PPSC Economics Chapter 6 Economics Model

Sr	Questions	Answers Choice
1	If the price of orange juice rises 10% and as a result the quantity demanded falls by 8% the price elastic of demand for orange juice is.	A. -1.25 B. Inelastic C. Both a and b D. Neither A nor B above
2	If price is initially above the equilibrium level.	A. the supply curve will shift rightward B. The supply curve will shift letward C. Excess supply exists D. All firms can sell as much as they want
3	A specific tax on sellers will	A. shift the demand curve to the right B. Shift the demand curve the left C. Shift the supply curve to the right D. Shift the supply curve to the left
4	When two goods are substitutes a shock that raises the price of one good causes the price of the other goods to.	A. Remain unchanged B. Decrease C. Increase D. Change in an unpredictable manner
5	Suppose the demand curve for a good shifts rightward, causing the equilibrium price to increase this increase in the price of the good results in.	A. A rightward shift of the supply curve B. An increase in quantity supplied C. A leftward shift of the supply curve D. A leftward movement along the supply curve
6	Equilibrium is defined as a situation in which.	A. Neither buyers nor sellers want to change their behavior B. No government regulations exist C. Demand curves are perfectly horizontal D. suppliers will supply and amount that buyers wish to buy
7	A Horizontal demand curve for a good could arise because consumers.	A. Are irrational B. Are not sensitive to price changes C. View this good as identical to another good D. Have no equivalent substitutes for this good
8	It is appropriate to use the supply and demand model if in a market.	A. Everyone is a price taker with full information about the price and quantity of the good. B. Firms sell identical products C. Costs of trading are low D. All of the above
9	The percentage change in the quantity demanded in response to a percentage change in the price is known as the.	A. slope of the demand curve B. Excess demand C. Price elasticity of demand D. All of the above
10	Consumers and firms are known as price takers only it	A. No market exists to determine the equilibrium price B. they can set the market price C. They cannot effect the market price D. Excess demand exists
11	A vertical demand curve results in.	A. No change in quantity when the supply curve shifts. B. No change in price when the supply curve shifts C. No change in the supply curve being possible D. No change in quantity when the demand curve shifts.
12	If the price of automobiles were to decrease substantially the demand curve for public transpiration would most likely.	A. shift rightward B. Shift leftward C. Remain unchanged

		D. Remain unchanged while quantity demanded would change
13	Most Microeconomic models assume that decision makers wish to.	A. Make themselves as well off as possible B. Act selfishly C. Not cooperate with others D. None of the above
14	Economists tend to judge a model based upon	A. the realty of its assumptions B. The accuracy of its predications C. Its simplicity D. Its complexity
15	If the price of automobiles were to increase substantially the demand curve for gasoline would most likely	A. Shift leftward B. Shift right ward C. Become flatter D. Become steeper
16	If the price of automobile were to decrease substantially the demand curve for automobiles would most likely.	A. shift rightward B. Shift left eard C. Remain unchanged D. Become steeper
17	To determine the total demand for all consumers sum the quantity each consumer demands.	A. At a given price B. At all prices and then sum this amount across all consumers C. Both a and b will generate the same total demand D. None of the above
18	As the price of a good increases, the change in the quantity demanded can be shown by	A. Shifting the demand curve leftward B. Shifting the demand curve rightward C. Moving down along the same demand curve D. Moving up long the same demand curve
19	A competitive equilibrium is described by	A. A price only B. A quantity only C. The excess supply minus the exceess demand. D. A price and a quantity
20	An increases in the demand curve for orange juice would be illustrated as a.	A. Leftward shift of the demand curve B. Right ward shift of the demand curve C. Movement up along the demand curve D. Movement down along the demand curve
21	The expression increase in quantity supplied is illustrated graphically as a.	A. Leftward shift in the supply curve B. Rightward shift in the supply curve C. Movement up long the supply curve D. Movement down along the supply curve
22	In the labor market if the government imposes a minimum wage that is below the equilibrium wage then.	A. Workers who wish to work at the minimum wage will have a difficult time finding jobs. B. Firms will hire fewer workers than without the minimum wage law. C. Some workers may lose their jobs as a result D. Nothing will happen to the wage rate or employment
23	Holding all other factors constant consumers demand more of a good the	A. Higher its price B. Lower its price C. Steeper the downward slope of the demand curve D. Steeper the upward slope of the demand curve
24	If government regulations prohibit the production of a particular good the demand curve for that good will most likely.	A. Shift leftward B. Shift rightward C. Remain unchanged D. Disappear
25	The purpose of making assumptions in economic model building is to.	A. Force the model to yield the correct answer B. Minimize the amount of work an economist must do C. simplify the model while keeping important details. D. Express the relationship mathematically

		mathematically.
26	A vertical demand curve for a particular good implies that consumers are.	A. Sensitive to changes in the price of that good B. Not sensitive to changes in the price of that good. C. Irrational D. Not interested in that good
27	If the demand curve for a good is horizontal and the price is positive then a leftward shift of the supply curve results in.	A. a price of zero B. An increase in price C. A decrease in price D. No change in price
28	If a government imposed price celling causes the observed price in a market to be below the equilibrium price.	A. There will be excess demand B. There will be excess supply C. The curves will shift to make a new equilibrium at the regulated price D. None of the above
29	Which of the following is an example of a normative statement.	A. Since this good is bad for you, you should not consume it. B. this good is bad for you C. If you consume this good you will get sick D. People usually get sick after consuming this good
30	For a given positively sloped supply curve the price increase to consumers resulting from a specific tax imposed on sellers will be.	A. Greater the more price elastic demand is B. Greater the less price elastic demand is C. Equal to the entire tax when demand is perfectly elastic D. Equal to half of the tax whenever demand is unit elastic