

PPSC Economics Topic 6 Economics Model

Sr	Questions	Answers Choice
1	A competitive equilibrium is described by	<p>A. A price only B. A quantity only C. The excess supply minus the excess demand. D. A price and a quantity</p>
2	The purpose of making assumptions in economic model building is to.	<p>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.</p>
3	Economists tend to judge a model based upon	<p>A. the reality of its assumptions B. The accuracy of its predications C. Its simplicity D. Its complexity</p>
4	To determine the total demand for all consumers sum the quantity each consumer demands.	<p>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</p>
5	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.	<p>A. -1.25 B. Inelastic C. Both a and b D. Neither A nor B above</p>
6	If the price of automobile were to decrease substantially the demand curve for automobiles would most likely.	<p>A. shift rightward B. Shift left eard C. Remain unchanged D. Become steeper</p>
7	A specific tax on sellers will	<p>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</p>
8	If the price of automobiles were to increase substantially the demand curve for gasoline would most likely	<p>A. Shift leftward B. Shift right ward C. Become flatter D. Become steeper</p>
9	An increases in the demand curve for orange juice would be illustrated as a.	<p>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</p>
10	If the price of automobiles were to decrease substantially the demand curve for public transpiration would most likely.	<p>A. shift rightward B. Shift leftward C. Remain unchanged D. Remain unchanged while quantity demanded would change</p>
11	A Horizontal demand curve for a good could arise because consumers.	<p>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</p>
12	For a given positively sloped supply curve the price increase to consumers resulting from a specific tax imposed on sellers will be.	<p>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 perfectly elastic</p>

demand is unit elastic

13	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
14	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
15	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
16	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
17	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
18	If a government imposed price ceiling 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
19	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.
20	If price is initially above the equilibrium level.	A. the supply curve will shift rightward B. The supply curve will shift leftward C. Excess supply exists D. All firms can sell as much as they want