

PPSC Economics Chapter 6 Economics Model

Sr	Questions	Answers Choice
1	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
2	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
3	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
4	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
5	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
6	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
7	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
8	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
9	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
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	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
12	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
13	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.
14	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
15	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
16	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
17	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.
18	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
19	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
20	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.	A1.25 B. Inelastic C. Both a and b D. Neither A nor B above