

Chapter 4

The Market Forces of Supply and Demand

Test A

1. A market is a
- place where only buyers come together.
 - place where only sellers meet.
 - group of people with common desires.
 - group of buyers and sellers of a particular good or service.

ANSWER: d. group of buyers and sellers of a particular good or service.

2. A monopoly is a market
- with one seller.
 - with few sellers.
 - with one buyer.
 - where the government sets the price.

ANSWER: a. with one seller.

3. When we are studying the behavior of buyers, we are studying
- supply.
 - demand.
 - an entire market.
 - government regulation.

ANSWER: b. demand.

4. A demand curve is the
- curve that relates income with quantity demanded.
 - upward-sloping line relating price with quantity supplied.
 - downward-sloping line relating the price of the good with the quantity demanded.
 - None of the above answers is correct.

ANSWER: c. downward-sloping line relating the price of the good with the quantity demanded.

5. If a good is "normal," then an increase in income will result in
- a lower market price.
 - a decrease in the demand for the good.
 - an increase in the demand for the good.
 - no change in the demand for the good.

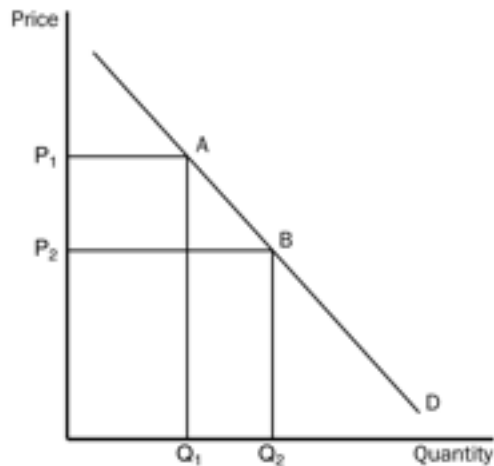
ANSWER: c. an increase in the demand for the good.

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6. If the price of a substitute to good X increases, then the
- demand for good X will decrease.
 - demand for good X will increase.
 - market price of good X will decrease.
 - demand for good X will not change.

ANSWER: b. demand for good X will increase.

7. What will happen in the rice market if buyers are expecting higher prices in the near future?
- The supply of rice will increase.
 - The demand for rice will decrease.
 - The demand for rice will increase.
 - The demand for rice will be unaffected.

ANSWER: c. The demand for rice will increase.



8. The movement from point A to point B on the graph would be caused by
- an increase in income.
 - an increase in price.
 - a decrease in price.
 - a decrease in the price of a substitute good.

ANSWER: c. a decrease in price.

9. *Ceteris paribus* is a Latin phrase that literally means
- “after this therefore because of this.”
 - “other things being equal.”
 - “to respond slowly to a change in price.”
 - “There’s no such thing as a free lunch.”

ANSWER: b. “other things being equal.”

10. Which of the following would NOT shift the demand curve for a good or service?

-
- a. a change in income
 - b. a change in the price of a related good
 - c. a change in the price of the good or service
 - d. a change in expectations about the price of the good or service

ANSWER: c. a change in the price of the good or service

11. If the number of buyers in the market decreases, the

- a. demand in the market will decrease.
- b. supply in the market will increase.
- c. demand in the market will increase.
- d. supply in the market will decrease.

ANSWER: a. demand in the market will decrease.

12. When the price of a good or service changes,

- a. supply shifts in the opposite direction.
- b. demand shifts in the opposite direction.
- c. demand shifts in the same direction.
- d. there is a movement along a stable demand curve.

ANSWER: d. there is a movement along a stable demand curve.

1 ANSWER: d. group of demanders and suppliers of a particular good or service.

TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

2 ANSWER: a. with one seller.

TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

3 ANSWER: b. demand.

TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

4 ANSWER: c. downward-sloping line relating the price of the good with the quantity demanded.

TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

5 ANSWER: c. an increase in the demand for the good.

TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

6 ANSWER: b. the demand for good X will increase.

TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

7 ANSWER: c. The demand for rice will increase.

TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

8 ANSWER: c. a decrease in price.

TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

9 ANSWER: b. "other things being equal."

TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

10 ANSWER: c. a change in the price of the good or service

TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

11 ANSWER: a. the demand in the market will decrease.

TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

12 ANSWER: d. there is a movement along a stable demand curve.

TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y