Microeconomics for Life Smart Choices for You (Canadian) 2nd edition Cohen Test Bank

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Microeconomics for Life: Smart Choices for You, 2e **(Cohen)**
Chapter 2 Making Smart Choices: The Law of Demand

2.1 Put Your Money Where Your Mouth Is: Weighing Benefits, Costs, and Substitutes

1) Your preferences measure
A) the availability of alternatives.
B) how badly you want something.
C) the availability of substitutes.
D) how limited your time is.
E) the price of a product.
Answer: B
Diff: 1 Type: MC Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

2) A Sociology class is a substitute for an Economics class if
A) attending the two classes has the same opportunity cost.
B) the two classes satisfy the same want.
C) the tuition for the two classes is the same.
D) both classes are taught by the same professor.
E) both classes are at the same time.
Answer: B
Diff: 2 Type: MC Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

3) Substitutes must
A) have the same price.
B) satisfy the same want.
C) be sold in the same store.
D) have the same opportunity cost.
E) be exactly the same product or service.
Answer: B
Diff: 2 Type: MC Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

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4) To get tickets to see the Spice Girls reunion tour Sue missed a day at work, which cost her $300, drove her car downtown and parked, which cost her $30, and paid $170 for the tickets. Sue's expected benefits from attending the concert are at least
A) $300.
B) $200.
C) $130.
D) $500.
E) $170.
Answer: D
Diff: 2 Type: MC Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

5) What you can afford is limited by
A) preferences.
B) demand.
C) substitutes.
D) money.
E) externalities.
Answer: D
Diff: 2 Type: MC Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

6) What you can afford is limited by
A) preferences.
B) externalities.
C) substitutes.
D) demand.
E) time.
Answer: E
Diff: 2 Type: MC Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

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7) Your demand for tickets to the Lady Gaga concert depends on
A) how much you like Lada Gaga.
B) your income.
C) what other live concerts you are interested in.
D) what else you might spend the money on.
E) all of the above.
Answer: E
Diff: 1 Type: MC Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

8) Economists describe all of your wants - and how intense each want is - as your preferences.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 28-29
Skill: Recall
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

9) For economists, the terms *wants* and *demands* mean the same thing.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 28-29
Skill: Recall
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

10) Your preferences can be affected by advertising.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 28-29
Skill: Recall
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

11) Your preferences are determined only by your logical needs.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 28-29
Skill: Recall
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

12) Making a smart choice depends on what substitutes are available and what they cost.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 28-29
Skill: Recall
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

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13) Sam will drink anything that is cold, while Dave will only drink Gatorade. We expect Sam is willing to pay more for Gatorade than is Dave.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

14) Sam will drink anything that is cold, while Dave will only drink Gatorade. We expect Dave is willing to pay more for Gatorade than is Sam.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

15) Smart choices are based on a comparison of expected benefits and opportunity costs.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 28-29
Skill: Recall
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

16) Substitutes need to be exactly the same product or service as the product or service you want.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

17) Substitutes can be different products or services as long as they satisfy the same want.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

18) What you can afford is limited by more than just money.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

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19) What you can afford is just about money.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

20) If you buy a product or service that has no substitutes, your expected benefits must be zero.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

21) You are generally willing to pay more for a product or service that has no close substitutes.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

22) The term *demand* describes a consumer's willingness and ability to pay for a product or service.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 28-29
Skill: Recall
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

23) The term *demand* describes a consumer's wants for a product or service.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 28-29
Skill: Recall
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

24) When you download music for free, you have a *demand* for music.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

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25) Your *demand* for a product or service depends only on your preferences, not on your income.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 28-29
Skill: Recall
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

26) If you feel strongly about protecting the environment, this affects your demand for cars and your demand for public transit.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 28-29
Skill: Applied
Objective: 2.1 Describe what determines your willingness and ability to pay for a product or service.

2.2 Living On the Edge: Smart Choices Are Marginal Choices

1) You have a bet that you can eat more pizza slices than your friend. The loser has to pay for all the pizza. Which statement is *true* ?
A) Your total benefit increases with each slice of pizza you choose to eat.
B) As long as you don't get sick, there will be some positive marginal benefit from every slice you choose to eat.
C) Each additional slice of pizza has a lower marginal benefit than the slice before.
D) You will stop eating when the expected marginal benefit of the last slice is zero.
E) All of the above are true.
Answer: E
Diff: 2 Type: MC Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

2) People take their parents for granted because parents typically have _____ total benefits and _____ marginal benefits.
A) low; low.
B) low; high.
C) zero; infinite.
D) high; high.
E) high; low.
Answer: E
Diff: 2 Type: MC Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

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3) Your instructor advised you to study for at least a week before your economics test. If you ignored his advice and only studied for one hour just before the test, your studying probably has _____ total benefits and _____ marginal benefits.
A) zero; infinite.
B) high; low.
C) low; high.
D) high; high.
E) low; low.
Answer: C
Diff: 3 Type: MC Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

4) Products and services that are rare and essential will typically have
A) many alternatives.
B) a high total benefit.
C) a low price.
D) a low marginal benefit.
E) a high marginal benefit.
Answer: E
Diff: 2 Type: MC Page Ref: 30-32
Skill: Recall
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

5) Products and services that are plentiful and essential will typically have
A) few alternatives.
B) a low total benefit.
C) a high price.
D) a low marginal benefit.
E) a high marginal benefit.
Answer: D
Diff: 2 Type: MC Page Ref: 30-32
Skill: Recall
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

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6) A person's marginal growth (in height) decreases as they age because
A) people grow more quickly when they are younger.
B) older people prefer Pepsi over Coke.
C) our parents lose their ability to measure us as we get older.
D) circumstances change as we age.
E) total growth is decreasing; we begin to get shorter once we get old enough.
Answer: A
Diff: 2 Type: MC Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

7) Total growth (in height) is best described by the question,
A) "How much have you grown since I last saw you?"
B) "Have you had a growth spurt?"
C) "How tall are you?"
D) "When did you get taller than your mother?"
E) "Did they stretch you on the rack to make you taller?"
Answer: C
Diff: 2 Type: MC Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

8) Phone data plans often charge a high price for the first 10 megabytes, a lower price for the next 100 megabytes, and a very low price for the next 1,000 megabytes. An economist would say this is because
A) not many people have cell phones these days.
B) marginal benefits decrease as you use more megabytes.
C) marginal benefits always decrease as circumstances change.
D) 1,000 megabytes can be transmitted more cheaply than 100 megabytes.
E) total benefits decrease as you use more megabytes.
Answer: B
Diff: 2 Type: MC Page Ref: 30-32
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9) Phone data plans often charge a high price for daytime use and a lower price on evenings and weekends. An economist would say this is because
A) total benefits decrease as you use more minutes.
B) it is less expensive to provide service when it is dark outside.
C) marginal benefits increase as you talk longer.
D) not many people have cell phones these days.
E) marginal benefits can decrease as circumstances change.
Answer: E
Diff: 3 Type: MC Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

10) People pay more for diamonds than for water because
A) total benefits from diamonds are high and total benefits from water are low.
B) there are no substitutes for water.
C) people don't make smart choices.
D) water is scarce.
E) marginal benefits from water are low and marginal benefits from diamonds are high.
Answer: E
Diff: 2 Type: MC Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

11) The high price of diamonds relative to the price of water is due to the fact that
A) total benefits from water are relatively low.
B) total benefits from diamonds are relatively high.
C) marginal benefits from water are relatively high.
D) marginal benefits from diamonds are relatively low.
E) none of the above is true.
Answer: E
Diff: 3 Type: MC Page Ref: 30-32
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12) The high price of diamonds relative to the price of water is due to the fact that
A) total benefits from water are relatively low.
B) total benefits from diamonds are relatively high.
C) marginal benefits from water are relatively low.
D) marginal benefits from diamonds are relatively low.
E) none of the above is true.
Answer: C
Diff: 2 Type: MC Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

13) The high price of diamonds relative to the price of water is due to the fact that
A) total benefits from water are relatively low.
B) total benefits from diamonds are relatively high.
C) marginal benefits from water are relatively high.
D) marginal benefits from diamonds are relatively high.
E) none of the above is true.
Answer: D
Diff: 2 Type: MC Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

14) The diamond/water paradox can be explained by
A) water having a low price relative to diamonds.
B) water having high total benefits relative to diamonds.
C) water having higher marginal benefits in the summer than in the spring.
D) distinguishing between total benefits and price.
E) distinguishing between total benefits and marginal benefit.
Answer: E
Diff: 2 Type: MC Page Ref: 30-32
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15) After an intense workout at the gym with nothing to drink, the marginal benefit of a Gatorade would
A) depend on what other drinks were available.
B) depend on the marginal cost.
C) be equal to the marginal cost.
D) be high.
E) be low.
Answer: D
Diff: 2 Type: MC Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

16) Willingness to pay depends on marginal benefit, not total benefit.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 30-32
Skill: Recall
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

17) Willingness to pay depends on total benefit, not marginal benefit.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 30-32
Skill: Recall
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

18) Marginal benefits change with circumstances.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Recall
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

19) Your marginal benefits from a choice do *not* reflect how intensely you want it.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Recall
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

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20) If you spend the next hour studying instead of going out with a friend, that means *overall*, you value studying more than your friend.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

21) If you spend the next hour studying instead of going out with a friend, that means *at the margin*, you value studying more than your friend.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

22) Charging people more for a product that has high marginal benefits is a bad business idea because people won't actually pay more.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

23) Your marginal benefits from a choice depend on your opportunity costs.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Recall
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

24) A once-in-a-lifetime trip to Paris will give you marginal benefits that will be the same as total benefits.
Answer: TRUE
Diff: 3 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

25) Products or services that are luxuries tend to have high marginal benefits.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

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26) Products or services that are essential to survival always have low marginal benefits.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

27) As you consume more of a product or service, your marginal benefit usually gets smaller.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

28) Marginal benefits are always larger than total benefits.
Answer: FALSE
Diff: 3 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

29) A second date is never as exciting as the first one because total benefits decrease as you date more.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

30) Tourists are typically willing to pay more for products or services than local consumers because tourists get larger marginal benefits from these items.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

31) The additional benefit from your second hamburger is less than the additional benefit from your first hamburger because your total benefits are decreasing.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

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32) Dry cleaners charge men a lower price than they charge women because men get lower total benefits than women from having clean clothes.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

33) Dry cleaners charge men a lower price than they charge women because men get lower marginal benefits than women from having clean clothes.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Applied
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

34) Smart choices depend on marginal benefits.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Recall
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

35) Smart choices depend on total benefits.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 30-32
Skill: Recall
Objective: 2.2 Identify why smart choices depend on marginal benefits, not total benefits, and explain what changes marginal benefits.

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2.3 Move On When the Price Isn't Right: The Law of Demand

1) An online music store charges $1 per song. Your VISA bill shows that you spent $300 on songs last month. This means that your
A) marginal benefits must be less than $1 per song.
B) quantity demanded was 1 dollar.
C) marginal costs must be more than $1 per song.
D) quantity demanded was 300 songs.
E) quantity demanded was 300 dollars.
Answer: D
Diff: 3 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

2) At a price of $2, Michael buys 4 muffins and Matthew buys 6 muffins. The market demand for these two individuals at a price of $2 is
A) 6 muffins.
B) 2 muffins.
C) 20 dollars.
D) 10 muffins.
E) 2 dollars.
Answer: D
Diff: 1 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

3) An economics professor offers to sell cookies to her class. At a price of 50 cents per cookie, each of the 100 students in the class spends $2.00 on cookies. At a price of 50 cents per cookie, market demand in this class is
A) 400 cookies.
B) 50 cents.
C) 100 students.
D) 1 professor.
E) 200 dollars.
Answer: A
Diff: 2 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

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4) Franco the barber charges $15 for a haircut. He has 200 customers who each pay Franco $30 a month. Market demand for Franco's haircuts is
A) 200 haircuts per month.
B) 400 haircuts per month.
C) 15 dollars per haircut.
D) 6,000 dollars per month.
E) 200 customers per month.
Answer: B
Diff: 2 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

5) Gina and George had a cash bar at their party last week. At $2 a ticket, the 50 people at their party bought 2,000 tickets. Market demand at Gina and George's party was
A) 2,000 tickets.
B) 4,000 dollars.
C) 400 tickets.
D) 50 people.
E) 100 dollars.
Answer: A
Diff: 2 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

6) The Cineplex charges $8 for admission. The 200-seat theatre is full. Market demand is
A) 1,600 dollars.
B) 1,600 tickets.
C) 8 dollars.
D) 1,600 people.
E) 200 tickets.
Answer: E
Diff: 2 Type: MC Page Ref: 33-37
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Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

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7) If the price of gasoline continues to rise, the
A) demand for substitutes for gasoline decreases.
B) quantity demanded for substitutes for gasoline increases.
C) quantity demanded of gasoline increases.
D) demand for gasoline decreases.
E) quantity demanded of gasoline decreases.
Answer: E
Diff: 2 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

8) At $1.20 per litre you spent $240 on gasoline last month. Your
A) marginal benefit must be less than 1.20 per litre.
B) quantity demanded is 240 litres.
C) quantity demanded is 1.20 dollars.
D) quantity demanded is 240 dollars.
E) quantity demanded is 200 litres.
Answer: E
Diff: 2 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

9) Smart consumers who will not pay $150 for a designer T-shirt make this choice because
A) their marginal costs from this t-shirt are less than $150.
B) they are willing to pay more than $150.
C) their marginal benefits from this t-shirt are less than $150.
D) their quantity demanded is greater than one t-shirt.
E) their marginal benefits from this t-shirt are more than $150.
Answer: C
Diff: 2 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

10) As the price of butter rises, smart consumers buy
A) less margarine and the quantity demanded of butter decreases.
B) more margarine and the quantity demanded of butter decreases.
C) more margarine and the demand for butter decreases.
D) more margarine and the demand for butter increases.
E) less margarine and the quantity demanded of butter increases.
Answer: B
Diff: 3 Type: MC Page Ref: 33-37
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Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

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11) Market demand is the
A) sum of the prices each individual is willing and able to pay for each quantity demanded.
B) sum of the quantities demanded by all individuals at each price.
C) difference between the maximum amount each individual is willing to pay and the market price.
D) difference between the minimum amount each individual is willing to pay and the market price.
E) demand for stock markets.
Answer: B
Diff: 3 Type: MC Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

12) The law of demand states that, if nothing else changes,
A) a rise in the price of a product or service causes a decrease in quantity demanded.
B) a rise in the price of a product or service causes a decrease in quantity supplied.
C) an increase in incomes causes a decrease in quantity demanded.
D) a rise in the price of a product or service causes an increase in quantity demanded.
E) an increase in incomes causes an increase in quantity demanded.
Answer: A
Diff: 1 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

13) Some sales managers are talking about business. Which quotation refers to a change in *quantity demanded*?
A) "Since our competitors raised their prices, our sales have tripled."
B) "Because it's been such a warm winter, our sales of wool scarves are down from last year."
C) "We decided to cut our prices, and there has been a big increase in our sales."
D) "The Green movement has made our biodegradable products best-sellers."
E) None of the above
Answer: C
Diff: 3 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

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14) Some sales managers are talking about business. Which quotation refers to a movement along the demand curve?
A) "Since our competitors raised their prices, our sales have tripled."
B) "Because it's been such a warm winter, our sales of wool scarves are down from last year."
C) "We decided to cut our prices, and there has been a big increase in our sales."
D) "The Green movement has made our biodegradable products best-sellers."
E) None of the above
Answer: C
Diff: 3 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

15) Some sales managers are talking about business. Which quotation refers to a rightward shift of the demand curve?
A) "Since our competitors raised their prices, our sales have tripled."
B) "Because it's been such a warm winter, our sales of wool scarves are down from last year."
C) "We decided to cut our prices, and there has been a big increase in our sales."
D) "The Green movement has hurt sales of our non-recyclable products."
E) None of the above
Answer: A
Diff: 3 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

16) Some sales managers are talking about business. Which quotation refers to a leftward shift of the demand curve?
A) "Since our competitors raised their prices, our sales have tripled."
B) "Because it's been such a warm winter, our sales of wool scarves are down from last year."
C) "We decided to cut our prices, and there has been a big increase in our sales."
D) "The Green movement has made our biodegradable products best-sellers."
E) None of the above
Answer: B
Diff: 3 Type: MC Page Ref: 33-37
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17) Which will cause an *increase* in quantity demanded?
A) a rise in the price of a substitute product
B) a fall in the price of a complement product
C) an increase in income
D) a rise in the price of the product
E) a fall in the price of the product
Answer: E
Diff: 3 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

18) Which will cause a movement down along a demand curve?
A) a rise in the price of a substitute product
B) a fall in the price of a complement product
C) an increase in income
D) a rise in the price of the product
E) a fall in the price of the product
Answer: E
Diff: 3 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

19) Which will cause a *decrease* in quantity demanded?
A) a decrease in the number of consumers
B) a decrease in income
C) an increase in income
D) a rise in the price of the product
E) a fall in the price of the product
Answer: D
Diff: 3 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

20) Which will cause a movement up along a demand curve?
A) a decrease in the number of consumers
B) a decrease in income
C) an increase in income
D) a rise in the price of the product
E) a fall in the price of the product
Answer: D
Diff: 3 Type: MC Page Ref: 33-37
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21) You read a
A) marginal benefit curve up and over.
B) marginal benefit curve over and down.
C) demand curve up and over.
D) demand curve as the maximum people are willing and able to pay.
E) marginal benefit curve to understand the switch to substitutes.
Answer: A
Diff: 1 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

22) Which statements are *true*?

1 Read a demand curve up and over.
2 Read a marginal benefit curve up and over.
3 Read a demand curve over and down.
4 Read a marginal benefit curve over and down.

A) 3 only
B) 1 and 2
C) 1 and 4
D) 2 and 3
E) 2 and 4
Answer: D
Diff: 1 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

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23) Which statements are *true*?

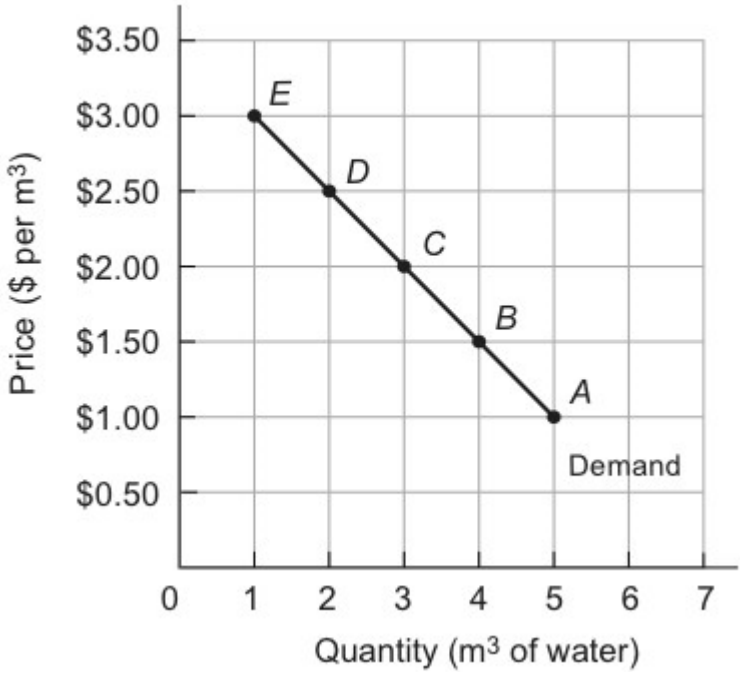
1 Read a demand curve over and down.
2 Read a marginal benefit curve over and down.
3 Read a demand curve up and over.
4 Read a marginal benefit curve up and over.

A) 3 only
B) 1 and 2
C) 1 and 4
D) 2 and 3
E) 2 and 4
Answer: C
Diff: 1 Type: MC Page Ref: 33-37
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Figure 2.3.1



24) Look at the market for water in Figure 2.3.1. At point *C*,
A) people plan to spend $2 on water.
B) the maximum price people are willing and able to pay for all 3,000 cubic metres of water is $2.
C) the minimum price people are willing and able to pay for all 3,000 cubic metres of water is $2.
D) the minimum price people are willing and able to pay for the 3,000th cubic metre of water is $2.
E) the maximum price people are willing and able to pay for the 3,000th cubic metre of water is $2.
Answer: E
Diff: 1 Type: MC Page Ref: 33-37
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25) Look at the market for water in Figure 2.3.1. At point *A*,
A) people plan to spend $1 on water.
B) he maximum price people are willing and able to pay for all 5,000 cubic metres of water is $1.
C) he minimum price people are willing and able to pay for all 5,000 cubic metres of water is $1.
D) the minimum price people are willing and able to pay for the 5,000th cubic metre of water is $1.
E) the maximum price people are willing and able to pay for the 5,000th cubic metre of water is $1.
Answer: E
Diff: 1 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

26) Look at the market for water in Figure 2.3.1. A movement from point *D* to point *B* is caused by a(n)
A) fall in the price of water.
B) rise in the price of water.
C) increase in the number of consumers.
D) rise in the expected future price of water.
E) fall in the expected future price of water.
Answer: A
Diff: 2 Type: MC Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

27) Look at the market for water in Figure 2.3.1. A movement from point *B* to point *D* is caused by a(n)
A) fall in the price of water.
B) rise in the price of water.
C) decrease in the number of consumers.
D) rise in the expected future price of water.
E) fall in the expected future price of water.
Answer: B
Diff: 2 Type: MC Page Ref: 33-37
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28) The law of demand says that when price rises, quantity demanded decreases.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

29) The law of demand says that when price falls, quantity demanded increases.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

30) The law of demand says that when price rises, demand decreases.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

31) The law of demand states that when price rises, quantity demanded increases.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

32) The law of demand works because of the availability of substitutes.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

33) The law of demand works because of the availability of complements.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

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34) Quantity demanded is the amount you actually plan to buy at a given price.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

35) Quantity demanded is the sum of demands of all individuals willing and able to buy a particular product or service.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

36) Market demand is the sum of demands of all individuals willing and able to buy a particular product or service.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

37) If the price of a movie ticket rises, the quantity demanded increases.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

38) As the price of a product or service rises, smart consumers switch to cheaper substitutes and quantity demanded decreases.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

39) As the price of a product or service rises, smart consumers switch to cheaper substitutes and demand decreases.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

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40) Consumers economize on products and services that become more expensive by switching to complements.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

41) Consumers economize on products and services that become more expensive by switching to substitutes.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 33-37
Skill: Recall
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

42) By raising the price of water, the City of Toronto encouraged smart consumers to sweep their sidewalks instead of hosing them down with water.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

43) A phone provider who offers lower prices per minute to customers who use a lot of minutes is violating the law of demand.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

44) Because we are all covered by provincial health insurance, the dollar price of medical care is zero. Therefore the marginal benefits of health care must be zero.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

45) When the price of gasoline rises, the demand for gasoline decreases.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 33-37
Skill: Applied
Objective: 2.3 Explain the law of demand and describe the roles of substitutes and willingness and ability to pay.

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2.4 Moving the Margins: What Can Change Demand?

1) Demand _____ if consumers' incomes _____ and this is a _____ good.
A) increases; decrease; normal
B) increases; increase; inferior
C) increases; decrease; inferior
D) decreases; increase; normal
E) decreases; decrease; inferior
Answer: C
Diff: 1 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

2) The demand curves shifts _____ if consumers' incomes _____ and this is a _____ good.
A) rightward; decrease; normal
B) rightward; increase; inferior
C) rightward; decrease; inferior
D) leftward; increase; normal
E) leftward; decrease; inferior
Answer: C
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

3) Demand increases when there are
A) expectations of lower prices tomorrow.
B) falls in the price of complementary products or services.
C) decreases in the number of consumers who buy this product or service.
D) decreases in income, but only for normal goods.
E) falls in the price of substitute products or services.
Answer: B
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

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4) The demand curve shifts rightward when there are
A) expectations of lower prices tomorrow.
B) falls in the price of complementary products or services.
C) decreases in the number of consumers who buy this product or service.
D) decreases in income, but only for normal goods.
E) falls in the price of substitute products or services.
Answer: B
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

5) Instead of advertising on television, Abercrombie and Fitch might increase your demand for their clothes by
A) reducing your income, but this only works for normal products and services.
B) reducing the price of substitute products and services.
C) reducing the price of complementary products and services.
D) increasing the amount of time required to make a purchase.
E) making you think that the price of their clothes will be lower next month.
Answer: C
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

6) Demand _____ if the price of a _____ product or service _____.
A) decreases; substitute; rises
B) increases; substitute; falls
C) increases; substitute; rises
D) decreases; complement; falls
E) increases; complement; rises
Answer: C
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

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7) The demand curve shifts _____ if the price of a _____ product or service _____.
A) leftward; substitute; rises
B) rightward; substitute; falls
C) rightward; substitute; rises
D) leftward; complement; falls
E) rightward; complement; rises
Answer: C
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

8) Economists use the term demand to summarize
A) how changes in price affect consumers' purchasing power.
B) how the concept of scarcity applies to the world.
C) the influence of factors other than price on the quantity we want to buy.
D) the behaviour of irrational consumers interacting with government in the marketplace.
E) the activities of profit-oriented businesses.
Answer: C
Diff: 2 Type: MC Page Ref: 38-46
Skill: Recall
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

9) Economists use the term quantity demanded to summarize
A) the activities of profit-oriented businesses.
B) how the concept of scarcity applies to the world.
C) how changes in price influence the quantity we want to buy.
D) the behaviour of irrational consumers interacting with government in the marketplace.
E) how changes in factors other than price will influence the quantity we want to buy.
Answer: C
Diff: 2 Type: MC Page Ref: 38-46
Skill: Recall
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

10) If Apple raises the price for a downloaded song at the iTunes store we will see a(n)
A) increase in demand for iPods.
B) decrease in consumers' incomes if downloaded songs are inferior goods.
C) decrease in quantity demanded of downloaded songs.
D) decrease in demand for substitutes for downloaded songs.
E) increase in consumers' incomes if downloaded songs are normal goods.
Answer: C
Diff: 1 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

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11) The number of movie-goers has decreased. One explanation is that
A) the prices of substitutes have fallen.
B) the prices of complementary products like popcorn have fallen.
C) people have higher incomes and movies are a normal good.
D) people expect the price of movies will rise in the future.
E) people have lower incomes and movies are an inferior good.
Answer: A
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

12) When Wendy's runs a successful television ad for their new Baconator Hamburger,
A) demand for hamburgers at McDonald's increases.
B) consumer incomes increase.
C) demand for french fries at Wendy's increases because these are complementary products.
D) demand for french fries at Wendy's decreases because these are complementary products.
E) consumer incomes decrease.
Answer: C
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

13) The demand for gasoline has increased. One explanation is that
A) consumer incomes are lower and gasoline is a normal good.
B) the price of automobiles is higher and gasoline and automobiles are complements.
C) consumer incomes are higher and gasoline is a normal good.
D) the number of consumers has decreased.
E) everyone expects tomorrow's gasoline price will be lower.
Answer: C
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

14) The demand curve for gasoline has shifted rightward. One explanation is that
A) consumer incomes are lower and gasoline is a normal good.
B) the price of automobiles is higher and gasoline and automobiles are complements.
C) consumer incomes are higher and gasoline is a normal good.
D) the number of consumers has decreased.
E) everyone expects tomorrow's gasoline price will be lower.
Answer: C
Diff: 2 Type: MC Page Ref: 38-46
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Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

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15) Demand for gasoline increases on Fridays because
A) everyone expects gasoline prices will fall on Saturday.
B) the prices of substitute products fall on Fridays.
C) the prices of complementary products rise on Fridays.
D) incomes are lower on Fridays and gasoline is a normal good.
E) everyone expects gasoline prices will rise on Saturday.
Answer: E
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

16) Demand for airline travel usually increases during the summer. One explanation is that
A) VIA Rail offers price discounts during the summer.
B) consumer incomes are lower in the summer and airline travel is a normal good.
C) consumer incomes are higher in the summer and airline travel is an inferior good.
D) there are more customers during the summer.
E) hotel prices rise during the summer.
Answer: D
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

17) Which could *not* cause an increase in demand for a service?
A) an increase in income
B) a decrease in income
C) a decrease in the price of a substitute
D) a decrease in the price of a complement
E) an increase in preferences for the service
Answer: C
Diff: 3 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

18) Which could *not* cause a rightward shift of the demand curve for a service?
A) an increase in income
B) a decrease in income
C) a decrease in the price of a substitute
D) a decrease in the price of a complement
E) an increase in preferences for the service
Answer: C
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19) Turnips are an inferior good. If nothing else changes, a rise in the price of turnips causes
A) a decrease in demand for turnips.
B) an increase in demand for turnips.
C) a decrease in the supply of turnips.
D) an increase in the supply of turnips.
E) none of the above.
Answer: E
Diff: 3 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

20) Turnips are an inferior good. If nothing else changes, a rise in the price of turnips causes
A) a leftward shift in the demand curve for turnips.
B) a rightward shift in the demand curve for turnips.
C) a leftward shift in the supply curve of turnips.
D) a rightward shift in the supply curve of turnips.
E) none of the above.
Answer: E
Diff: 3 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

21) If a rise in the price of product *A* causes the demand for product *B* to decrease, then
A) *A* and *B* are substitutes.
B) *A* and *B* complements.
C) *B* is an inferior good.
D) *B* is a normal good.
E) *A* and *B* are both inferior goods.
Answer: B
Diff: 3 Type: MC Page Ref: 38-46
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22) If a rise in the price of product *A* causes the demand curve for product *B* to shift leftward, then
A) *A* and *B* are substitutes.
B) *A* and *B* complements.
C) *B* is an inferior good.
D) *B* is a normal good.
E) *A* and *B* are both inferior goods.
Answer: B
Diff: 3 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

23) If Hamburger Helper is an inferior good, a decrease in income causes
A) a decrease in demand for Hamburger Helper.
B) an increase in demand for Hamburger Helper.
C) a decrease in the quantity demanded of Hamburger Helper.
D) an increase in the quantity demanded of Hamburger Helper.
E) none of the above.
Answer: B
Diff: 3 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

24) A decrease in quantity demanded is represented by a
A) rightward shift of the supply curve.
B) rightward shift of the demand curve.
C) leftward shift of the demand curve.
D) movement up along the demand curve.
E) movement down along the demand curve.
Answer: D
Diff: 1 Type: MC Page Ref: 38-46
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25) An increase in quantity demanded is represented by a
A) rightward shift of the supply curve.
B) rightward shift of the demand curve.
C) leftward shift of the demand curve.
D) movement up along the demand curve.
E) movement down along the demand curve.
Answer: E
Diff: 1 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

26) A decrease in demand is represented by a
A) leftward shift of the supply curve.
B) rightward shift of the demand curve.
C) leftward shift of the demand curve.
D) movement up along the demand curve.
E) movement down along the demand curve.
Answer: C
Diff: 1 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

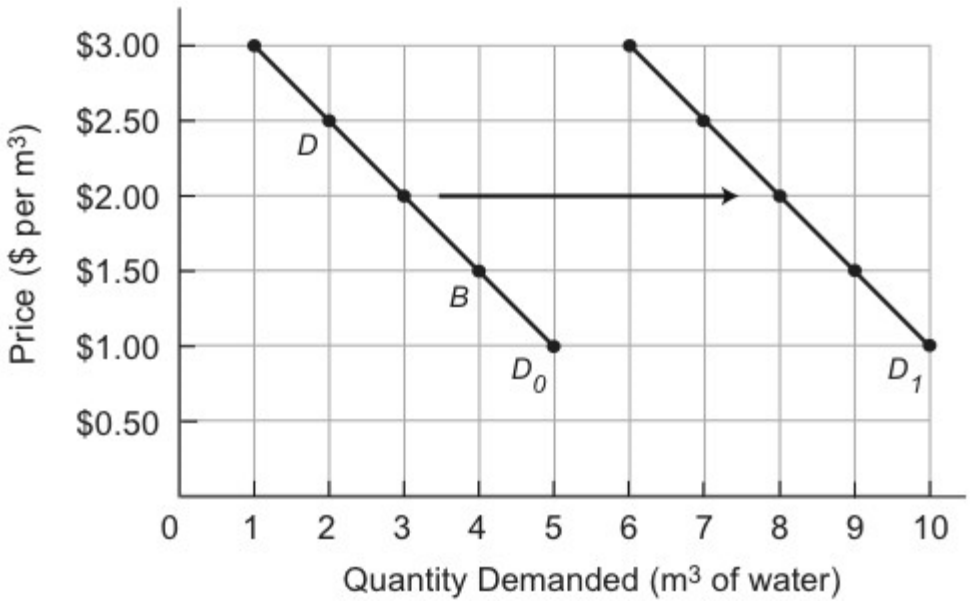
27) An increase in demand is represented by a
A) rightward shift of the supply curve.
B) rightward shift of the demand curve.
C) leftward shift of the demand curve.
D) movement up along the demand curve.
E) movement down along the demand curve.
Answer: B
Diff: 1 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

28) Which "other things" are *not* kept constant along a demand curve?
A) income
B) prices of related products
C) the price of the product itself
D) preferences
E) all of the above
Answer: C
Diff: 2 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

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Figure 2.4.1



29) Look at Figure 2.4.1. A decrease in quantity demanded is
A) a shift from D_0 to D_1.
B) a shift from D_1 to D_0.
C) a movement from point *B* to *D*.
D) a movement from point *D* to *B*.
E) none of the above.
Answer: C
Diff: 1 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

30) Look at Figure 2.4.1. An increase in quantity demanded is
A) a shift from D_0 to D_1.
B) a shift from D_1 to D_0.
C) a movement from point *B* to *D*.
D) a movement from point *D* to *B*.
E) none of the above.
Answer: D
Diff: 1 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

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31) Look at Figure 2.4.1. A decrease in demand is
A) a shift from D_0 to D_1.
B) a shift from D_1 to D_0.
C) a movement from point *B* to *D*.
D) a movement from point *D* to *B*.
E) none of the above.
Answer: B
Diff: 1 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

32) Look at Figure 2.4.1. An increase in demand is
A) a shift from D_0 to D_1.
B) a shift from D_1 to D_0.
C) a movement from point *B* to *D*.
D) a movement from point *D* to *B*.
E) none of the above.
Answer: A
Diff: 1 Type: MC Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

33) Economists use the term quantity demanded to summarize the influences of factors other than price on the number of units that consumers want to buy.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Recall
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

34) *Demand* is a much more limited term than *quantity demanded*.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Recall
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

35) *Quantity demanded* is a much more limited term than *demand*.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Recall
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

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36) Economists use the term demand to summarize the influences of factors other than price on the number of units that consumers want to buy.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Recall
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

37) A successful advertising campaign can affect your ability to pay for a product or service.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Recall
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

38) A successful advertising campaign can affect your willingness to pay for a product or service.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Recall
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

39) If the price of hamburgers at McDonald's rises, the demand for hamburgers at Wendy's increases because the products are substitutes.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

40) If the price of hamburgers at McDonald's rises, the demand for french fries at McDonald's decreases because the products are complements.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

41) If the price of hamburgers at McDonald's rises, the demand for french fries at McDonald's decreases because the products are substitutes.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

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42) If the price of gasoline rises, the demand for automobiles decreases because the products are complements.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

43) If the price of automobiles falls, the demand for bicycles decreases and the demand for gasoline increases.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

44) Because drivers expect the price on Saturdays will be higher, they increase the demand for gasoline on Fridays.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

45) Because drivers expect the price on Saturdays will be higher, they increase the quantity demanded of gasoline on Fridays.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

46) If commodity traders expect the price of gold to rise tomorrow, they increase their demand for gold today.
Answer: TRUE
Diff: 3 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

47) If the minimum age for buying beer was lowered to 16, the increase in the number of buyers increases the quantity demanded of beer.
Answer: FALSE
Diff: 2 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

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48) If the minimum age for buying beer was lowered to 16, the increase in the number of buyers increases the demand for beer.
Answer: TRUE
Diff: 2 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

49) Economists perform controlled experiments in laboratories to deal with the problem of interdependence.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

50) The law of demand works as long as nothing else besides the price of the product changes.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

51) The economist's distinction between *quantity demanded* and *demand* is an attempt to copy a controlled experiment.
Answer: TRUE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

52) When income increases, the *quantity demanded* of inferior goods decreases.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

53) When income increases, the *quantity demanded* of normal goods increases.
Answer: FALSE
Diff: 1 Type: TF Page Ref: 38-46
Skill: Applied
Objective: 2.4 Explain the difference between a change in quantity demanded and a change in demand, and identify five factors that change demand.

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