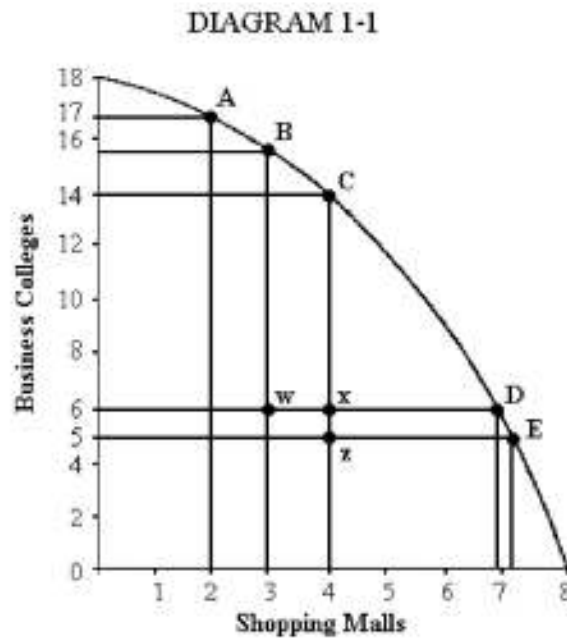
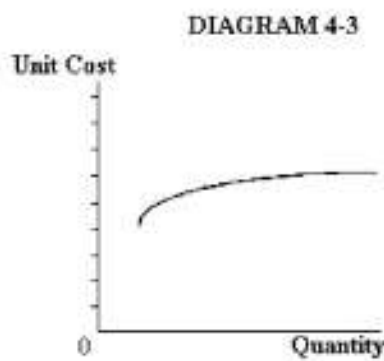
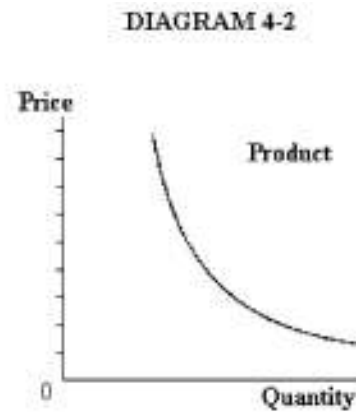
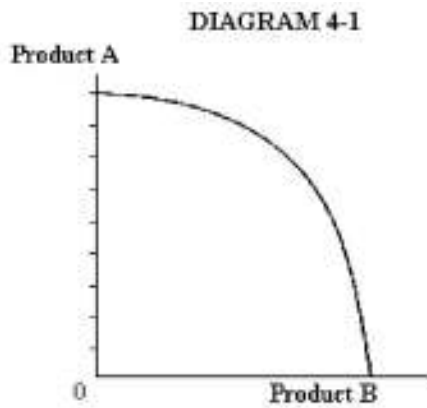


- 1) The opportunity cost of producing any item is the amount of
- A) resources used to produce other products.
 - B) other products that were produced instead.
 - C) resources sacrificed.
 - D) other products that could have been produced.



- 2) Answer this question using **DIAGRAM 1-1**. The opportunity cost, to this society, of having two shopping malls is
- A) seventeen business colleges.
 - B) two business colleges.
 - C) two-fifths of a business college.
 - D) one business college.

- 3) Demand is the
- A) amount of a good or service that people will buy at a given price.
 - B) relationship between price and quantity of a given product.
 - C) schedule of the amounts of a product people will buy at a given price.
 - D) entire relationship between the various possible prices of a product or service and the quantity demanded at each price



- 4) Answer this question using **DIAGRAMS 4-1 to 4-4**. Which diagram(s) best represent(s) a demand curve?
- A) 4-1.
 - B) 4-2.
 - C) 4-3.
 - D) 4-4.

5) If a person will accept chips as a substitute for cheesies, a rise in the price of cheesies will

- A) cause the price of chips to increase.
- B) result in an increase in the demand for chips.
- C) cause the demand for chips to reduce.
- D) have no effect on the price of chips.

6) In 1989 a local cafe sold 6,000 tortillas at \$1.75 each. In 1990 the same cafe sold 6,800 tortillas at \$1.85 each. This event

- A) illustrates the upward sloping characteristic of the supply curve.
- B) suggests that the demand for these tortillas increased between 1989 and 1990.
- C) suggests that the demand for these tortillas decreased between 1989 and 1990.
- D) constitutes an exception to the law of demand in that it suggests an upward sloping demand curve.

7) Imagine that when the price of matches is increased by 24%, the quantity of matches purchased reduces by 40%. One can say that the demand is

- A) unitary.
- B) responsive.
- C) elastic.
- D)

inelastic.

TABLE 5-2

Demand Schedule for Product X

PRICE	QUANTITY DEMANDED
\$1	60
3	50
5	40
7	30
9	20

TABLE 5-3

Supply Schedule for Product X

PRICE	QUANTITY SUPPLIED
\$1	20
3	30
5	40
7	50
9	60

- 8) Answer this question using **TABLES 5-2** and **5-3**. What would be the equilibrium price and quantity, respectively, for product X?
- A) Any amounts shown on the demand curve, depending on demand.
- B) \$3 and 40 units.
- C) \$5 and 40 units.
- D) The equilibrium price and quantity cannot be determined from the information in the tables.
- 9) A decrease in supply will cause the smallest increase in price when
- A) demand is inelastic and supply is elastic
- B) both supply and demand are inelastic
- C) both supply and demand are elastic
- D) demand is elastic and supply is inelastic
- 10) A price ceiling is not effective if the ceiling is

- A) above the market equilibrium.
- B) used to stimulate a surplus.
- C) used as a method of government price control.
- D) below the market equilibrium.

Answers:

DDDBB BCCCA