MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question on the accompanying scantron.

1) The "law of demand" states that changes in
   A) the quantity demanded of a good are inversely related to changes in its price.
   B) the quantity demanded of a good are not related to changes in the quantity supplied.
   C) demand are inversely related to changes in supply.
   D) demand are related directly to changes in supply.

2) When the price of a pizza decreases from $12 to $10,
   A) the income effect means people buy less pizza.
   B) the quantity demanded of pizza will not change.
   C) the substitution effect means people buy more pizza.
   D) None of the above answers is correct.

3) When the price of a good falls, ceteris paribus, the income effect for a normal good implies that people buy
   A) less of that good because the relative price of the good has fallen.
   B) more of that good because the relative price of the good has risen.
   C) less of that good because they cannot afford to buy all the things they previously bought.
   D) more of that good because they can afford to buy more of all the things they previously bought.

4) Which of the following shifts the demand curve for oranges?
   A) an increase in the price of the fuel used to transport oranges to supermarkets
   B) disastrous weather that destroys about half of this year’s orange crop
   C) great weather that produces a bumper orange crop this year
   D) a decrease in the price of a pound of bananas, a substitute in consumption for oranges

5) Which of the following lists has variables that all shift a demand curve?
   A) expectation of future price, price of the good, number of buyers, income
   B) price of the good, preferences, prices of substitution goods, income
   C) income, preferences, number of buyers, price of complementary good
   D) Both answers A and B are correct.

6) Which of the following will result in a leftward shift in the demand curve for hot dogs?
   A) an increase in the price of a hot dog bun
   B) an increase in the price of a hamburger
   C) a decrease in the price of a hot dog bun
   D) an increase in the price of a hot dog
7) If the price of chicken falls, then in the market for beef,
   A) there would be a movement downward along the demand curve for beef.
   B) there would be a movement upward along the demand curve for beef.
   C) the demand curve for beef would shift leftward.
   D) the demand curve for beef would shift rightward.

8) An increase the expected future price of a good
   A) has no effect on either its demand or its supply.
   B) increases its demand.
   C) decreases its demand.
   D) increases its supply.

9) Suppose Frosty Pops cereal is an inferior good. An increase in income
   A) leads to a decrease in the demand for Frosty Pops.
   B) leads to an increase in the demand for Frosty Pops.
   C) has no impact on the demand for Frosty Pops.
   D) has no income effect.

10) Which of the following would NOT shift the demand curve for broccoli?
    A) a warning by the U.S. Surgeon General that broccoli causes schizophrenia
    B) an increase in the cost of fertilizer used to grow broccoli
    C) an increase in the price of spinach, a substitute for broccoli, because rodents gobbled up much of this year’s spinach crop
    D) a decrease in the price of spinach, a substitute for broccoli, because of a bumper crop of spinach this year

11) Cable television companies nation–wide must pay increased charges by the networks for the programs the cable companies carry. As a result, they raise the price of cable television. Thus
    A) the demand curve for cable television service shifts rightward.
    B) there is a movement down the demand curve for cable television to a higher quantity demanded.
    C) there is a movement up the demand curve for cable television to a smaller quantity demanded.
    D) the demand curve for cable television service shifts leftward.

12) If the price per bushel of apples increased from $7.00 to $8.00 because of a poor harvest,
    A) the demand for apples decreases.
    B) the quantity of apples supplied decreases.
    C) the quantity of apples demanded decreases.
    D) Both answers A and B are correct.
13) The "law of supply" states that, other things remaining the same, A) firms will produce more of a good the higher its price. B) firms will produce less of a good as the required resources become scarcer. C) firms will produce less of a good the more it costs to produce it. D) firms will produce more of a good the less it costs to produce it.

14) By itself, an increase in the number of suppliers in a market results in a A) rightward shift in the supply curve. B) leftward shift in the supply curve. C) movement down along the supply curve. D) Both answers A and C are correct.

15) If there is an increase in demand for lumber, then, in the market for sawdust, (lumber and sawdust are jointly produced) A) the supply curve of sawdust shifts rightward. B) the supply curve of sawdust shifts leftward. C) there would be a movement downward along the supply curve for sawdust. D) there would be a movement upward along the supply curve for sawdust.

16) Consider the market for broccoli. If the price of a pound of broccoli increases, what will happen to the supply of broccoli? A) The supply of broccoli will increase. B) The supply of broccoli will decrease. C) There will be no change in the supply of broccoli, but instead will be a decrease in the quantity supplied of broccoli. D) There will be no change in the supply of broccoli, but instead will be an increase in the quantity supplied of broccoli.

17) Which of the following shifts the supply curve for oranges? A) a newly discovered increase in the nutritional value of oranges B) an increase in income for all orange consumers C) an increase in the price of bananas, a substitute in consumption for oranges D) disastrous weather that destroys about half of this year's orange crop

18) Which of the following is the best way to describe equilibrium in a market? At equilibrium, A) the price charged is usually affordable to most people. B) the supply and demand curves can never shift again. C) the quantity supplied equals the quantity demanded. D) the price charged is the lowest possible.
19) If the U.S. Surgeon General announces that increased wheat consumption could cause heightened anxiety levels among children and adults, what happens to the equilibrium price and quantity of shredded wheat?
   A) The equilibrium price falls and the equilibrium quantity decreases.
   B) The equilibrium price rises and the equilibrium quantity increases.
   C) The equilibrium price rises and the equilibrium quantity decreases.
   D) The equilibrium price falls and the equilibrium quantity increases.

20) Coffee and sugar are complements. If a poor sugar harvest leads to an increase in the price of sugar, there will also be
   A) an increase in coffee prices as well.
   B) a leftward shift of the supply curve of coffee.
   C) a decrease in coffee prices.
   D) a rightward shift in the demand curve for coffee.

21) If the U.S. Surgeon General announced that increased grapefruit juice consumption could cause lower cholesterol levels, what would happen to the equilibrium price and quantity of grapefruit juice?
   A) Price and quantity both increase.
   B) Price increases but quantity decreases.
   C) Price decreases but quantity increases.
   D) Price and quantity both decrease.

22) During the last decade, the price of shoes rose substantially yet people bought more pairs of new shoes each year. This experience suggests that
   A) the demand curve for shoes shifted leftward.
   B) the supply curve of shoes shifted rightward.
   C) the supply curve of shoes shifted leftward.
   D) the demand curve for shoes shifted rightward.

23) We observe that both the equilibrium price of 35mm cameras and the equilibrium quantity of cameras have decreased. Which of the following events could be responsible for this?
   A) Consumers' income rose and 35mm cameras are a normal good.
   B) The price of 35mm films fell.
   C) A technological advance lowered 35mm camera production costs.
   D) The price of digital cameras fell.

24) Bicycles are made out of steel. If the price of steel increases, there is a shift in the supply curve of bicycles that leads to
   A) a permanent surplus of bicycles.
   B) an increase in the price of a bicycle.
   C) a temporary surplus of bicycles.
   D) a shift in the demand curve for bicycles.
25) When the demand and supply curves both shift rightward, which of the following happens?

A) The equilibrium quantity increases and any change in the equilibrium price cannot be determined.
B) The equilibrium price falls and any change in the equilibrium quantity cannot be determined.
C) The equilibrium price falls and the equilibrium quantity increases.
D) The equilibrium price rises and the equilibrium quantity decreases.
Answer Key
Testname: MICRO QUIZ 2

1) A
   ID: micec7b 4-15
   Topic: The Law of Demand

2) C
   ID: micec7b 4-25
   Topic: Demand; Substitution Effect

3) D
   ID: micec7b 4-31
   Topic: Demand; Income Effect

4) D
   ID: micec7b 4-44
   Topic: Change in Demand, Prices of Related Goods

5) C
   ID: micec7b 4-76
   Topic: Change in Demand

6) A
   ID: micec7b 4-47
   Topic: Change in Demand, Prices of Related Goods

7) C
   ID: micec7b 4-54
   Topic: Change in Demand, Prices of Related Goods

8) B
   ID: micec7b 4-56
   Topic: Change in Demand, Expected Future Prices

9) A
   ID: micec7b 4-63
   Topic: Change in Demand, Income

10) B
    ID: micec7b 4-75
    Topic: Change in Demand

11) C
    ID: micec7b 4-79
    Topic: A Change in the Quantity Demanded Versus a Change in Demand

12) C
    ID: micec7b 4-83
    Topic: A Change in the Quantity Demanded Versus a Change in Demand

13) A
    ID: micec7b 4-95
    Topic: The Law of Supply

14) A
    ID: micec7b 4-105
    Topic: Change in Supply, Number of Suppliers

15) A
    ID: micec7b 4-103
    Topic: Change in Supply, Prices of Related Goods Produced

16) D
    ID: micec7b 4-119
    Topic: A Change in the Quantity Supplied Versus a Change in Supply

17) D
    ID: micec7b 4-118
    Topic: Change in Supply
Answer Key
Testname: MICRO QUIZ 2

18) C
   ID: micec7b 4–126
   Topic: Market Equilibrium

19) A
   ID: micec7b 4–138
   Topic: Predicting Changes in Price and Quantity; Demand Changes

20) C
   ID: micec7b 4–143
   Topic: Predicting Changes in Price and Quantity; Demand Changes

21) A
   ID: micec7b 4–147
   Topic: Predicting Changes in Price and Quantity; Demand Changes

22) D
   ID: micec7b 4–155
   Topic: Predicting Changes in Price and Quantity; Demand Changes

23) D
   ID: micec7b 4–162
   Topic: Predicting Changes in Price and Quantity; Demand Changes

24) B
   ID: micec7b 4–167
   Topic: Predicting Changes in Price and Quantity; Supply Changes

25) A
   ID: micec7b 4–183
   Topic: Predicting Changes in Price/Quantity; Demand/Supply Increase