

1. ____ Demand and supply curves intersect at the equilibrium point.
2. ____ A market finds equilibrium through the independent and voluntary actions of a small amount of buyers and sellers.
3. ____ Markets distribute earnings among resource owners.
4. ____ An equilibrium price is achieved when quantity supplied is equal to quantity demanded.
5. ____ Prices help both producers and consumers recognize what’s happening in the market and make informed choices.
6. ____ A surplus takes any pressure off the market that might cause the price of a good to change.
7. ____ A shortage results when the quantity demanded exceeds the quantity supplied.
8. ____ Once an equilibrium price is reached, it will no longer change in the future.

9. ____ What will happen to the price of a good when there is a shortage of that good?
 - a. The price decreases.
 - b. The price increases.
 - c. The price will not be affected.
 - d. It cannot be determined from the information given.
10. ____ If a company that produces high-end pajamas supplies 5 million pairs but consumers demand 2 million pairs of pajamas, which of the following describes the result of this situation?
 - a. shortage of pajamas
 - b. surplus of pajamas
 - c. the market has reached equilibrium
 - d. none of the previous
11. ____ Which of the following parties drives markets?
 - a. buyers
 - b. producers
 - c. sellers
 - d. all of the previous
12. ____ A firm that produces lightweight glasses frames supplies 10 million frames. However, consumers demand 11 million frames. Which of the following statements describes the result of this situation?
 - a. shortage of frames
 - b. surplus of frames
 - c. the market has reached equilibrium
 - d. none of the previous
13. *Place an arrow or an arrow in the spaces below. Indicate whether a shortage or surplus would result by underlining the correct word.*
 - The equilibrium price for cheesecake is \$8.50 and the equilibrium quantity is 1000. At \$6.50, there would be a (shortage/surplus) placing _____ pressure on price. At \$9.00 there would be a (shortage/surplus) placing _____ pressure on price.
14. Why is the term “market-clearing price” often used to describe the equilibrium price?
15. *Create a graph in the space provided for holiday jewelry sets from the schedule below. Then answer questions 16-18.*

Price	Quantity Demanded	Quantity Supplied
14	3000	250
16	1750	500
18	1000	1000
20	500	1900
22	100	3000

16. At \$16 there is a shortage because quantity demanded is ____ (a) less than (b) equal to (c) greater than quantity supplied.
17. At \$20, there is a surplus because quantity demanded is ____ (a) less than (b) equal to (c) greater than quantity supplied.
18. The market clearing price is \$18 because quantity demanded is ____ (a) less than quantity supplied (b) equal to quantity supplied (c) greater than quantity supplied.