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

1) If the price of a candy bar is $1 and the price of a fast food meal is $5,
   A) the relative price of a fast food meal is 5 candy bars.
   B) the relative price of a candy bar is 5 fast food meals.
   C) the money price of a candy bar is 1/5 of a fast food meal.
   D) the money price of a fast food meal is 1/5 of a candy bar.

2) The law of demand states that, other things remaining the same, the higher the price of a good, the 2) _______
   A) larger is the demand for the good.
   B) smaller is the demand for the good.
   C) smaller is the quantity of the good demanded.
   D) larger is the quantity of the good demanded.

3) The demand for a good increases when the price of a substitute _______ and also increases when the price of a complement _______.
   A) falls; rises  B) rises; falls  C) rises; rises  D) falls; falls

4) People come to expect that the price of a gallon of gasoline will rise next week. As a result,
   A) the price of a gallon of gasoline falls today.
   B) today's demand for gasoline increases.
   C) next week's supply of gasoline decreases.
   D) today's supply of gasoline increases.

5) The demand curve for a normal good shifts leftward if income _______ or the expected future price _______.
   A) increases; falls  B) decreases; falls  C) decreases; rises  D) increases; rises

6) A decrease in the price of a game of bowling shifts the
   A) supply curve of bowling balls rightward.
   B) demand curve for bowling balls rightward.
   C) supply curve of bowling balls leftward.
   D) demand curve for bowling balls leftward.

7) A normal good is a good for which demand
   A) decreases when income increases.
   B) increases when population increases.
   C) decreases when population increases.
   D) increases when income increases.

8) In 2000 there were 200,000 gas grills demanded at a price of $500. In 2001 there were more than 200,000 gas grills demanded at the same price. This increase could be the result any of the following EXCEPT
   A) an increase in population.
   B) a fall in the price of natural gas, a complement for a gas grill.
   C) an increase in income if gas grills are a normal good.
   D) an increase in the supply of gas grills.

9) A change in which of the following alters buying plans for cars but does NOT shift the demand curve for cars?
   A) an increased preference for walking rather than driving
   B) a 5 percent increase in people's income
   C) a 20 percent increase in the price of a car
   D) a 10 percent decrease in the price of car insurance

10) The supply curve slopes upward when graphed against _______, because of _______.
    A) income; increasing marginal cost
    B) the price of the good; increasing marginal cost
    C) the price of the good; decreasing marginal cost
    D) income; decreasing marginal cost
11) Which of the following shifts the supply curve rightward?
A) a decrease in the price of the good
B) a decrease in the price of the resources used to produce the good
C) an increase in the population
D) a positive change in preferences for the good

12) Good A and good B are substitutes in production. The demand for good A increases so that the price of good A rises. The increase in the price of good A shifts the
A) demand curve for good B leftward.
B) supply curve of good B leftward.
C) supply curve of good B rightward.
D) demand curve for good B rightward.

13) The figure above represents the market for candy. People become more concerned that eating candy causes them to gain weight, which they do not like. As a result, the
A) demand curve will not shift, and the supply curve shifts from \( S_1 \) to \( S_2 \).
B) demand curve shifts from \( D_2 \) to \( D_1 \) and the supply curve shifts from \( S_2 \) to \( S_1 \).
C) demand curve shifts from \( D_1 \) to \( D_2 \) and the supply curve shifts from \( S_1 \) to \( S_2 \).
D) demand curve shifts from \( D_2 \) to \( D_1 \) and the supply curve will not shift.

14) The above figure represents the market for oil. Because of the development of a new deep sea drilling technology the
A) demand curve shifts from \( D_1 \) to \( D_2 \) and the supply curve shifts from \( S_1 \) to \( S_2 \).
B) demand curve will not shift, and the supply curve shifts from \( S_2 \) to \( S_1 \).
C) demand curve shifts from \( D_1 \) to \( D_2 \) and the supply curve will not shift.
D) demand curve will not shift, and the supply curve shifts from \( S_1 \) to \( S_2 \).

15) If the quantity supplied exceeds the quantity demanded, then there is
A) a surplus and the price is below the equilibrium price.
B) a shortage and the price is below the equilibrium price.
C) a surplus and the price is above the equilibrium price.
D) a shortage and the price is above the equilibrium price.

16) Suppose a market begins in equilibrium. If supply increases, then at the original equilibrium price the quantity demanded is
A) is less than the quantity supplied and a surplus results.
B) exceeds the quantity supplied and a shortage results.
C) exceeds the quantity supplied and a surplus results.
D) is less than the quantity supplied and a shortage results.

<table>
<thead>
<tr>
<th>Price (dollars per disc)</th>
<th>Quantity demanded</th>
<th>Price (dollars per disc)</th>
<th>Quantity supplied</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>36,000</td>
<td>4</td>
<td>4,000</td>
</tr>
<tr>
<td>8</td>
<td>32,000</td>
<td>8</td>
<td>8,000</td>
</tr>
<tr>
<td>12</td>
<td>28,000</td>
<td>12</td>
<td>12,000</td>
</tr>
<tr>
<td>16</td>
<td>24,000</td>
<td>16</td>
<td>16,000</td>
</tr>
<tr>
<td>20</td>
<td>20,000</td>
<td>20</td>
<td>20,000</td>
</tr>
<tr>
<td>24</td>
<td>16,000</td>
<td>24</td>
<td>24,000</td>
</tr>
<tr>
<td>28</td>
<td>12,000</td>
<td>28</td>
<td>28,000</td>
</tr>
<tr>
<td>32</td>
<td>8,000</td>
<td>32</td>
<td>32,000</td>
</tr>
<tr>
<td>36</td>
<td>4,000</td>
<td>36</td>
<td>36,000</td>
</tr>
</tbody>
</table>
17) The above table gives the demand and supply schedules for compact discs. If the price of a compact disc is $8, there is a ________ and the price of a compact disc will ________.
A) surplus; rise       B) shortage; fall
C) surplus; fall       D) shortage; rise

18) The above table gives the demand and supply schedules for compact discs. Suppose that the price of a compact disc player increases, resulting in the demand for compact discs decreasing by 8,000 units at all prices. What are the new equilibrium quantity and equilibrium price of compact discs?
A) 28,000 and $28       B) 16,000 and $16
C) 8,000 and $8         D) 20,000 and $20

19) At a price of $10 in the above figure, there is
A) a shortage of 200 units.
B) a surplus of 400 units.
C) a surplus of 200 units.
D) a shortage of 400 units.

20) Assume that beef and pork are substitutes for consumers. There is a drought in the cattle grazing areas. The drought will cause the
A) supply curve for pork to shift rightward.
B) supply curve for pork to shift leftward.
C) demand curve for pork to shift leftward.
D) demand curve for pork to shift rightward.

21) Beef and leather belts are complements in production. If people’s concern about health shifts the demand curve for beef leftward, the result in the market for leather belts will be a
A) higher equilibrium price for a leather belt because there is a decrease in the supply of leather belts.
B) lower equilibrium price for a leather belt because there is a decrease in the supply of leather belts.
C) lower equilibrium price for a leather belt because there is an increase in the supply of leather belts.
D) higher equilibrium price for a leather belt because there is an increase in the supply of leather belts.

22) The above figure shows the market for pizza. Which figure shows the effect of a decrease in the price of a pizza substitute such as hamburgers?
A) Figure A       B) Figure B
C) Figures B and C       D) Figure D

23) The above figure shows the market for pizza. Which figure shows the effect of an increase in the price of the tomato sauce used to produce pizza?
A) Figure A       B) Figure B
C) Figure C       D) Figure D
24) In the above figure, a change in quantity demanded with unchanged demand is represented by a movement from
A) point \( a \) to point \( b \).
B) point \( a \) to point \( c \).
C) point \( a \) to point \( e \).
D) None of the above represent a change in the quantity demanded with an unchanged demand.

25) If the price of a DVD player falls, the price of a DVD will _______ and the quantity of DVDs bought will _______.
A) fall; increase
B) rise; increase
C) rise; decrease
D) rise; will not change
Quiz 2: Supply and Demand

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