

ECON 2106 Principles of Microeconomics
Assignment #2 (Chapter 4)

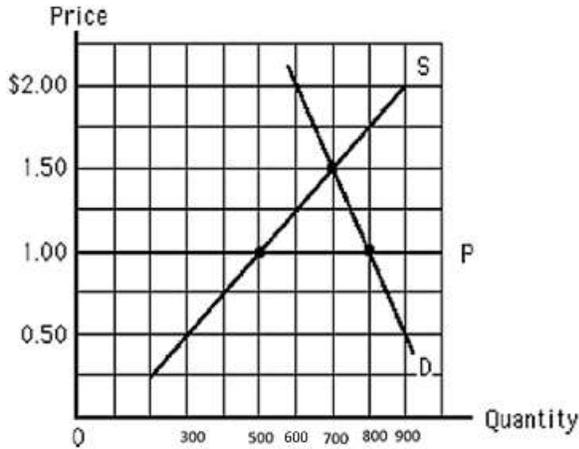
Name _____

- _____ 1. The demand for a product is the amount that
- buyers purchase in the market
 - buyers are willing to purchase at a given price
 - sellers are willing to sell at a particular price
 - buyers are willing and able to purchase at alternative prices
 - buyers are able to purchase at a specific price
- _____ 2. The law of demand says that the lower the price of a good, other things constant,
- the smaller the demand for that good
 - the larger the demand for that good
 - the smaller the quantity demanded of that good
 - the larger the quantity demanded of that good
 - the smaller the real income of consumers and the lower the quantity demanded of that good
- _____ 3. In what way is consumer demand different from consumer wants?
- Demand is only for necessities.
 - Demand is only for luxuries.
 - Demand takes into account the ability to pay.
 - Consumer wants are only for luxuries.
 - Consumer wants are only for necessities.
- _____ 4. Suppose you drink more tea because the price of coffee has increased. Which of the following best explains your action?
- the law of supply
 - tea and coffee are complements
 - the substitution effect
 - the income effect
 - your nominal income has increased
- _____ 5. The law of demand is illustrated by a demand curve that is
- horizontal
 - vertical
 - upward sloping
 - constant
 - downward sloping
- _____ 6. Drake and Josh used to buy instant noodles when they worked part time for minimum wages. After they both found a full-time well-pay job, Drake doesn't buy any instant noodles because he can afford to eat out, while Josh buys more instant noodles because he can afford to eat more of them.
- Instant noodles are inferior good to Drake, and normal good to Josh.
 - Instant noodles are inferior good to both Drake and Josh.
 - Instant noodles are normal good to both Drake and Josh.
 - Instant noodles are normal good to Drake, and inferior good to Josh.
 - Instant noodles are inferior good to everybody because no one really likes them.

- _____ 7. There are three consumers in the market for Quad Copter Drones: Howard, Sheldon, and Raj. At a price of \$100, the quantities demanded by each are 0, 0, and 1, respectively. At a price of \$50, the quantities demanded by each are 1, 1, and 2, respectively. Which of the following is true?
- The market demand curve for Quad Copter Drone does not obey the law of demand.
 - The market demand is that quantity demanded is 1 at the price of \$100; quantity demanded is 4 at the price of \$50.
 - The price decrease causes Sheldon's demand curve to shift the most.
 - At a price of \$100, the quantity demanded in this market must be 4.
 - Raj's behavior does not obey the law of demand; his dad should cut his allowance.
- _____ 8. Which of the following is the best example of substitutes?
- coffee and cream
 - videotapes and VCRs
 - money and biscuits
 - tortillas and salsa
 - hiking boots and athletic shoes
- _____ 9. Sugar and honey are viewed as substitutes for each other in many cooking applications. If the price of sugar rises, we would expect
- the demand for honey to increase
 - the demand for honey to decrease
 - the quantity demanded of honey to decrease
 - the price of honey to decrease
 - the quantity demanded of honey to increase
- _____ 10. Which of the following best defines supply?
- the amount of a good that producers want to sell at a particular price
 - the amount of a good that consumers will buy
 - the amount of a good that producers are willing and able to sell at each possible price, other things constant
 - the amount of a good that producers are willing to sell at each possible price, other things constant
 - the amount of a good that producers are willing and able to buy at each possible price, other things constant
- _____ 11. As the price of milk increases, producers are normally willing to supply greater quantities. This is known as the law of
- demand
 - gravity
 - variable proportions
 - profitability
 - supply
- _____ 12. Which of the following would shift the supply curve for a product to the right?
- an increase in the price of a resource used in the good's production
 - the expectation of a higher price in the near future
 - an increase in the price of the product
 - an increase in the price of an alternative good
 - an improvement in the technology for producing the good

13. Which of the following causes the supply of leather jackets to decrease?
- an increase in the price of leather jackets
 - an increase in the price of leather
 - a decrease in the price of zippers
 - an increase in the number of motorcycles
 - a decrease in consumer income

Exhibit 4-5



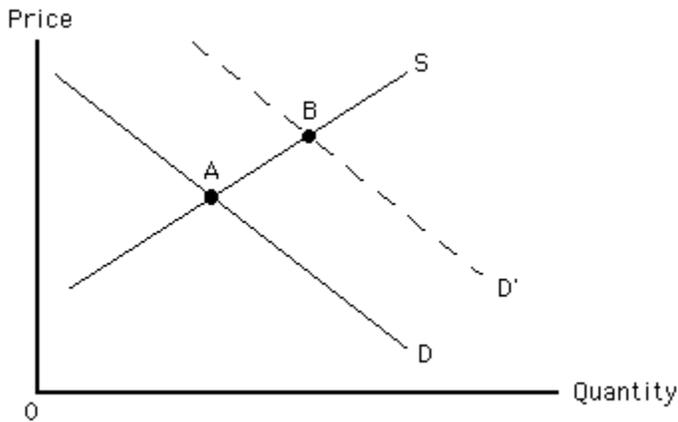
14. Exhibit 4-5 depicts the milk market. What is the market equilibrium?
- The equilibrium price is \$1.50; equilibrium quantity is 700 gallons.
 - The equilibrium price is \$1.00; equilibrium quantity is 500 and 800 gallons.
 - The equilibrium price is \$2.00; equilibrium quantity is 600 and 900 gallons.
 - The equilibrium price would be \$1 per unit without the price ceiling.
 - The quantity supplied is 800 gallons at the price of \$1.

15. In Exhibit 4-5, which of the following is true?
- The surplus equals 300 gallons at the price of \$1.00.
 - The shortage equals 600 gallons at the price of \$0.50.
 - The surplus equals 800 gallons at the price of \$1.00.
 - The shortage equals 300 gallons at the price of \$0.50.
 - Sales will be equal to 800 gallons at the price of \$1.00.

16. In Exhibit 4-5, suppose the current price is \$0.50, which of the following will happen?
- A shortage of 600 gallons exists and the price will go up.
 - A surplus of 300 gallons exists and the price will go up.
 - A shortage of 600 gallons exists and the price will go down.
 - A shortage of 300 gallons exists and the price will go up.
 - the market is in equilibrium at \$0.50 and nothing will change.

17. In Exhibit 4-5, if a government sets the price floor at \$2.00, the result is _____ and _____ gallons of milk will be bought.
- a surplus; 900.
 - a surplus; 600.
 - a surplus; 700.
 - a shortage; 500.
 - a shortage; 600.

Exhibit 4-2



- _____ 18. Refer to Exhibit 4-2. A shift from demand curve D to D' illustrates a(n)
- decrease in demand
 - decrease in quantity demanded
 - increase in quantity demanded
 - increase in demand
 - increase in supply
- _____ 19. Refer to Exhibit 4-2. Which of the following would cause a shift of demand from D' to D?
- an increase in the price of a substitute good
 - an increase in the number of consumers
 - a decrease in the price of a complementary good
 - a decline in consumers' incomes if it is a normal good
 - an increase in consumers' incomes if it is a normal good
- _____ 20. Exhibit 4-2 represents a market equilibrium of apple juice at A. Which of the following could cause a change of the market equilibrium to B?
- A decrease in the price of apple.
 - A decrease in the price of other fruit juice.
 - An increase in the price of other fruit juice.
 - A decrease in the number of consumers.
 - A decrease in income.