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

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

<table>
<thead>
<tr>
<th>Products</th>
<th>Fresh tomatoes</th>
<th>Gasoline from a particular station</th>
<th>Gasoline in general</th>
<th>Services of medical doctors</th>
<th>Butter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can purchase be delayed?</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>Are adequate substitutes available?</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>Does purchase use a large portion of income?</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
</tr>
</tbody>
</table>
3. Which products shown in the table are likely to have inelastic demand?
   a. gasoline in general, services of medical doctors
   b. fresh tomatoes, gasoline from a particular station, butter
   c. fresh tomatoes, gasoline in general, butter
   d. 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?
   a. the demand curve shifts to the right
   b. the demand curve shifts to the left
   c. quantity demanded decreases by 4,000
   d. quantity demanded increases by 4,000

5. For most products and services, an increase in price results in
   a. demand for less of the product.
   b. demand for more of the product.
   c. reduced demand for substitutes.
   d. increased demand for complements.

6. An increase in the price of milk causes a decrease in the demand for cereal. The two products are
   a. substitutes.
   b. complements.
   c. unrelated.
   d. demand elastic.

7. If a modest price increase has little or no effect, the demand for the product is
   a. complementary.
   b. inelastic.
   c. elastic.
   d. 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. A sharp increase in revenues demonstrated the elasticity of the product.
   b. A small increase in revenues demonstrated the unit elasticity of the product.
   c. A dramatic decline in revenues demonstrated the elasticity of the product.
   d. 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. a decrease in income
   b. an increase in population
   c. a decrease in the price of a substitute
   d. 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
   a. the substitution effect.
   b. the income effect.
   c. demand elasticity.
   d. complements.

11. When a customer's need for a product is not urgent, demand tends to be
   a. inelastic.
   b. elastic.
   c. complementary.
   d. unit elastic.

12. Based on this passage, McDonald’s is serving rice in its Indonesian restaurants because of
   a. a decrease in the price of a complement.
   b. an increase in the price of a complement.
   c. a decrease in price of a substitute.
   d. an increase in the price of a substitute.

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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.”

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

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.