

PPSC Economics Topic 6 Economics Model

Sr	Questions	Answers Choice
1	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</p> <p>B. Greater the less price elastic demand is</p> <p>C. Equal to the entire tax when demand is perfectly elastic</p> <p>D. Equal to half of the tax whenever demand is unit elastic</p>
2	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>
3	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.	<p>A. A rightward shift of the supply curve</p> <p>B. An increase in quantity supplied</p> <p>C. A leftward shift of the supply curve</p> <p>D. A leftward movement along the supply curve</p>
4	As the price of a good increases, the change in the quantity demanded can be shown by	<p>A. Shifting the demand curve leftward</p> <p>B. Shifting the demand curve rightward</p> <p>C. Moving down along the same demand curve</p> <p>D. Moving up along the same demand curve</p>
5	The percentage change in the quantity demanded in response to a percentage change in the price is known as the.	<p>A. slope of the demand curve</p> <p>B. Excess demand</p> <p>C. Price elasticity of demand</p> <p>D. All of the above</p>
6	If price is initially above the equilibrium level.	<p>A. the supply curve will shift rightward</p> <p>B. The supply curve will shift leftward</p> <p>C. Excess supply exists</p> <p>D. All firms can sell as much as they want</p>
7	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>
8	Economists tend to judge a model based upon	<p>A. the reality of its assumptions</p> <p>B. The accuracy of its predications</p> <p>C. Its simplicity</p> <p>D. Its complexity</p>
9	If government regulations prohibit the production of a particular good the demand curve for that good will most likely.	<p>A. Shift leftward</p> <p>B. Shift rightward</p> <p>C. Remain unchanged</p> <p>D. Disappear</p>
10	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</p> <p>B. Inelastic</p> <p>C. Both a and b</p> <p>D. Neither A nor B above</p>
11	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>
		<p>A. There will be excess demand</p>

12	If a government imposed price ceiling causes the observed price in a market to be below the equilibrium price.	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
13	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
14	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
15	If the price of automobiles were to decrease substantially the demand curve for automobiles would most likely.	A. shift rightward B. Shift leftward C. Remain unchanged D. Become steeper
16	If the price of automobiles were to increase substantially the demand curve for gasoline would most likely	A. Shift leftward B. Shift rightward C. Become flatter D. Become steeper
17	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
18	A competitive equilibrium is described by	A. A price only B. A quantity only C. The excess supply minus the excess demand. D. A price and a quantity
19	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 along the supply curve D. Movement down along the supply curve
20	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