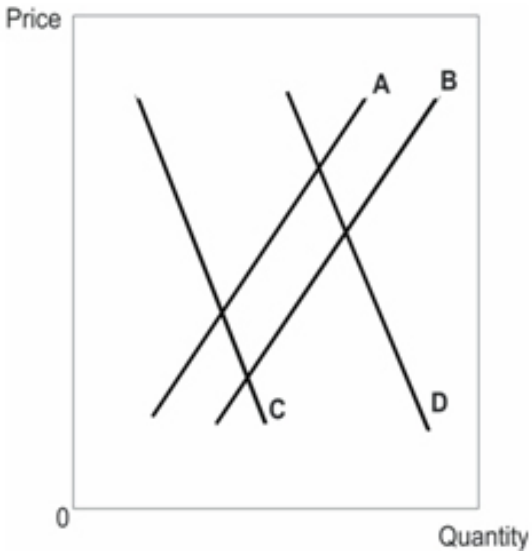
AACSB: Reflective Thinking Skills

Blooms: Analysis

Frank - Chapter 03 #99

Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.

Section: Applying the Theory of Supply



Frank - Chapter 03

100. Refer to the figure above. An increase in demand is represented by shifting from

A. curve A to curve B.

B. curve B to curve A.

C. curve C to curve D.

D. curve D to curve C.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #100
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

101. Refer to the figure above. A decrease in demand is represented by shifting from

A. curve A to curve B.

B. curve B to curve A.

C. curve C to curve D.

D. curve D to curve C.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #101
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

102. Refer to the figure above. An increase in supply is represented by shifting from

A. curve A to curve B.

B. curve B to curve A.

C. curve C to curve D.

D. curve C to curve B.

AACSB: Analytical Skills

Blooms: Understanding

Frank - Chapter 03 #102

Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.

Section: Predicting and Explaining Changes in Prices and Quantities

103. Refer to the figure above. A decrease in supply is represented by shifting from

A. curve A to curve B.

B. curve B to curve A.

C. curve C to curve D.

D. curve D to curve C.

AACSB: Analytical Skills

Blooms: Understanding

Frank - Chapter 03 #103

Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.

Section: Predicting and Explaining Changes in Prices and Quantities

104. Relative to column A, it appears that column B represents _____.

Price/Unit	Column A Units/year	Column B Units/year
$20	100	110
$30	85	95
$40	70	80
$50	55	65
$60	40	50

A. an increase in quantity demanded

B. an increase in demand

C. a decrease in quantity supplied

D. a change in supply

AACSB: Analytical Skills

Blooms: Application

Frank - Chapter 03 #104

Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.

105. Relative to column C, it appears that column D represents _____.

Price/Unit	Column C Units/year	Column D Units/year
$20	50	40
$30	60	50
$40	70	60
$50	80	70
$60	90	80

A. an increase in quantity supplied.

B. an increase in demand.

C. a decrease in quantity demanded.

D. a change in supply.

AACSB: Analytical Skills

Blooms: Application

Frank - Chapter 03 #105

Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.

Section: Predicting and Explaining Changes in Prices and Quantities

Price/Unit	Column A Units/year	Column B Units/year
$20	100	40
$30	95	50
$40	80	60
$50	65	70
$60	50	80

Frank - Chapter 03

106. Refer to the figure above. Assume that column A and column B are the initial demand and supply curves. At a price of $30, the market would experience

A. an equilibrium.
B. excess demand of 95 units.
C. excess supply of 45 units.
D. excess demand of 45 units.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #106
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

107. Refer to the figure above. Assume that column A and column B are the initial demand and supply curves. At a price of $50, the market would experience

A. an equilibrium.
B. excess demand of 5 units.
C. excess supply of 70 units.
D. excess supply of 5 units.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #107
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

108. An increase in the demand for Honda automobiles results in

A. a lower equilibrium price for Honda automobiles.

B. an increase in the quantity supplied of Honda automobiles.

C. an increase in the supply of Honda automobiles.

D. a lower equilibrium quantity of Honda automobiles.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #108
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

109. Which of the following is NOT a determinant of demand for gasoline?

A. The price of gasoline.

B. The price of diesel.

C. The price of automobiles.

D. The quantity of gasoline supplied.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #109
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

110. When supply of a good decreases, consumers respond by

A. decreasing their demand.

B. increasing their preferences for the good.

C. decreasing their quantity demanded.

D. increasing their quantity demanded.

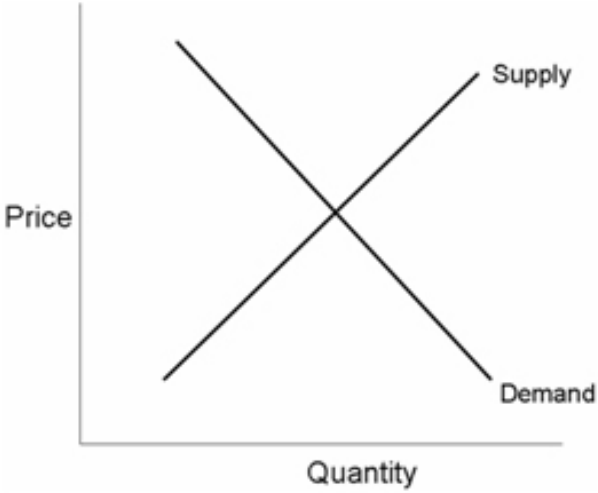
AACSB: Analytical Skills

Blooms: Application
Frank - Chapter 03 #110
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

111. In general, when the supply curve shifts to the left and demand is constant then

A. the market cannot reestablish an equilibrium.
B. the equilibrium price will fall.
C. the equilibrium quantity will rise.
D. the equilibrium price will rise.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #111
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities



Frank - Chapter 03

112. In the figure above, if supply were to shift to the left, and demand were to also shift to the left, in the new equilibrium,

A. both price and quantity would be lower.
B. both price and quantity would be higher.
C. price would be higher and quantity would be lower.
D. quantity would be lower, but the direction of the price change cannot be determined.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #112
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

113. Refer to the figure above. Suppose supply increases substantially. Then

A. demand will also increase.
B. the quantity demanded will increase.
C. the quantity demanded will decrease.
D. price will also increase substantially.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #113
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

114. Refer to the figure above. Suppose that only demand has suddenly shifted to the left. To restore equilibrium this market will have an immediate

A. excess demand, which will cause prices to rise to a new equilibrium.
B. excess supply, which will cause prices to rise to a new equilibrium.
C. excess demand, which will cause prices to fall to a new equilibrium.
D. excess supply, will cause prices to fall to a new equilibrium.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #114
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

115. In general, when the demand curve shifts to the right and supply remains constant then

A. quantity demanded will rise.
B. the equilibrium price will fall.
C. the equilibrium quantity will rise.
D. the market cannot reestablish an equilibrium.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #115
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

116. One observes that the equilibrium price of rice falls and the equilibrium quantity falls. Which of the following best fits the observed data?

A. An increase in demand with supply constant
B. An increase in demand coupled with a decrease in supply
C. An increase in demand coupled with an increase in supply
D. A decrease in demand with supply constant

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #116
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

117. One observes that the equilibrium price of a DVD player increases and the equilibrium quantity increases. Which of the following best fits the observed data?

A. An increase in demand with supply constant
B. An increase in demand coupled with a decrease in supply
C. An increase in demand coupled with an increase in supply
D. A decrease in demand with supply constant

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #117
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

118. One observes that the equilibrium price of T-shirt increases and the equilibrium quantity falls. Which of the following best fits the observed data?

A. An increase in demand with supply constant

B. A decrease in supply with demand constant

C. An increase in demand coupled with an increase in supply

D. A decrease in demand with supply constant

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #118
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

119. One observes that the equilibrium price of apples falls and the equilibrium quantity increases. Which of the following best fits the observed data?

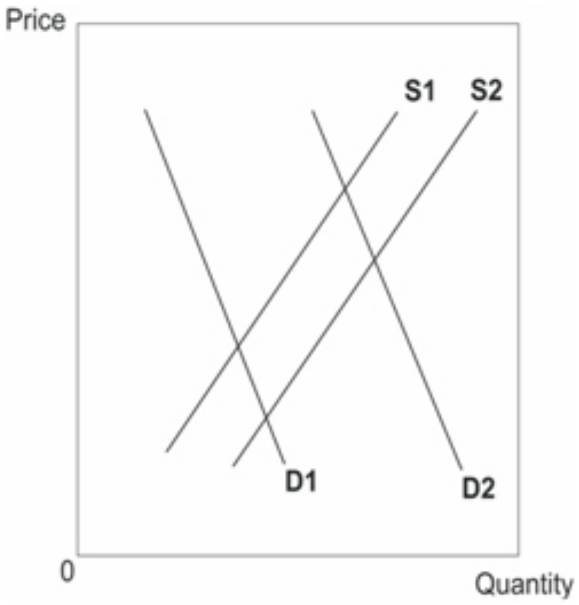
A. An increase in demand with supply constant

B. A decrease in supply with demand constant

C. An increase in demand coupled with an increase in supply

D. Demand constant and an increase in supply

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #119
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities



Frank - Chapter 03

120. Refer to the figure above. Assume demand remains unchanged at D1. If supply shifts from S1 to S2 then the equilibrium price will _____ and the equilibrium quantity will _____.

A. rise; fall

B. rise; rise

C. fall; fall

D. fall; rise

AACSB: Analytical Skills

Blooms: Application

Frank - Chapter 03 #120

Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.

Section: Predicting and Explaining Changes in Prices and Quantities

121. Refer to the figure above. Assume demand remains unchanged at D1. If supply shifts from S2 to S1 then the equilibrium price will _____ and the equilibrium quantity will _____.

A. rise; fall
B. rise; rise
C. fall; fall
D. fall; rise

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #121
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

122. If a market is in equilibrium and demand increases while supply decreases, the change in the equilibrium price is _____ and the change in the equilibrium quantity is _____.

A. positive; positive
B. positive; negative
C. positive; indeterminate
D. indeterminate; positive

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #122
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

123. If both supply and demand increase simultaneously, the new equilibrium price is _____ and the new equilibrium quantity is _____.

A. lower; lower

B. lower; indeterminate

C. indeterminate; higher

D. higher; indeterminate

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #123
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

124. If both supply and demand decrease simultaneously, the new equilibrium price is _____ and the new equilibrium quantity is _____.

A. lower; lower

B. lower; indeterminate

C. indeterminate; higher

D. indeterminate; lower

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #124
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

125. If supply decreases while demand increases simultaneously, the new equilibrium price is _____ and the new equilibrium quantity is _____.

A. lower; lower

B. lower; indeterminate

C. indeterminate; higher

D. higher; indeterminate

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #125
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

126. Suppose that both the equilibrium price and quantity of mustard fall. The most consistent explanation for these observations is

A. a decrease in demand for mustard with no change in supply.

B. an increase in demand for mustard with no change in supply.

C. an increase in demand for mustard and a decrease in the supply of mustard.

D. an increase in the supply of mustard with no change in demand.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #126
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

127. Suppose that the equilibrium price of olives falls while the equilibrium quantity rises. The most consistent explanation for these observations is

A. a decrease in demand for olives with no change in supply.
B. an increase in demand for olives with no change in supply.
C. a decrease in the supply of olives and a decrease in the demand for olives.
D. an increase in the supply of olives with no change in demand.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #127
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

128. Suppose that the equilibrium price of French fries rises while the equilibrium quantity falls. The most consistent explanation for these observations is

A. a decrease in demand for French fries with no change in supply.
B. an increase in demand for French fries with no change in supply.
C. an increase in the supply of French fries and an increase in the demand for French fries.
D. a decrease in the supply of French fries with no change in demand.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #128
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

129. Assume the demand for coffee increases while the supply decreases. Which of the following outcomes is certain to occur?

A. The equilibrium price of coffee will rise.
B. The equilibrium quantity of coffee will rise.
C. The equilibrium price of coffee will fall.
D. The equilibrium quantity of coffee will fall.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #129
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

130. Assume the demand for honey decreases while the supply of honey increases. Which of the following outcomes is certain to occur?

A. The equilibrium price of honey will rise.
B. The equilibrium quantity of honey will rise.
C. The equilibrium price of honey will fall.
D. The equilibrium quantity of honey will fall.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #130
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

131. Assume both the demand and the supply of beets decrease. Which of the following outcomes is certain to occur?

A. The equilibrium price of beets will rise.
B. The equilibrium quantity of beets will rise.
C. The equilibrium price of beets will fall.
D. The equilibrium quantity of beets will fall.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #131
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

132. Assume both the demand and the supply of bread increase. Which of the following outcomes is certain to occur?

A. The equilibrium price of bread will rise.
B. The equilibrium quantity of bread will rise.
C. The equilibrium price of bread will fall.
D. The equilibrium quantity of bread will fall.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #132
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

Frank - Chapter 03

133. Refer to the figure above. Assume the market is originally at point W. Movement to point X is a combination of

A. an increase in quantity supplied and an increase in demand.

B. an increase in supply and an increase in demand.

C. an increase in supply and an increase in quantity demanded.

D. a decrease in supply and an increase in quantity demanded.

AACSB: Analytical Skills

Blooms: Analysis

Frank - Chapter 03 #133

Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.

Section: Predicting and Explaining Changes in Prices and Quantities

134. Refer to the figure above. Assume the market is originally at point W. Movement to point Y is a combination of

A. an increase in quantity supplied and an increase in demand.
B. an increase in supply and an increase in demand.
C. an increase in supply and an increase in quantity demanded.
D. a decrease in supply and an increase in quantity demanded.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #134
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

135. Refer to the figure above. Assume the market is originally at point W. Movement to point Z is a combination of

A. an increase in quantity supplied and an increase in demand.
B. an increase in supply and an increase in demand.
C. an increase in supply and an increase in quantity demanded.
D. a decrease in supply and an increase in quantity demanded.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 03 #135
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

136. Suppose that both supply and demand for DVD players decrease. One can predict that the

A. equilibrium price will rise but the equilibrium quantity can increase or decrease.

B. equilibrium price and quantity will decrease.

C. equilibrium price and quantity will rise.

D. equilibrium quantity will fall but the equilibrium price can rise or fall.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #136
Learning Objective: 03-04 How shifts in supply and demand curves cause prices and quantities to change.
Section: Predicting and Explaining Changes in Prices and Quantities

Farid runs a doughnut shop in a tiny 3-person town. Farid's rational consumers have the following demand schedules:

Price	Amer	Bushra	Karim
10 cents	10	4	6
25 cents	9	2	5
35 cents	7	1	5
50 cents	5	0	4

Frank - Chapter 03

137. Market demand for doughnuts when the price is 50 cents is

A. 31 doughnuts.

B. 20 doughnuts.

C. 9 doughnuts.

D. 13 doughnuts.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #137
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.

138. From the data you can assume that Bushra

A. thinks that doughnuts are an inferior good.

B. would get more marginal utility from her first doughnut than anything else that she buys for 50 cents.

C. would get less marginal utility from her first doughnut than anything else that she buys for 50 cents.

D. is not a rational consumer.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #138
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

This table shows demand for shoes in a 3 consumer market:

When the price of a pair of shoes is	Younes buys this many pairs	Rachid buys this many pairs	Fawzi buys this many
$100	none	1	none
$75	none	3	1
$50	1	7	3
$30	2	10	5

Frank - Chapter 03

139. What is the market demand for shoes when the price is $50 per pair?

A. 7 Pairs of shoes.

B. 11 Pairs of shoes.

C. 15 Pairs of shoes.

D. It will depend on the supply at $50.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #139
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

140. At $100 per pair, the market demand

A. intersects the y-axis.

B. intersects the x-axis.

C. is exactly the same as Rachid's demand.

D. is less than the quantity supplied.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #140
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

141. The data suggest that

A. Rachid has higher income than Younes or Fawzi.

B. Rachidhas lower income than Younes or Fawzi.

C. Rachid prefers shoes to other items Rachid buys.

D. Younes's demand for shoes is less than Rachid's.

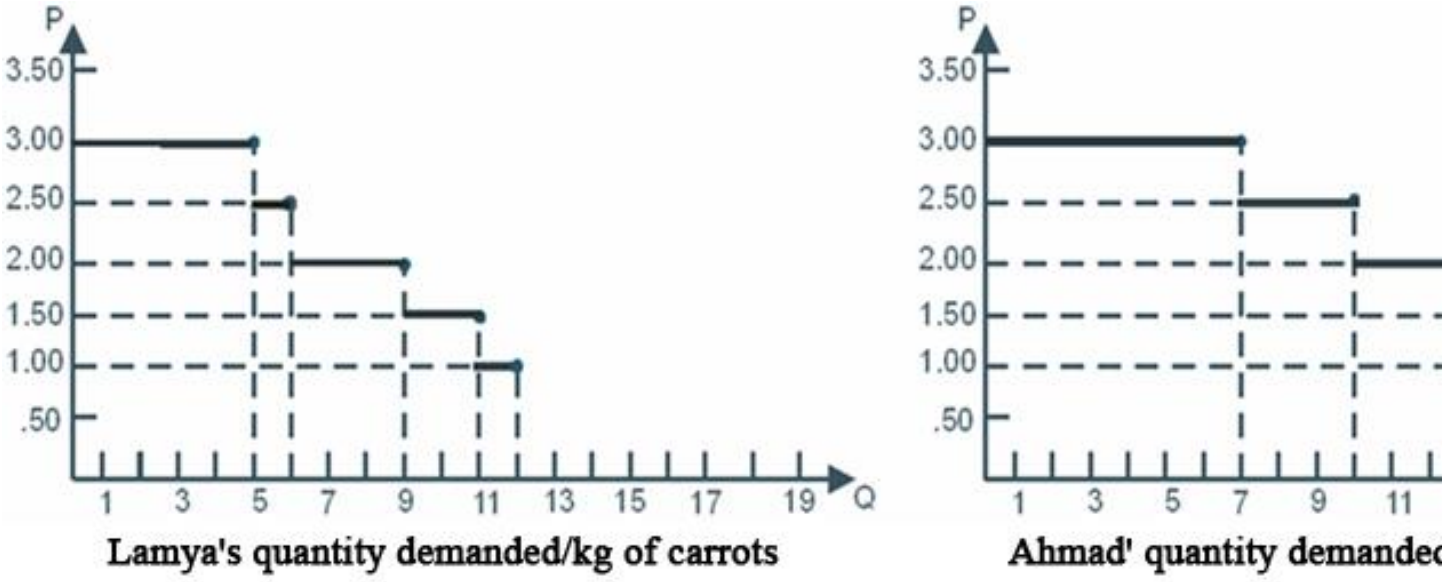
AACSB: Analytical Skills

Blooms: Analysis

Frank - Chapter 03 #141

Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.

Section: Individual and Market Demand Curves



Frank - Chapter 03

142. Refer to the figure above. On the basis of the above graphs, it appears that _____ has the strongest demand for carrots.

A. Ahmad

B. Lamya

C. Lamya and Ahmad both

D. neither Lamya nor Ahmad

AACSB: Analytical Skills

Blooms: Application

Frank - Chapter 03 #142

Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.

Section: Individual and Market Demand Curves

143. Refer to the figure above. At a price of $2.00, Lamya's quantity demanded is _____ and Ahmad's quantity demanded is _____.

A. 11, 14

B. 9, 16

C. 9, 14

D. 11, 13

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #143
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

144. Refer to the figure above. The market demand curve indicates that at a price of $2.50, _____ kg. will be demanded.

A. 3

B. 6

C. 10

D. 16

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #144
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

145. Refer to the figure above. The market demand curve indicates that 27 kg of carrots will be demanded at a price of

A. $1.00

B. $1.50

C. $2.00

D. $2.50

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #145
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

146. Refer to the figure above. When the price decreases from $3.00 to $2.50, quantity demanded in the market will _____ by _____ kg.

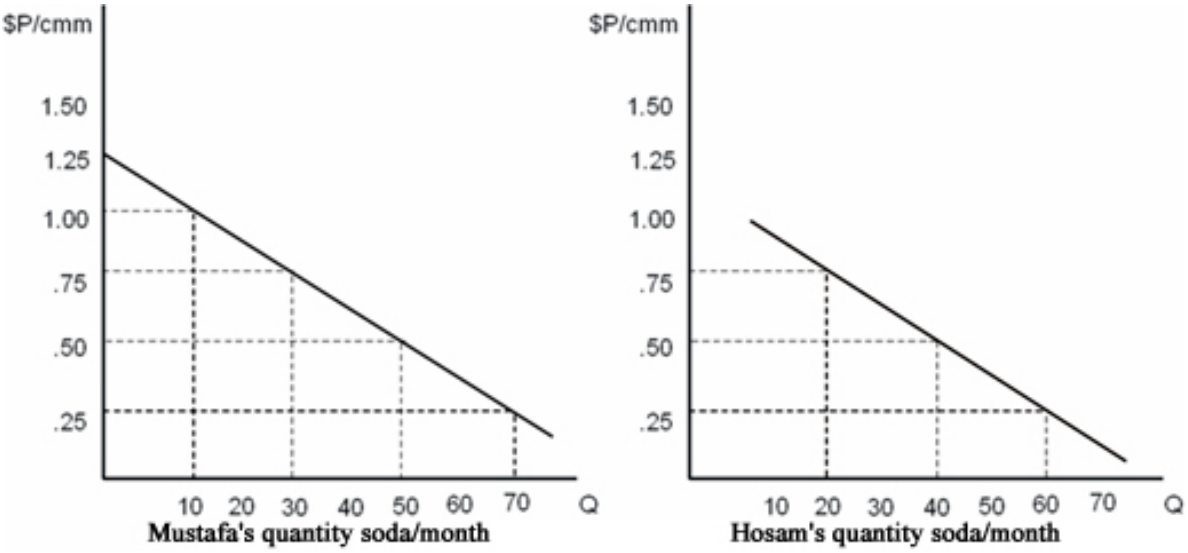
A. decrease, 3

B. increase, 3

C. decrease, 4

D. increase, 4

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #146
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves



Frank - Chapter 03

147. Refer to the figure above. On the basis of the above graphs, it appears that _____ has the strongest demand for soda.

A. Hosam

B. Mustafa

C. Mustafa and Hosam both

D. neither Mustafa nor Hosam

AACSB: Analytical Skills

Blooms: Application

Frank - Chapter 03 #147

Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.

Section: Individual and Market Demand Curves

148. Refer to the figure above. At a price of $0.25, Mustafa's quantity demanded is _____ and Hosam's quantity demanded is _____.

A. 50, 40

B. 90, 80

C. 70, 80

D. 70, 60

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #148
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

149. Refer to the figure above. The market demand curve indicates that at a price of $0.75, _____ cans of soda will be demanded.

A. 20

B. 50

C. 70

D. 100

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #149
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

150. Refer to the figure above. The market demand curve indicates that 90 cans of soda will be demanded at a price of

A. $1.50
B. $1.25
C. $0.75
D. $0.50

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #150
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

151. Refer to the figure above. When the price increases from $0.75 to $1.00, quantity demanded in the market will _____ by _____ cans.

A. decrease, 20
B. increase, 20
C. decrease, 40
D. increase, 40

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #151
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

152. Refer to the figure above. At the price of $1.25,

A. market demand is 40 cans of soda.

B. market demand is 30 cans of soda.

C. market demand is 10 cans of soda.

D. Mustafa and Hosam exit the market.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #152
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

153. When all buyers have identical demand curves, we can get the market demand curve by

A. adding their quantity demanded vertically

B. multiplying each quantity by the number of consumers

C. adding all the prices first than adding all the quantity demanded

D. adding each consumers utility

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #153
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

154. At the price of 25 cents/each, 500 consumers demand 4 oranges each. At the price of 20 cents/each, 750 consumers demand 5 oranges each. Therefore, the market demand curve for orange will have a quantity of _____ oranges demanded at the price of 25 cents/each and a quantity of _____ oranges demanded at the price of 20 cents/each.

A. 4, 5

B. 500, 750

C. 1250, 1500

D. 2000, 3750

AACSB: Analytical Skills

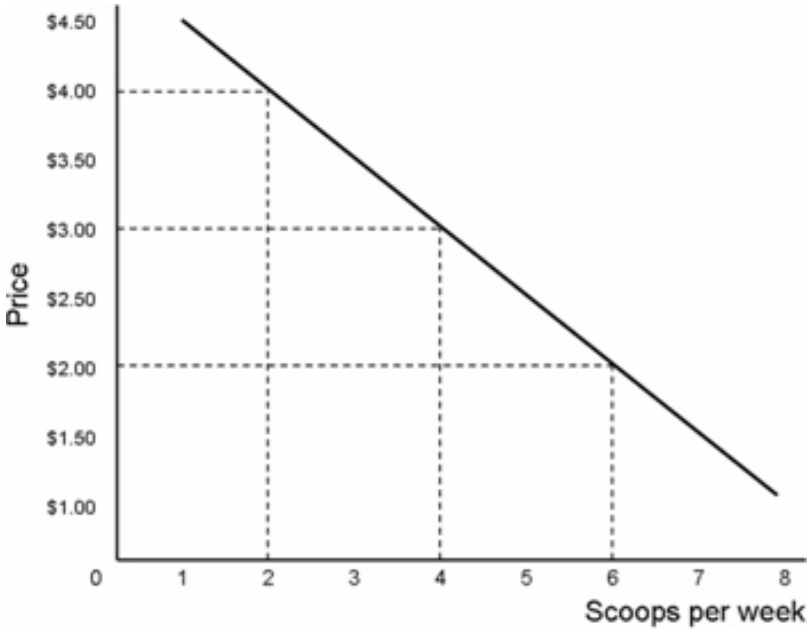
Blooms: Application

Frank - Chapter 03 #154

Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.

Section: Individual and Market Demand Curves

This graph shows one consumer's demand for ice cream at the student union:



Frank - Chapter 03

155. During a regular semester, there are 500 students. Each student's demand for ice cream is as depicted above. When the price of one scoop of ice cream is $2.00, those 500 students purchase a total of

A. 2,000 scoops of ice cream
B. 2,500 scoops of ice cream
C. 3,000 scoops of ice cream
D. 5,000 scoops of ice cream

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #155
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

156. During the summer, there are only 300 ice cream consuming students on campus, each with demand as shown above. At $2.00 per scoop, those 300 students purchase ____ scoops of ice cream per week.

A. 1,200
B. 1,500
C. 1,800
D. 3,000

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #156
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

157. During the semester, the student union charges $3.00 per scoop. If every student who buys ice cream has the demand curve shown, when there are 1,000 students _____ scoops are sold per week.

A. 400
B. 1,000
C. 2,000
D. 4,000

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #157
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

158. During the semester, the student union sells a total of 7,200 scoops of ice cream at a price of $2.00 per scoop. If every student who buys ice cream has the demand curve shown, there must be _____ students purchasing ice cream.

A. 800
B. 1,200
C. 1,500
D. 2,000

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #158
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

159. An increase in the number of students enrolled on this campus will

A. cause the demand curve shown above to shift to the right.

B. cause the demand curve shown above to shift to the left.

C. cause an increase in market demand by increasing the number of individual demand curves.

D. not affect market demand, but increase quantity demanded by individuals.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #159
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

160. Farid is one of the students whose demand is shown. When price is $4.00, Farid buys ____ scoops, but when price is $2.00, Farid buys _____ scoops.

A. 1; 3

B. 2; 5

C. 2; 4

D. 2; 6

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #160
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Demand Curves

161. As the market price of a service increases, more people will decide to perform that service because

A. higher prices always result in higher revenue.

B. more people will find that the market price exceeds their reservation price.

C. higher-priced services are more prestigious.

D. service jobs are in higher demand than manufacturing jobs.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #161
Learning Objective: 03-05 The relationship between individual demand and supply curves with market demand and supply curves.
Section: Individual and Market Supply Curves

162. The most important decision that sellers make is

A. whether to set profit maximization as a goal.

B. whether to produce another unit.

C. whether to change the price of their product.

D. whether to expand factory facilities.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #162
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

163. A rational seller will sell another unit if

A. the profit earned from the sale of the next unit is greater than the profit earned on the sale of the last unit.

B. the cost of making the next unit is less than the revenue gained by selling the next unit.

C. the quantity demanded of the seller's output is greater than zero.

D. the price that could be charged is greater than the equilibrium price.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #163
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

164. According to the cost-benefit principle, you should switch to another task or job when

A. the benefit from performing the new task is less than the benefit from continuing to perform the original task.

B. the benefit from performing the new task just exceeds the opportunity cost of performing that new task.

C. your productivity at the first task has diminished to the point at which the benefit from continuing with that task is zero.

D. the opportunity cost of performing the original task is less than the benefit of performing the original task.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #164
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

165. A person's reservation price for performing a task equals

A. the equilibrium wage.
B. the total value of all of the other things the person could be doing during that time.
C. the value of the most attractive alternative activity that the person could be doing during that time.
D. the price for which the good produced could be sold.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 03 #165
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

166. Your neighbors have asked you to look after their dog while they are on vacation. It will take you one hour per day to feed, walk, and care for the dog, which you can do either before or after you go to work. Your regular job pays $10 per hour, and you can work for up to eight hours per day. Your reservation price for taking care of the neighbor's dog is

A. $10, because that is your opportunity cost of one hour of work.
B. $15, because overtime wages are generally equal to 1.5 times your regular wage when you work more than eight hours in one day.
C. zero, because your regular job is not available for the ninth hour of work.
D. the value of one hour of leisure, which is greater than zero.

AACSB: Reflective Thinking Skills
Blooms: Analysis
Frank - Chapter 03 #166
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

167. Why are you more likely to see a poor person picking up aluminum cans than a wealthy person?

A. Wealthy people care less about the environment.

B. Wealthy people have higher opportunity costs for their time.

C. Wealthy people are more concerned about their public image.

D. Wealthy people are more likely to be aware of diseases that are transmitted through litter.

AACSB: Reflective Thinking Skills
Blooms: Application
Frank - Chapter 03 #167
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

Jaafar is trying to decide how to divide his time between his job as a stocker in the local grocery store, which pays $7/hr for as many hours as he chooses to work, and cleaning windows for the businesses in downtown. He makes $2 for every window he cleans. Jaafar is indifferent between the two tasks, and the number of windows he can clean depends on how many hours he cleans a day, as shown in the table below:

Cleaning time (hr/day)	Total numbers of windows cleaned
0	0
1	7
2	11
3	14
4	16
5	17

Frank - Chapter 03

168. What is Jaafar's hourly opportunity cost of cleaning windows?

A. $14

B. $8

C. $7

D. $2

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #168
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

169. His benefit from the first hour cleaning windows is

A. $14

B. $8

C. $7

D. $2

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #169
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

170. The first hour Jaafar spends cleaning windows costs him _____ that he could have earned in the grocery store.

A. $0

B. $2

C. $14

D. $7

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #170
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

171. A second hour cleaning windows will yield additional earnings of _____

A. $2

B. $14

C. $8

D. $7

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #171
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

172. Does the 3rd hour cleaning satisfy the cost-benefit principle?

A. yes, since he makes $28

B. yes, since the additional amount earned is $14

C. no, since the additional amount earned is $6

D. yes, since the additional amount earned is $6.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #172
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

173. What is the smallest amount of money per window cleaned that would induce Jaafar to spend at least one hour per day cleaning?

A. $7

B. $1

C. $3

D. $2

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #173
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

174. What is Jaafar's reservation price for 4th and 5th hours of cleaning windows?

A. $7 and $7.5 respectively

B. $2 and $3.5 respectively

C. $3.5 and $7 respectively

D. $11 and $14 respectively

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #174
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

175. If we plot Jaafar's reservation price per window on the vertical axis and the number of windows cleaned each day on the horizontal axis, we will have John's _____ curve of window cleaning service.

A. marginal product

B. marginal cost

C. marginal benefit (utility)

D. demand

AACSB: Reflective Thinking Skills
Blooms: Analysis
Frank - Chapter 03 #175
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

176. Your math professor has assigned 20 homework problems that are due next week. After working for an hour, you notice you have completed 4 problems. After another hour, you have completed 3 more problems. During the third hour, you finish 2 problems. What economic principle best explains this?

A. The principle of diminishing marginal utility: you do not enjoy working the problems as much during the last hour as you did during the first hour.

B. The low-hanging-fruit principle: you completed the easiest problems first.

C. The cost-benefit principle: the benefit of working an additional problem is less than the cost.

D. The principle of comparative advantage: you are better at English than at math.

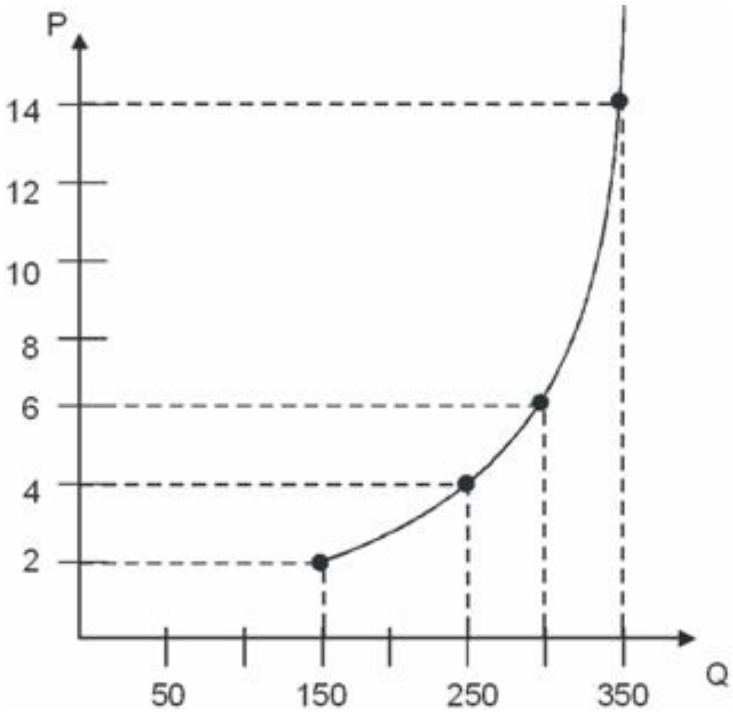
AACSB: Reflective Thinking Skills

Blooms: Application

Frank - Chapter 03 #176

Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.

Section: Thinking About Supply: The Importance of Opportunity Cost



Frank - Chapter 03

177. Refer to the figure above. What is the seller's reservation price when producing 250 units?

A. $2

B. $4

C. $8

D. $14

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #177
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

178. Refer to the figure above. If the market price for this good is $6, how many units would this supplier produce?

A. 50

B. 150

C. 250

D. 300

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 03 #178
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

179. Refer to the figure above. The relation between price and the quantity produced is _____ making this curve slope ____.

A. positive, downward

B. positive, upward

C. negative, downward

D. negative, upward

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 03 #179
Learning Objective: 03-02 How the supply curve summarizes the behavior of sellers in the marketplace.
Section: Thinking About Supply: The Importance of Opportunity Cost

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