

Demand

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

- _____ 1. Demand is measured not only by consumer desire for a product, but also by
- competition for the consumer.
 - demand for all similar products.
 - opportunity costs.
 - ability and willingness to buy the product.
- _____ 2. As a consumer, if the price of apples doubles and your salary remains the same, you would probably
- buy more apples.
 - buy the same number of apples.
 - buy fewer apples.
 - buy more complementary goods.
- _____ 3. If the price of a product decreases and consumers buy more of the product,
- a change in demand has taken place.
 - a change in quantity demanded has taken place.
 - the product is a complementary product.
 - there has been an increase in demand.
- _____ 4. The satisfaction a consumer enjoys by purchasing one more unit of a product is called
- marginal utility.
 - personal satisfaction.
 - trade-offs.
 - cause and effect.
- _____ 5. If consumer demand for sugar at 80 cents per pound results in \$1,000 in company revenue, and a drop in price to 50 cents a pound results in \$1,250 in revenue, it may be concluded that
- demand is inelastic.
 - demand would overtake supply.
 - demand is elastic.
 - demand is unit elastic.
- _____ 6. The elasticity of demand for an item is determined, in part, by the question:
- Is there enough of the product available?
 - Can the purchase be made with a credit card?
 - Could something else work just as well?
 - Should production be cut?
- _____ 7. If consumers' incomes go up, for most products we can expect
- an increase in demand.
 - a substitution effect.
 - marginal utility to decline.
 - an increase in quantity demanded.
- _____ 8. An entrepreneur who sells lawn mowers might decide that the best business location would be in the
- inner city.
 - suburbs.
 - financial district.
 - rural areas.

- ___ 9. The statement "the demand for an economic product varies inversely with its price" is a definition of
- the Law of Demand.
 - laissez-faire.
 - the Law of Competition.
 - the Law of Supply and Demand.
- ___ 10. Because the demand for local telephone service is relatively inelastic,
- modest price increases have little or no impact on quantity demanded.
 - the government cannot tax telephone rates.
 - consumers should make as few long-distance calls as possible.
 - the number of telephones in the home has increased.
- ___ 11. The law of downward sloping demand indicates that
- consumer demand has increased significantly.
 - consumer demand has not changed significantly.
 - consumer demand has dropped drastically.
 - consumers demand more at lower prices.
- ___ 12. For the basic essentials of life, demand is based on
- elastic demands.
 - inelastic supply.
 - the urgency of need.
 - elastic supply.
- ___ 13. An increase in the price of wombles causes a decrease in the demand for widgets. The two products are
- substitutes.
 - complements.
 - unrelated.
 - demand elastic.
- ___ 14. The principle of diminishing marginal utility can be used to explain
- a change in demand.
 - the nature of inelastic demand.
 - the substitution effect.
 - the shape of the demand curve.
- ___ 15. The _____ effect is the change in the quantity demanded due to a change in the relative price of the product.
- income
 - substitution
 - demand
 - price
- ___ 16. Store catalogs and television commercials are methods of
- income effectiveness.
 - consumer needs.
 - creating demand.
 - entertainment.
- ___ 17. An item's elasticity of demand can be determined, in part, by which of the following questions?
- Is the item too expensive?
 - Is there enough of the product available?
 - Could something else be purchased?
 - Can the purchase be made on a layaway plan?

- ___ 18. A business raised the price of a product to increase profits, but found that total revenues went down. The demand for the product is
- elastic.
 - inelastic.
 - unit elastic.
 - unable to be determined due to lack of information.
- ___ 19. If the increase in the price of butter causes a decrease in demand for French pastries,
- the marginal utility for additional pastries is diminishing.
 - the two goods are substitutes.
 - the demand for pastries is inelastic.
 - the two goods are complements.
- ___ 20. A consumer is less likely to buy more and more units of a product at the same price because of
- diminishing marginal utility.
 - demand elasticity.
 - the substitution effect.
 - the existence of complementary goods.
- ___ 21. When a department store lowers the price of a product during a sale, it is counting on
- diminishing marginal utility.
 - the Law of Demand.
 - the demand curve for the product to shift to the right.
 - an inelastic demand for the product.
- ___ 22. Demand is measured not only by a consumer's ability to buy a product, but also by
- the demand for the product.
 - the demand for similar products.
 - opportunity costs.
 - desire and willingness to purchase.
- ___ 23. A business that sells office supplies might have the greatest chance of success in
- the suburbs.
 - rural areas.
 - urban areas.
 - farming communities.
- ___ 24. Because a modest price increase has little or no effect on the demand for local telephone service, the demand for the product is
- complementary.
 - inelastic.
 - inverse.
 - elastic.
- ___ 25. On high ticket items such as automobiles, consumers tend to be
- indifferent to price changes.
 - willing to pay any price.
 - more sensitive to price changes.
 - more aware of personal wants than price.
- ___ 26. Urgency of need is a determining factor when
- determining demand elasticity.
 - identifying complementary goods.
 - estimating marginal utility.
 - determining income effects.

- ___ 27. A change in demand can be caused by
- the income effect.
 - the substitution effect.
 - diminishing marginal utility.
 - a change in consumer tastes.
- ___ 28. The Law of Demand states that
- the relative change in price is caused by changes in demand.
 - the demand for an economic product varies inversely with its price.
 - consumers select alternative ways of spending income.
 - the relationship between changing prices and total receipts is a direct one.
- ___ 29. Economists who study demand for the market as a whole are looking at
- supply and demand.
 - advertising.
 - the amount people will buy at varying prices.
 - total revenue.
- ___ 30. When consumers' incomes decline, consumers tend to
- buy more at lower prices.
 - not change their buying patterns.
 - buy the same as before.
 - buy less regardless of price.

Matching

Match each item with the correct statement below.

- | | |
|---------------------|--------------------------------|
| a. microeconomics | f. advertising |
| b. income effect | g. complementary goods |
| c. demand curve | h. Law of Demand |
| d. total revenue | i. movement along demand curve |
| e. inelastic demand | j. change in demand |

- ___ 31. shows the quantity consumers demand at each price
- ___ 32. determined by multiplying the price of a product by the quantity sold
- ___ 33. observation that demand for a product varies inversely with its price
- ___ 34. the study of the economic behavior of individuals and firms
- ___ 35. increases the popularity of a product
- ___ 36. change in price causes change in quantity demanded
- ___ 37. use of one product increases the use of another product
- ___ 38. shows that a different quantity is demanded at every price
- ___ 39. change in the quantity demanded due to change in consumer income
- ___ 40. quantity demanded changes little, even with a relatively large change in price

Match each item with the correct statement below. Write the answer in the space provided.

- | | |
|-----------------------------------|--------------------------------|
| a. substitution effect | f. demand schedule |
| b. ability to postpone a purchase | g. change in quantity demanded |
| c. total receipts | h. substitutes |
| d. marginal utility | i. demand |
| e. complements | j. unit elastic |

- ___ 41. consists of all revenue

Name: _____

ID: A

- ___ 42. products used in place of other products
- ___ 43. use of one product increases the use of another product
- ___ 44. a listing that shows quantity demanded at all prices
- ___ 45. satisfaction one gets from purchasing one more unit of a product
- ___ 46. a response to change in price
- ___ 47. total revenue neither increases nor decreases when the price changes
- ___ 48. change in quantity demanded due to a change in the relative price of a product
- ___ 49. determinant of demand elasticity
- ___ 50. the desire, ability, and willingness to buy a product

Short Answer

- 51. **Critical Thinking** What are the three determinants of demand elasticity? Give an example of each determinant.
- 52. **Critical Thinking** List and explain three reasons for a change in consumer demand.

Name: _____

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**Demand
Answer Section**

MULTIPLE CHOICE

1. D
2. C
3. B
4. A
5. C
6. C
7. A
8. B
9. A
10. A
11. D
12. C
13. B
14. D
15. B
16. C
17. C
18. A
19. D
20. A
21. B
22. D
23. C
24. B
25. C
26. A
27. D
28. B
29. C
30. D

MATCHING

31. C
32. D
33. H
34. A
35. F
36. I
37. G

Name: _____

ID: A

- 38. J
- 39. B
- 40. E

- 41. C
- 42. H
- 43. E
- 44. F
- 45. D
- 46. G
- 47. J
- 48. A
- 49. B
- 50. I

SHORT ANSWER

- 51. These are the three determinants of demand elasticity: Can the purchase be delayed? (Example: Purchasing medicine such as insulin cannot be delayed.) Are substitutes available? (Example: A consumer purchases margarine because of a rise in the price of butter.) What amount of income is needed for the purchase? (Example: The price of a new car is too high based on personal income.)
- 52. Changes in consumer demand may result from changes in consumer income--as income rises, consumers tend to buy more, if income declines, consumers buy less; changes in consumer tastes--advertising, news reports, trends, and seasons can all affect consumer tastes; prices of related products--sometimes substitutes can be used in place of other products.