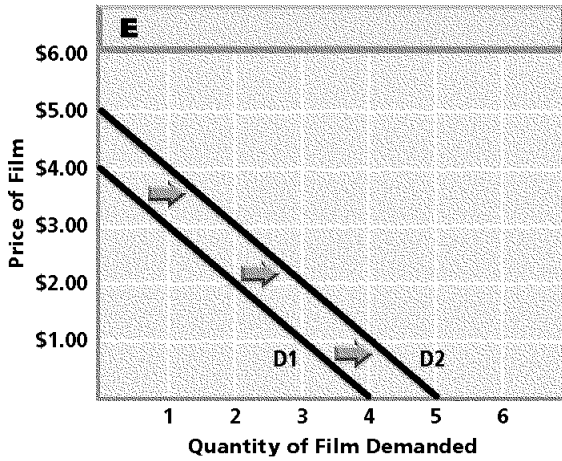


Chapter 4 Practice Test

Multiple Choice

Identify the choice that best completes the statement or answers the question.

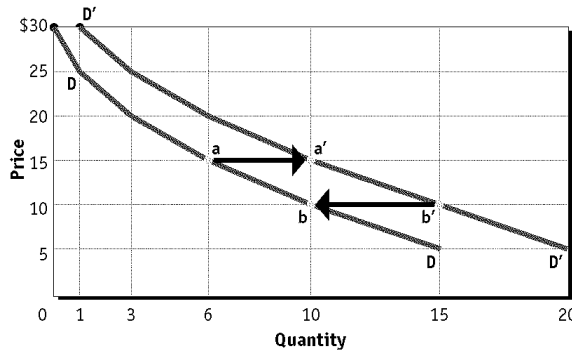


1.

Which of the following choices could cause the movement shown in this graph?

- a. an increase in the price of film
- b. a decrease in the price of film
- c. an increase in the price of cameras
- d. a decrease in the price of cameras

Price	Quantity Demanded	
	Old (DD)	New (D'D')
\$30	0	1
25	1	3
20	3	6
15	6	10
10	10	15
5	15	20

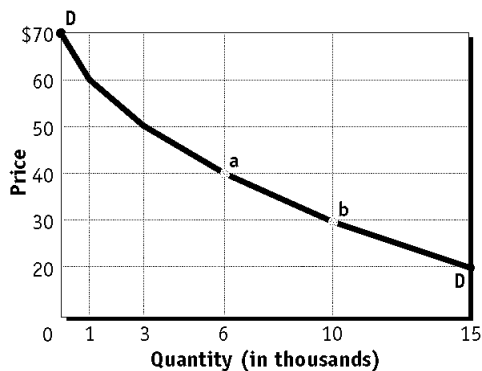


2. What does the movement from b' to b on the graph represent?

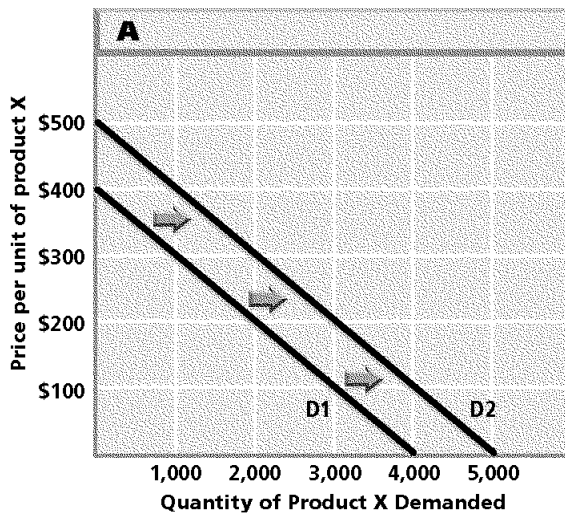
- a. an increase in demand
- b. an increase in quantity demanded
- c. a decrease in demand
- d. a decrease in quantity demanded

	Products				
	Fresh tomatoes	Gasoline from a particular station	Gasoline in general	Services of medical doctors	Butter
Can purchase be delayed?	yes	yes	no	no	yes
Are adequate substitutes available?	yes	yes	no	no	yes
Does purchase use a large portion of income?	no	yes	yes	yes	no

3. Which products shown in the table are likely to have inelastic demand?
- gasoline in general, services of medical doctors
 - fresh tomatoes, gasoline from a particular station, butter
 - fresh tomatoes, gasoline in general, butter
 - gasoline from a particular station, gasoline in general, butter



4. Based on the graph, how does the market demand for concert tickets change if the price increases from \$30 to \$40?
- the demand curve shifts to the right
 - the demand curve shifts to the left
 - quantity demanded decreases by 4,000
 - quantity demanded increases by 4,000
5. For most products and services, an increase in price results in
- demand for less of the product.
 - demand for more of the product.
 - reduced demand for substitutes.
 - increased demand for complements.
6. An increase in the price of milk causes a decrease in the demand for cereal. The two products are
- substitutes.
 - complements.
 - unrelated.
 - demand elastic.
7. If a modest price increase has little or no effect, the demand for the product is
- complementary.
 - inelastic.
 - elastic.
 - unit elastic.
8. A business doubled the price of a product in order to increase profits. Which of the following scenarios might have occurred?
- A sharp increase in revenues demonstrated the elasticity of the product.
 - A small increase in revenues demonstrated the unit elasticity of the product.
 - A dramatic decline in revenues demonstrated the elasticity of the product.
 - A dramatic decline in revenues demonstrated the inelasticity of the product.



- ___ 9. Which of the following events could cause the movement shown in the graph?
- a decrease in income
 - an increase in population
 - a decrease in the price of a substitute
 - an increase in the price of a complement
- ___ 10. Consumers' willingness to replace a costly item with a less costly item is an example of
- the substitution effect.
 - the income effect.
 - demand elasticity.
 - complements.
- ___ 11. When a customer's need for a product is not urgent, demand tends to be
- inelastic.
 - elastic.
 - complementary.
 - unit elastic.

Rice is what you'll probably end up with these days if your local McDonald's is in Indonesia. With the collapse of the Indonesian currency, the rupiah, in 1998, potatoes...have quintupled in price. That means rice is turning with an increasing frequency as an alternative to the french fry.... It's not hard to fathom why fries are an endangered menu item says Jack Greenberg, CEO of McDonald's: "No one can afford them."

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- ___ 12. Based on this passage, McDonald's is serving rice in its Indonesian restaurants because of
- a decrease in the price of a complement.
 - an increase in the price of a complement.
 - a decrease in price of a substitute.
 - an increase in the price of a substitute.

Chapter 4 Practice Test Answer Section

1. ANS: D PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 101.
2. ANS: C PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 99.
3. ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 108.
4. ANS: C PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 98.
5. ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 93.
6. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 101.
7. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 104.
8. ANS: C PTS: 1 DIF: Challenging
REF: Learn more about this question in Economics Principles and Practices, pages 107-109.
9. ANS: B PTS: 1 DIF: Challenging
REF: Learn more about this question in Economics Principles and Practices, page 101.
10. ANS: A PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 98.
11. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 108.
12. ANS: D PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 100.