**Economics Unit 2 Review Quiz**

***You may use Chapters 4-6 in the textbook as well as the unit Power Points to assist you. Write the appropriate letter choice for each question on a separate document and submit the document onto* turnitin.com**

**Multiple Choice –** *Identify the choice that best completes the statement or answers the question*

1. When a consumer is able and willing to buy a good or service, he or she creates which of the following?

a. consumption b. demand c. elasticity d. allocation

2. What determines the price and the quantity produced of most goods?

a. the consumer’s perception of necessity b. the interaction of supply and demand

c. the availability of substitutes for the goods d. the quality of the goods that are produced

3. What are inferior goods?

a. goods that are not well produced

b. goods that no one wants to buy

c. goods for which the demand rises when income falls

d. goods for which the demand falls when income rises

4. What determines how a change in prices will affect total revenue for a company?

a. elasticity of demand b. the company’s pricing policy

c. values of elasticity d. the consumers’ incomes

5. What does it mean when the demand for a product is inelastic?

a. People will not buy any of the product when the price goes up.

b. A price increase does not have a significant impact on buying habits.

c. Customers are sensitive to the price of the product.

d. There are very few satisfactory substitutes for the product.

6. What is a basic principle of the law of demand?

a. The higher the price, the more people will want the good.

b. Everyone has a limited income that they will spend.

c. When a good’s price is lower, people will buy more of it.

d. Services are of interest in the same way that goods are.

7. Which of the following is an example of lower production costs brought about by the use of technology?

a. the delivery costs of gasoline to the consumer by diesel trucks

b. the use of e-mail to replace slower surface mail

c. the making of breads and pastries in local shops rather than large bakeries

d. the importing of fresh vegetables from South America rather than using canned vegetables

8. Which of the following is the best example of the law of supply?

a. A sandwich shop increases the number of sandwiches they supply every day when the price is increased.

b. A food producer increases the number of acres of wheat he grows to supply a milling company.

c. A catering company buys a new dishwasher to make their work easier.

d. A milling company builds a new factory to process flour to export.

9. Which of the following is an example of a good with an inelastic supply?

a. beanbags b. toothbrushes c. apples d. hats

10. When the selling price of a good goes up, what is the relationship to the quantity supplied?

a. The cost of production goes down. b. The profit made on each item goes down.

c. It becomes practical to produce more goods. d. There is no relationship between the two.

11. What factor has the greatest influence on elasticity and inelasticity of supply?

a. profit b. time c. labor d. financing

15. Which of the following is a fixed cost for a store?

a. short-term workers b. rent c. advertising d. inventory

12. If the supply of a good is inelastic,

a. producers will not change their quantity supplied by much if the market price doubles.

b. a small increase in price will lead producers to sharply increase their quantity supplied.

c. producers have diminishing marginal returns of labor.

d. producers will increase their quantity supplied in response to sharp drops in the market price.

13. What is an example of a variable cost in a major league baseball franchise?

a. stadium rent b. manager’s salary c. stadium maintenance d. ticket-takers’ salaries

14. Complete the following sentence: At the most profitable level of production, a firm’s marginal cost will be \_\_\_\_\_ the market price.

a. equal to b. set by c. less than d. greater than

15. What happens when wages are set above the equilibrium level by law?

a. Firms tend to try to break the law and hire people at the equilibrium level.

b. Firms employ more workers than they would at the equilibrium wage.

c. Firms employ fewer workers than they would at the equilibrium wage.

d. Firms hire more workers but for fewer hours than they would at the equilibrium wage.

16. On which kinds of goods do governments generally place price ceilings?

a. those that are cheap but could become more expensive without the ceiling

b. those that are not necessary but have become customary

c. those that are essential and cheap

d. those that are essential but too expensive for some consumers

17. When buyers will purchase exactly as much as sellers are willing to sell, what is the condition that has been reached?

a. supply and demand b. excess demand c. equilibrium d. price floor

18. What is it called when the government uses some tool other than money to allocate goods?

a. supply management b. rationing c. disequilibrium d. resource allocation

19. What is the name of the smallest amount that can legally be paid to most workers for an hour of work?

a. equilibrium price b. supply cost c. price floor d. minimum wage

20. A shortage will develop when

a. the quantity supplied of a good is greater than the quantity demanded of that good.

b. the equilibrium quantity supplied is lower than the actual quantity supplied.

c. the government provides subsidies to producers.

d. the market price is below the equilibrium price.

21. What kind of market runs most efficiently when one large firm supplies all of the output?

a. a natural monopoly b. a network c. perfect competition d. imperfect competition

22. What is monopolistic competition?

a. one company selling the identical product under different names

b. one company selling several different products under different names

c. a very few companies selling identical products

d. many companies selling similar but not identical products

23. Which of the following is NOT a form of nonprice competition?

a. location b. physical characteristics c. advertising d. discounts

24. Cartels are difficult to operate for which of the following reasons?

a. They work only if members keep to their agreed output. b. They are illegal worldwide.

c. Firms in a cartel are likely to lose money. d. The products are perfectly competitive.

25. What is the definition of an oligopoly?

a. one firm producing 95 percent of the output

b. two to four firms producing 70 percent to 80 percent of the output

c. eight to ten firms producing 60 percent to 70 percent of the output

d. eight to ten firms producing 90 percent of the output