

Practice Test

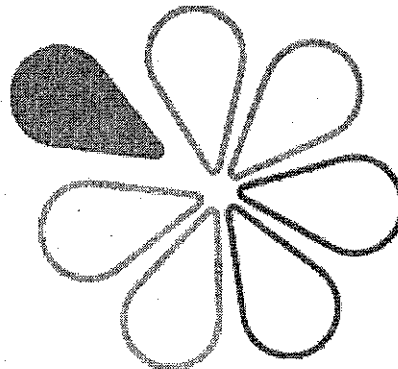
Student Name: _____

12 August 2010

Total Possible Marks: 30

Market Supply and Demand and Equilibrium Prices

Complete in pen or pencil and hand into your teacher when ready. Each multiple choice question carries one mark. Select one answer only.



Market demand and supply

1. The following might influence the demand for a good. Which would **not** cause a shift in the demand curve for the product?
- A. a change in the price of a complement
- B. a change in the price of the good itself
- C. a change in the price of a substitute
- D. a change in consumers' incomes
2. A fall in the price of online music downloads from sites such as iTunes and growing popularity for services such as Spotify results in a fall in the demand for music CDs. This result implies that these products are
- A. Are in joint demand.
- B. Are in joint supply
- C. Are produced by business involved in a cartel
- D. Are substitute products
3. A major determinant of demand in one particular market would be
- A. the technique of production
- B. the number of sellers in the market
- C. the incomes of buyers in that market
- D. the cost of raw materials
4. Which of the following will result in a shift in the demand curve for motorcycles?
- A. a subsidy paid to producers of motorcycles
- B. higher raw material and component prices in the production of motorcycles
- C. falling petrol and diesel prices
- D. higher motorcycle prices
5. Which of the following would shift the supply curve for housing in Glasgow to the right?
- A. an increase in mortgage interest rates
- B. the release of more land for housing development in the suburbs around Glasgow
- C. an increase in the cost of construction materials
- D. an increase in speculative demand for properties in Glasgow

15. The following was printed in a magazine.

1

"More soft drinks are being consumed than ever before by the 16 - 34 age group. Schweppes, the drink manufacturers, claim that over 45 per cent of their soft drinks are now being consumed without alcohol as people switch away from alcoholic spirits."

How would this change be represented on a demand and supply diagram for soft drinks?

- A. decrease in demand
- B. increase in supply
- C. increase in demand
- D. decrease in supply

16. Assume that coal is a normal good. If the price of coal increases and the quantity sold increases, which of the following is consistent with these observations?

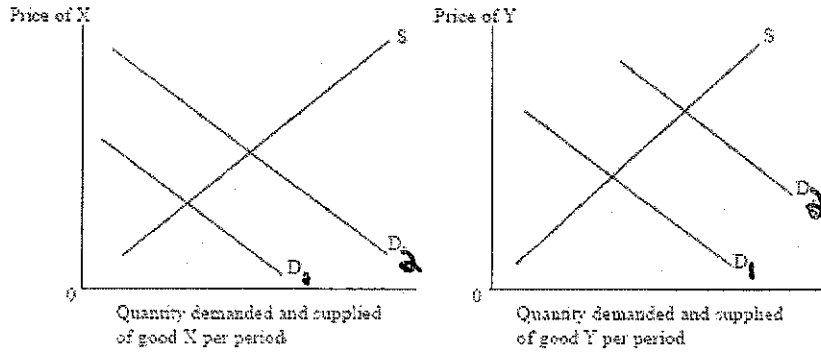
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- A. The demand curve for coal is upward sloping
- B. New regulations are imposed on the coal mining industry
- C. The price of oil increased, oil and coal being substitutes
- D. New machinery made coal mining more efficient

Changes in market equilibrium prices

17.

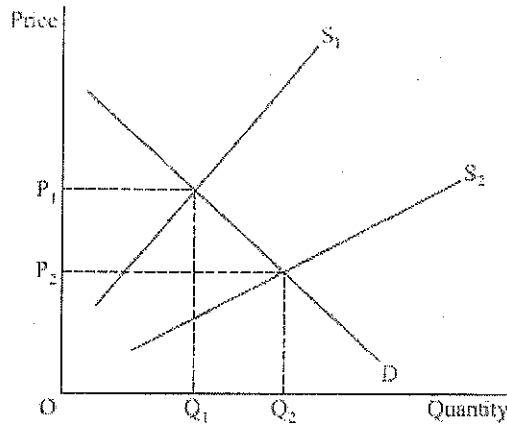
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The diagrams show how a shift in demand for good X results in a shift in the demand for good Y. Which of the following pairs of goods is most likely to be represented by good X and good Y?

- A. Coca-Cola and Pepsi-Cola
- B. The Guardian and The Independent newspapers
- C. Rail travel and air travel
- D. iPads and software applications (apps)

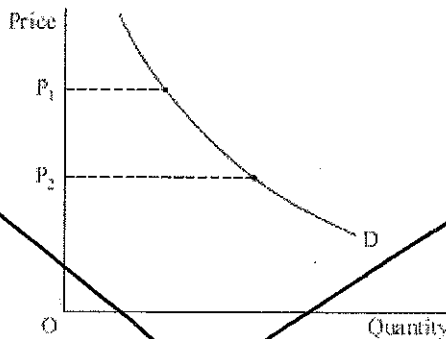
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The diagram shows the market supply and demand for wine. The rightward shift in the supply curve for wine might have been caused by

- A. A fall in the rate of value added tax applied to wine producers
- B. A fall in demand for wine
- C. The creation of a cartel among wine producers designed to maximise profits
- D. A rise in the wages of people employed by wine vineyards

22.
1



The diagram shows the market demand curve for tomatoes. Assuming OP_1 to be the original equilibrium price, a decrease in price to OP_2 could have been caused by a decrease in

- A. the productivity of workers employed by tomato producers
- B. the price of substitutes for tomatoes
- C. the tax on employing workers in the tomato industry
- D. real incomes in the economy (assume tomatoes are a normal good)