

## Microeconomics: Practice Quiz#2

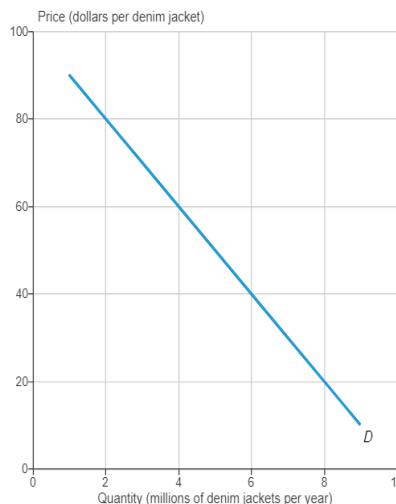
**MULTIPLE CHOICE.** Circle the choice that best completes the statement or answers the question.

1. The price of oil hit a record high above \$135 a barrel in May 2008 more than twice what it cost the year before. OPEC has so far blamed price rises on speculators and says there is no shortage of oil. Complete the following sentence.

If OPEC is correct, the price change could have occurred as a result of a demand changing because of \_\_\_\_\_ in the expected price of oil and supply changing because of \_\_\_\_\_ in the expected price of oil.

- (a) a decrease; an increase
- (b) a decrease; a decrease
- (c) an increase; a decrease
- (d) an increase; an increase

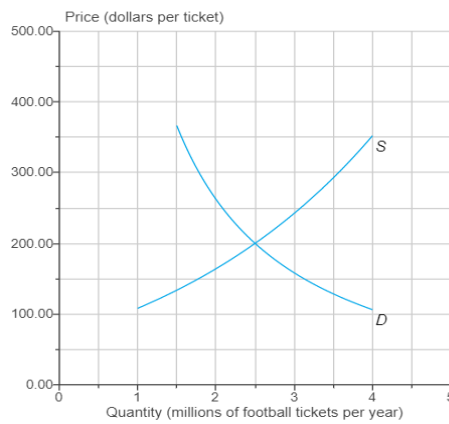
**The figure below shows the demand curve for denim jackets. Complete the following sentences.**



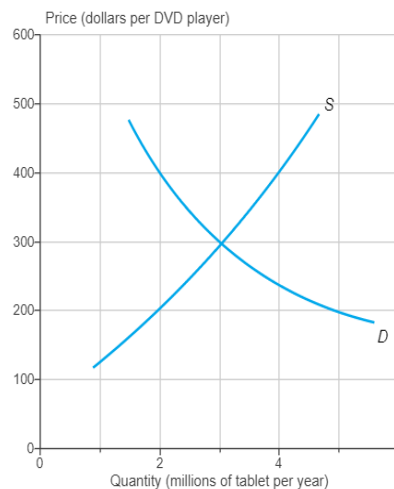
2. If the price of a denim jacket falls from \$60 to \$20, while all other influence on buying plans are unchanged, the quantity of denim jackets demanded \_\_\_\_\_.
- (a) increases
  - (b) decreases
  - (c) does not change
  - (d) reverses

3. If the price of a denim jacket falls from \$60 to \$20, while all other influences on buying plans are unchanged, the quantity of denim jackets demanded changes from \_\_\_\_\_ to \_\_\_\_\_.
- (a) 4 million; 8 million
  - (b) 5 million; 6 million
  - (c) 8 million; 4 million
  - (d) 6 million; 5 million
4. American Airlines announced yesterday that it will begin charging passengers \$15 for their piece of checked luggage, in addition to raising other fees and cutting domestic flights as it grapples with record-high fuel prices. The news clip illustrates a change in the supply of flights when it reports that American Airlines is \_\_\_\_\_.
- (a) cutting the number of flights with no mention of a change in the airfare.
  - (b) charging \$15 to check a bag so that it can cut the number of flights
  - (c) paying more for fuel and charging people to check a bag
  - (d) charging \$15 for a checked bag, which will cut the number of air travelers.
5. The market for gasoline is a competitive market \_\_\_\_\_.
- (a) if many people buy and many firms sell gasoline, so no single buyer or seller can influence the price
  - (b) if many people buy gasoline, but only a few firms sell gasoline
  - (c) if many people buy gasoline, but only one firm sells gasoline
  - (d) if many people buy gasoline, so sellers can hold out for a high price
6. If, as Paula's income increases her demand for ramen noodles decreases, then for Paula ramen noodles are \_\_\_\_\_.
- (a) a complement
  - (b) a substitute
  - (c) an inferior good
  - (d) a normal good
7. A decrease in the supply of T-shirts brings \_\_\_\_\_ of T-shirts at the original price and a \_\_\_\_\_ in their price.
- (a) surplus; rise
  - (b) shortage; fall
  - (c) shortage; rise
  - (d) surplus; fall

8. Given the demand and supply curves in the graph the equilibrium price is \_\_\_\_

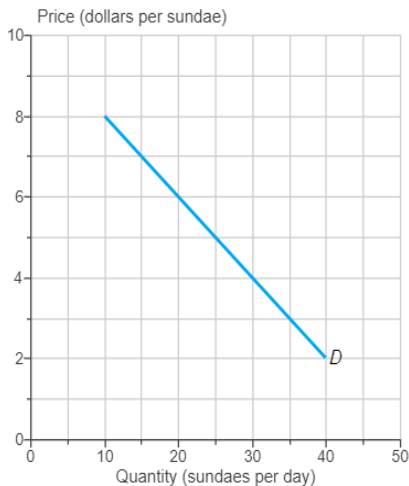


- (a) \$200.00  $\times$  2.5 million football tickets
  - (b) \$200.00 per ticket
  - (c) 2.5 million football tickets
  - (d) unknown because we don't know the number of football tickets actually sold
9. The graph shows the market for tablets. A surplus occurs at a given price when \_\_\_\_.  
The price \_\_\_\_ to reach equilibrium.



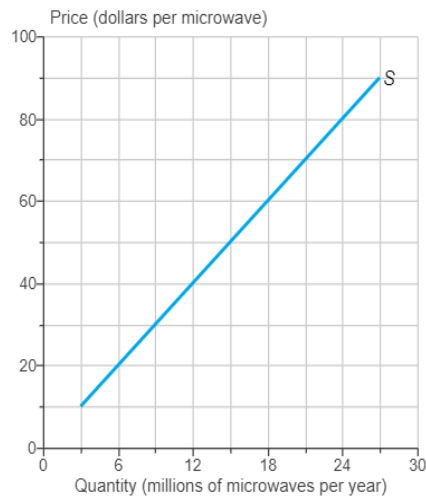
- (a) the quantity demanded is greater than the quantity supply; rises
- (b) demand is greater than supply; rises
- (c) supply is greater than demand; falls
- (d) the quantity supplied is greater than the quantity demanded; falls

10. Producers of smartphones expect the price of a factor of production used to produce a smartphone to rise and the number of firms producing and selling smartphones to decrease. You predict that the price of a smartphone will \_\_\_\_\_ and the quantity of smartphones bought will \_\_\_\_\_.
- (a) either rise, fall, or remain the same; increase
  - (b) fall; increase, decrease or remain the same
  - (c) either rise, fall, or remain the same; decrease
  - (d) rise; decrease
11. The figure shows the demand for sundaes.



- If the price of a sundae rises, a \_\_\_\_\_ the demand curve occurs. If any factor that influences buying plans other than price changes, then a \_\_\_\_\_ the demand curve occurs.
- (a) movement down along; shift of
  - (b) movement up along; shift of
  - (c) leftward shift of; movement up along
  - (d) rightward shift of; movement down along
12. In the market for chocolate bars, the supply of chocolate bars will increase if \_\_\_\_\_.
- (a) the price of cocoa increases
  - (b) price of a chocolate bar increases
  - (c) the number of chocolate manufacturers increases
  - (d) the future expected price of chocolate bar increases

13. The figure shows the supply curve of microwaves.



- If the price of a microwave rises from \$20 to \$60, while all other influences on selling plans are unchanged, the quantity of microwaves supplied \_\_\_\_.
- (a) decreases by an unknown amount
  - (b) increases by an unknown amount
  - (c) increases from 6 million to 18 million
  - (d) decreases from 18 million to 6 million
14. The law of supply states that other things remaining the same, the higher the price of a good, the \_\_\_\_; and the lower the price of a good, the \_\_\_\_.
- (a) smaller is the quantity supplied; greater is the quantity supplied
  - (b) smaller is the supply; greater is the supply
  - (c) greater is the supply; smaller is the supply
  - (d) greater is the quantity supplied; smaller is the quantity supplied
15. If, as the price of a hot dog increases, the quantity of ketchup that people buy decreases, then hot dogs and ketchup are \_\_\_\_.
- (a) substitutes
  - (b) normal goods
  - (c) inferior goods
  - (d) complements

16. A relative price is \_\_\_\_.
- (a) an opportunity cost
  - (b) what you get paid for babysitting your cousin
  - (c) always greater than a money price
  - (d) the ratio of the price paid for a good in Canada to the price paid for a similar good in another country
17. A decrease in the demand for ramen noodles together with an increase in the supply of ramen noodles bring a \_\_\_\_ of ramen noodles at the original price and a \_\_\_\_ in their price.
- (a) shortage; fall
  - (b) shortage; rise
  - (c) surplus; rise
  - (d) surplus; fall
18. If as the price of beef decreases, the quantity of leather that firms plan to sell decreases; then beef and leather are \_\_\_\_.
- (a) normal goods
  - (b) complements in production
  - (c) substitutes in production
  - (d) inferior goods
19. The equilibrium quantity \_\_\_\_.
- (a) is any quantity at which the quantity supplied is greater than or equal to the quantity demanded
  - (b) is the quantity supplied at the equilibrium price, but not necessarily the quantity demanded
  - (c) and equilibrium price are determined at the intersection of the supply curve and the demand curve
  - (d) is quantity demanded at the equilibrium price, but not necessarily quantity sold
20. The law of demand states that \_\_\_\_, the \_\_\_\_ the price of a good, the smaller the quantity demanded
- (a) other things remaining the same; higher
  - (b) even when other factors change; lower
  - (c) even when other factors change; higher
  - (d) other things remaining the same; lower

21. Taking a smartphone to the gym when you work-out becomes less popular. As a result, \_\_\_\_\_.  
(a) the demand for smartphones increases  
(b) the quantity of smartphones demanded increases  
(c) the demand for smartphones decreases  
(d) the quantity of smartphones demanded decreases
22. A decrease in the demand for T-shirts brings a \_\_\_\_\_ of T-shirts at the original price and the market price will \_\_\_\_\_.  
(a) shortage; rise  
(b) surplus; rise  
(c) shortage; fall  
(d) surplus; fall
23. The price of oil rises if the demand for oil \_\_\_\_\_ and the supply of oil \_\_\_\_\_.  
(a) decreases; increases  
(b) increases; increases  
(c) increases; decreases  
(d) decreases; decreases
24. A shortage in the market for oil implies that \_\_\_\_\_.  
(a) the market for oil is a competitive market  
(b) more people are travelling  
(c) the price of oil being prevented from influencing buying and selling plans  
(d) the market for oil needs government action
25. Bottled water and health club membership are \_\_\_\_\_.  
(a) substitutes  
(b) complements in production  
(c) complements  
(d) substitutes in production

**COMPLETE SOLUTIONS.** Show all your work, using correct terminology, for full marks. Use fully labelled diagrams and references to examples where appropriate.

26. Explain two factors which could shift a firm's supply curve to the left.
27. Explain how the price mechanism reallocates resources when there is an increase in demand for a good or service.
28. A fall in income leads to a fall in demand for a good. Explain this relationship between the demand for the good and consumer income.
29. Distinguish between the effect of an increase in income and an increase in the price of a good on the demand for the good.
30. Explain one supply factor and one demand factor that might lead to a rise in the price of rented housing.