

## PPSC Economics Topic 6 Economics Model

Sr	Questions	Answers Choice
1	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
2	Economists tend to judge a model based upon	A. the reality of its assumptions B. The accuracy of its predications C. Its simplicity D. Its complexity
3	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
4	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
5	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
6	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
7	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
8	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
9	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.
10	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
11	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
12	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

13	Which of the following is an example of a normative statement.	<p>A. Since this good is bad for you, you should not consume it.</p> <p>B. this good is bad for you</p> <p>C. If you consume this good you will get sick</p> <p>D. People usually get sick after consuming this good</p>
14	The purpose of making assumptions in economic model building is to.	<p>A. Force the model to yield the correct answer</p> <p>B. Minimize the amount of work an economist must do</p> <p>C. simplify the model while keeping important details.</p> <p>D. Express the relationship mathematically.</p>
15	It is appropriate to use the supply and demand model if in a market.	<p>A. Everyone is a price taker with full information about the price and quantity of the good.</p> <p>B. Firms sell identical products</p> <p>C. Costs of trading are low</p> <p>D. All of the above</p>
16	If the demand curve for a good is horizontal and the price is positive then a leftward shift of the supply curve results in.	<p>A. a price of zero</p> <p>B. An increase in price</p> <p>C. A decrease in price</p> <p>D. No change in price</p>
17	If the price of automobile were to decrease substantially the demand curve for automobiles would most likely.	<p>A. shift rightward</p> <p>B. Shift left eard</p> <p>C. Remain unchanged</p> <p>D. Become steeper</p>
18	The expression increase in quantity supplied is illustrated graphically as a.	<p>A. Leftward shift in the supply curve</p> <p>B. Rightward shift in the supply curve</p> <p>C. Movement up long the supply curve</p> <p>D. Movement down along the supply curve</p>
19	An increases in the demand curve for orange juice would be illustrated as a.	<p>A. Leftward shift of the demand curve</p> <p>B. Right ward shift of the demand curve</p> <p>C. Movement up along the demand curve</p> <p>D. Movement down along the demand curve</p>
20	A competitive equilibrium is described by	<p>A. A price only</p> <p>B. A quantity only</p> <p>C. The excess supply minus the excess demand.</p> <p>D. A price and a quantity</p>