

SELF TESTS FOR
UNDERSTANDING
TEST A

Circle the correct answer

1. A shift in the demand curve for sailboats resulting from a general increase in incomes will lead to
 - a. higher prices
 - b. lower prices
 - c. a shift in the supply curve
 - d. lower output
2. A shift in the supply curve of bicycles resulting from higher steel prices will lead to
 - a. higher prices
 - b. lower prices
 - c. a shift in the demand curve
 - d. larger output
3. Which of the following is likely to result in a shift in the supply curve for dresses?
 - a. An increase in consumer incomes.
 - b. A reduction in tariffs that allows manufacturers to import cotton at cheaper prices than before.
 - c. An increase in dress prices.
 - d. Higher prices for skirts, pants, and blouses.
4. Which of the following is likely to result in a shift in the demand curve for dresses?
 - a. An increase in consumer incomes.
 - b. A reduction in tariffs that allows dress manufacturers to import cotton cloth at cheaper prices than before.
 - c. An increase in dress prices.
 - d. The development of new machines that dramatically increase the productivity of dressmakers.
5. If for some reason the price of shoes is above its equilibrium value, which of the following is likely to occur?
 - a. Shoe stores will find their inventories decreasing as consumers buy more shoes than shoe companies produce.
 - b. Shoe stores and companies are likely to agree to reduce prices in order to increase sales, leading to a new lower equilibrium price.
 - c. The demand curve for shoes will shift in response to higher prices.
 - d. Equilibrium will be reestablished at the original price as the supply curve shifts to the left.
6. From an initial equilibrium, which of the following changes will lead to a shift in the supply curve for Chevrolets?
 - a. Import restrictions on Japanese cars.
 - b. New environmental protection measures that raise the cost of producing steel.
 - c. A decrease in the price of Fords.
 - d. Increase in the cost of gasoline.
7. If the price of oil, a close substitute for coal, increases, then
 - a. the supply curve for coal will shift to the right.
 - b. the demand curve for coal will shift to the right
 - c. the equilibrium price and quantity of coal will not change.
 - d. the quantity of coal demanded will decline.
8. Price floors are likely to
 - a. lead to a reduction in the volume of transactions, as we move along the demand curve, above the equilibrium price to the higher price floor.
 - b. Result in increased sales as supplies react to higher prices
 - c. Lead to shortages
 - d. Be effective only if they are set at levels below the market equilibrium level
9. Effective price ceilings are likely to
 - a. result in the accumulation of surpluses
 - b. increase the volume of transactions as we move along the demand curve
 - c. increase the production as producers respond to higher consumer demand at the low ceiling price
 - d. result in the development of black markets
10. A surplus results when
 - a. the quantity demanded exceeds the quantity supplied
 - b. the quantity supplied exceeds the quantity demanded
 - c. the demand curve shifts to the right
 - d. effective price ceilings are imposed