

CB2400 Microeconomics

Tick & Learn

Basic Supply and Demand Model

- 1) If income decreases,
 - A) the demand curve for a normal good shifts leftward. (correct)
 - B) the demand curve for a normal good shifts rightward.
 - C) there is an upward movement along the demand curve for the good.
 - D) there is a downward movement along the demand curve for the good.

- 2) The quantity supplied of a good is
 - A) the same thing as the quantity demanded at each price.
 - B) the amount that the producers are planning to sell at a particular price during a given time period. (correct)
 - C) equal to the difference between the quantity available and the quantity desired by all consumers and producers.
 - D) the amount the firm would sell if it faced no resource constraints.

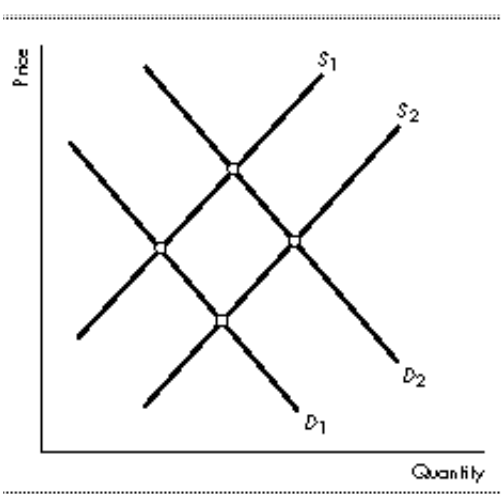
- 3) Which of the following is NOT held constant while moving along a supply curve?
 - A) Expected future prices.
 - B) The number of sellers.
 - C) The price of the good itself. (correct)
 - D) Prices of resources used in production.

- 4) Over the past decade technological improvements that have lowered the cost of producing an automobile have increased
 - A) both the supply and the demand for automobiles.
 - B) the supply but not the demand for automobiles. (correct)
 - C) the demand but not the supply of automobiles.
 - D) neither the supply nor the demand for automobiles.

- 5) Which of the following causes an increase in the quantity supplied of good X but NOT a shift of the supply curve of good X?
 - A) A reduction in the price of resources used to produce X.
 - B) An improvement in the technology for producing X.

- C) An increase in the price of good Y, a complement in the production of X.
- D) An increase in the price of X. (correct)

- 6) The price of a good will fall if
- A) there is an excess supply at the current price. (correct)
 - B) the current price is less than the equilibrium price.
 - C) the quantity demanded exceeds the quantity supplied.
 - D) the price of a complement falls.



- 7) The above figure represents the market for oil. When terrorists blow up a major refinery the
- A) demand curve for oil shifts from D_1 to D_2 and the supply curve for oil will not shift.
 - B) demand curve for oil shifts from D_1 to D_2 and the supply curve for oil shifts from S_2 to S_1 .
 - C) demand curve for oil will not shift, and the supply curve for oil shifts from S_2 to S_1 . (correct)
 - D) demand curve for oil will not shift, and the supply curve for oil shifts from S_1 to S_2 .
- 8) Let Q_d stand for the quantity demanded, Q_s stand for the quantity supplied, and P stand for price. If $Q_d = 20 - 2P$ and $Q_s = 5 + 3P$, then the equilibrium quantity is
- A) 3.
 - B) 5.
 - C) 14. (correct)

D) 20.

Consider a (competitive) market with 200 consumers and 100 sellers. All the consumers have the same individual demand function

$$Q^d = 75 - 2P,$$

and all the sellers have the same individual supply function

$$Q^s = 50 + P.$$

9) What is the market demand function?

- A) $Q^d = 15000 - 20P$
- B) $Q^d = 15000 - 40P$
- C) $Q^d = 15000 - 200P$
- D) $Q^d = 15000 - 400P$ (correct)

10) (continued) What is the market supply function?

- A) $Q^s = 50 + P$
- B) $Q^s = 50 + 100P$
- C) $Q^s = 5000 + P$
- D) $Q^s = 5000 + 100P$ (correct)

11) (continued) What is the equilibrium price?

- A) 10
- B) 15
- C) 20 (correct)
- D) 25

12) (continued) What is the equilibrium quantity traded?

- A) 6000

- B) 7000 (correct)
- C) 8000
- D) 9000

13) (continued) Now suppose the government imposes sales tax \$5.00 (per unit) on consumers.

What is the new equilibrium quantity traded?

- A) 6000
- B) 6200
- C) 6400
- D) 6600 (correct)