

a

Student: _____

1. Most customers want more products than they can afford to buy.
True False
2. Economists usually assume that customers have a fairly definite set of preferences.
True False
3. The "law of diminishing demand" says that if a firm raised the price of its product, a smaller quantity would be demanded.
True False
4. If a firm lowered the price of its product, the "law of diminishing demand" says that the quantity demanded would decrease.
True False
5. A "demand schedule" for a television manufacturer would show how many new TVs are to be produced each month during the current production year.
True False
6. A demand schedule shows the relationship between price and quantity demanded in a market.
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7. A demand curve is a graph of the relationship between price and quantity in a market--assuming that all other things stay the same.
True False
8. Most demand curves are upward-sloping--to the right.
True False
9. If demand is elastic, then total revenue would decrease if price were lowered.
True False
10. If demand is elastic, then total revenue would decrease if price were raised.
True False
11. If demand is inelastic, then total revenue would increase if price were lowered.
True False

12. If demand is inelastic, then total revenue would increase if price were raised.
- True False
13. Elasticity of demand is defined in terms of changes in total costs of production.
- True False
14. If total revenue remains the same when price is raised or lowered, then we have the special case of "unitary elasticity of demand."
- True False
15. A demand curve cannot be both elastic and inelastic.
- True False
16. A single demand curve can have both elastic and inelastic parts over different price ranges.
- True False
17. The availability of substitutes is one important factor affecting whether the demand for a product is elastic or inelastic.
- True False
18. When a large number of substitutes are available, demand will tend to be more elastic.
- True False
19. When few substitutes are available, demand will tend to be more elastic.
- True False
20. Most supply curves slope upward, indicating that suppliers will be willing to offer greater quantities at higher prices.
- True False
21. If supply is elastic, the supply curve will be nearly vertical.
- True False
22. The equilibrium point is where the quantity and price that sellers are willing to offer are greater than the quantity and price that buyers are willing to accept.
- True False
23. The equilibrium point is that point at which the quantity demanded would not change if price were either lowered or raised.
- True False
24. Some customers get a consumer surplus because they would be willing to pay more than the market price.
- True False

25. The elasticity of the firm's demand curve, the number and size of competitors, and the uniqueness of the firm's marketing mix all affect the nature of the competitive situation.
- True False
26. Pure competition exists when a market has homogeneous products, many buyers and sellers, and ease of entry for buyers and sellers.
- True False
27. In pure competition, individual producers have perfectly flat demand curves while the industry demand curve is down-sloping at the equilibrium price.
- True False
28. In pure competition situations, each seller usually has a lot of control over his price because of the lack of competitive substitutes.
- True False
29. Oligopoly conditions develop when a market has homogeneous products, a fairly inelastic industry demand curve, and relatively few sellers.
- True False
30. In an oligopoly situation, a "price war" will cause all sellers to lose sales revenue.
- True False
31. Monopolistic competition develops when a market is dominated by one large seller and a lot of small firms.
- True False
32. In monopolistic competition, sellers feel they have some competition in a market and consumers see competitive products as heterogeneous.
- True False
33. A firm in monopolistic competition faces no competition, so it can set its price at any level.
- True False
34. In monopolistic competition, individual firms have down-sloping demand curves.
- True False
35. The "law of diminishing demand" says that:
- A. if the price of a product is lowered, usually the same quantity will be demanded.
 - B. if the price of a product is raised, a smaller quantity will be demanded.
 - C. the demand for any product will tend to decline over time.
 - D. the more of a product a person buys, the less utility that particular product offers him.
 - E. if the price of a product is lowered, a smaller quantity will be demanded.

36. A "demand schedule:"

- A. shows how much a firm is willing to sell at a particular price.
- B. is published regularly by the U.S. government and other governments.
- C. is a table which shows the relationship between price and quantity demanded in a market.
- D. is usually the same for all products.
- E. Both B and C are true.

37. A demand curve:

- A. shows what quantities would be supplied at various possible prices.
- B. shows how total revenue increases as prices decrease.
- C. is usually up-sloping from left to right.
- D. is formed by plotting the data from a demand schedule.
- E. All of the above are true.

38. If a firm's total revenue DECREASES when the price of its product is reduced from \$80 to \$40, the demand for this product between these two prices is:

- A. unitary elastic.
- B. inelastic.
- C. elastic.
- D. Cannot tell from what is given.

39. If a firm's total revenue DECREASES when the price of its product is raised from \$50 to \$55, the demand for this product between these two prices is:

- A. elastic.
- B. inelastic.
- C. unitary elastic.
- D. Cannot tell from what is given.

40. If a firm's total revenue INCREASES when the price of its product is reduced from \$90 to \$50, the demand for this product between these two points is:

- A. inelastic.
- B. unitary elastic.
- C. elastic
- D. Cannot tell from what is given.

41. When a demand curve is INELASTIC:

- A. if price goes down, then total revenue stays the same.
- B. if price goes up, then total revenue stays the same.
- C. if price goes down, then total revenue goes down.
- D. if price goes up, then total revenue goes down.

42. In the following table, select the quantity interval in which demand is elastic.

PRICE	QUANTITY (UNITS)
\$40	10
30	16
20	22
15	28
10	40
5	60

- A. 28-40 units
 - B. 40-60 units
 - C. 10-16 units
 - D. 16-22 units
 - E. 22-28 units
43. The elasticity of demand for a particular product depends upon:
- A. the availability of substitutes.
 - B. the producer's costs.
 - C. the availability of raw materials.
 - D. the quantity the producer is willing to supply.
 - E. All of the above.
44. The elasticity of demand for a particular product depends upon:
- A. the importance of the item in each customer's budget.
 - B. the urgency of the target customers' needs.
 - C. the availability of substitutes.
 - D. All of the above.
 - E. None of the above.
45. Lack of good substitutes for a particular product affects its demand curve as follows:
- A. Makes it more elastic
 - B. Makes it less elastic
 - C. Makes it unitary elastic
 - D. Doesn't affect it at all
 - E. Cannot be determined without knowing the supply curve
46. Which of the following products would have the MOST ELASTIC demand?
- A. Water supplied by a local utility company
 - B. A Minolta automatic camera
 - C. A new home which has not yet been built
 - D. Mercedes automobile
 - E. An individual farmer's wheat

47. Which of the following products would have the MOST INELASTIC (or least elastic) INDUSTRY demand?
- A. Videotape recording system
 - B. Microwave ovens
 - C. Oranges
 - D. Gas for heating homes
 - E. Chicken
48. A supply curve:
- A. shows the quantity of products that would be demanded at various possible prices.
 - B. is generally up-sloping from left to right.
 - C. is not affected by suppliers' costs.
 - D. generally slopes in the same direction as the demand curve.
 - E. All of the above are true.
49. Which of the following statements about elasticity of supply is TRUE?
- A. A product's elasticity of supply is calculated directly from its elasticity of demand.
 - B. In the long run, the supply curve for most products is highly inelastic.
 - C. If a product's demand curve is inelastic, then its supply curve also must be inelastic.
 - D. In the very short run (after the growing season has begun), the supply curve for most agricultural products is highly inelastic.
 - E. All of the above are true.
50. Given generally elastic demand and supply curves for an industry, an INCREASE in supply will (all other things being equal):
- A. lower price but not change quantity demanded.
 - B. increase price and increase quantity demanded.
 - C. increase price and decrease quantity demanded.
 - D. lower price and increase quantity demanded.
 - E. not change anything else.
51. The SHORT-RUN market adjustment for a homogeneous product, like wheat, following a decrease in demand would most likely be:
- A. an increase in production.
 - B. a decrease in price.
 - C. a decrease in production.
 - D. a decrease in demand for available substitutes.
 - E. an increase in price.
52. Which of the following statements about demand and supply interaction is TRUE?
- A. A market is said to be in equilibrium when the elasticity of demand equals the elasticity of supply.
 - B. For a market to be in equilibrium, the price and quantity that buyers are willing to accept must be greater than the price and quantity that suppliers are willing to offer.
 - C. The interaction of supply and demand determines the size of the market and the market price.
 - D. Demand determines price.
 - E. All of the above are true.

53. The "equilibrium point" is where:
- A. the quantity and price sellers are willing to offer equal the quantity and price that buyers are willing to accept.
 - B. the quantity demanded equals its cost.
 - C. the market price is at its minimum.
 - D. the elasticity of demand equals the elasticity of supply.
 - E. the market price is at its maximum.
54. "Consumer surplus" means that:
- A. consumers just get their money's worth in any transaction.
 - B. consumers don't consume all the products they buy.
 - C. the price consumers have to pay is more than the value to them.
 - D. some consumers get more than their money's worth because they would be willing to pay more than the equilibrium price if they had to.
 - E. there are more consumers than products to satisfy them.
55. A market situation with homogeneous products, many informed buyers and sellers, and ease of entry is a _____ market situation.
- A. oligopoly
 - B. monopolistic competition
 - C. monopoly
 - D. pure competition
 - E. both B and C
56. Pure competition develops when a market has:
- A. uninformed buyers and sellers.
 - B. heterogeneous products.
 - C. many buyers and sellers.
 - D. limited entry for buyers and sellers.
 - E. both C and D.
57. Pure competition occurs when a market has:
- A. homogeneous (similar) products.
 - B. easy entry for new sellers.
 - C. many buyers and sellers.
 - D. informed buyers and sellers.
 - E. All of the above.
58. A FIRM faces an almost perfectly flat or horizontal demand curve in a(an) _____ market situation.
- A. monopolistic competition
 - B. monopoly
 - C. pure competition
 - D. oligopoly
 - E. None of the above--demand curves are always down-sloping.

59. A firm in pure competition will:
- A. advertise its product to tell potential customers about its unique product.
 - B. be able to set its own price level.
 - C. have to accept the going price.
 - D. be able to increase its total revenue only by lowering its price.
 - E. All of the above.
60. Rico Hardware is an industrial supply firm that sells standard screws, bolts, and other small hardware items to construction companies. Rico competes with many similar firms nationwide and sells its merchandise at "the going rate." Rico seems to be operating in an environment that is close to:
- A. pure competition.
 - B. monopoly.
 - C. monopolistic competition.
 - D. oligopoly.
61. Oligopoly situations develop when a market has:
- A. relatively few buyers.
 - B. elastic industry demand.
 - C. heterogeneous products.
 - D. relatively few sellers.
 - E. All of the above.
62. An oligopoly market situation has:
- A. relatively few sellers--or a few large firms and many smaller firms which follow the lead of the larger ones.
 - B. essentially homogeneous products.
 - C. fairly inelastic industry demand.
 - D. All of the above.
 - E. None of the above.
63. A market which has relatively few sellers, homogeneous products, and fairly inelastic industry demand is an example of a(an) _____ market situation.
- A. pure competition
 - B. monopolistic competition
 - C. oligopoly
 - D. monopoly
 - E. Any of the above.
64. Which of the following would probably be an oligopoly in a U.S. market?
- A. A gift shop at an art museum.
 - B. U.S. Steel (USX).
 - C. A "7 to 11" convenience food store.
 - D. A Ford car dealership in a small town.
 - E. All of the above.

65. Tara Whitehall is responsible for price setting at her firm. The last time she raised her price, competitors left their prices at the lower level and she lost customers. Now she wants to increase her market share with a lower price, but she is concerned that her competitors will "follow" her to the lower price level. Whitehall is probably operating in an environment of:
- A. oligopoly.
 - B. pure competition.
 - C. monopoly.
 - D. monopolistic competition.
66. Which of the following is the best example of an oligopoly situation?
- A. grocery retailers in Miami.
 - B. a community in the mountains with one electric power company.
 - C. a farmers' market with many farmers selling peaches.
 - D. a small airport with two airlines going to different destinations.
 - E. most of the aluminum in the U.S. is sold by three producers.
67. In which of the following situations would the seller(s) be most likely to face a "kinked" demand curve?
- A. a medium-sized airport with one gift shop.
 - B. a small town--some distance from any others--with three "off brand" gasoline stations at the major intersection.
 - C. men's clothing stores in downtown Las Vegas.
 - D. a small community with one electric power company.
 - E. a farmers' market with one farmer selling honey.
68. In oligopoly situations:
- A. prices tend to be rigid and similar--because of price-fixing agreements.
 - B. price wars may occur if a firm seeks to increase its market share by cutting price.
 - C. a firm faces an INELASTIC demand curve if it raises price.
 - D. the quantity offered changes a lot due to the lack of a fixed market price.
 - E. All of the above are true.
69. "Kinked" demand curves:
- A. are sometimes found in pure competition.
 - B. are inelastic above the "kink" and elastic below the "kink."
 - C. are typical of monopolistic competition.
 - D. tend to encourage a stable price in a product-market.
 - E. both C and D are true.
70. Which of the following statements about oligopoly situations is TRUE?
- A. "Price cutters" face fairly elastic demand curves.
 - B. Cutting prices can lead to everyone losing sales revenue.
 - C. Many large sellers are competing with each other.
 - D. Essentially heterogeneous products are offered by many competitors.
 - E. None of the above is true.

71. Which of the following statements about the competitive environment is TRUE?
- A. In monopolistic competition a seller has a down-sloping demand curve due to the lack of any substitute products.
 - B. In pure competition, an individual firm is usually faced with a very inelastic demand curve.
 - C. Firms in oligopoly should avoid price cutting.
 - D. The industry demand curve in oligopoly is usually horizontal.
 - E. All of the above.
72. Monopolistic competition occurs when an individual firm
- A. obtains complete control over prices--through collusion.
 - B. differentiates its product from competitors--in the eyes of some customers.
 - C. develops products which have no substitutes.
 - D. obtains complete control of the supply of a product.
 - E. All of the above.
73. A market with several firms competing, some promotion, and some differences among products is in a(an) _____ market situation.
- A. monopoly
 - B. pure competition
 - C. monopolistic competition
 - D. oligopoly
 - E. Any of the above.
74. Monopolistic competition exists when:
- A. each competitor has its own kinked demand curve.
 - B. there is only one firm in the industry.
 - C. no substitute products are available for consumers in this market.
 - D. each firm in the market has differentiated its product from its competitors--in the eyes of some customers.
 - E. both B and C.
75. Which of the following is the best example of a monopoly situation?
- A. A movie theater with one snack bar for popcorn and soft drinks.
 - B. Jewelry stores in Paris.
 - C. A farmers' market with many farmers selling sweet corn.
 - D. The only Domino's Pizza in a large university town.
 - E. A small town--some distance from any others--with only three drugstores.
76. Which of the following is MOST likely to be competing in monopolistic competition?
- A. a soybean farmer
 - B. a steel producer
 - C. a restaurant
 - D. an oil producer
 - E. an electric utility company

a Key

1. Most customers want more products than they can afford to buy.
(p. 486)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #1
Question Type: Definition
Self-Test: No

2. Economists usually assume that customers have a fairly definite set of preferences.
(p. 486)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #2
Question Type: Definition
Self-Test: No

3. The "law of diminishing demand" says that if a firm raised the price of its product, a smaller quantity would be demanded.
(p. 487)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #3
Question Type: Definition
Self-Test: No

4. If a firm lowered the price of its product, the "law of diminishing demand" says that the quantity demanded would decrease.
(p. 487)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #4
Question Type: Definition
Self-Test: No

5. A "demand schedule" for a television manufacturer would show how many new TVs are to be produced each month during the current production year.
(p. 487)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #5
Question Type: Definition
Self-Test: No

6. A demand schedule shows the relationship between price and quantity demanded in a market.
(p. 487)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #6
Question Type: Definition
Self-Test: No

7. A demand curve is a graph of the relationship between price and quantity in a market--assuming that all other things stay the same.
(p. 487)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #7
Question Type: Definition
Self-Test: No

8. Most demand curves are upward-sloping--to the right.
(p. 487)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #8
Question Type: Definition
Self-Test: No

9. If demand is elastic, then total revenue would decrease if price were lowered.
(p. 489)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #9
Question Type: Definition
Self-Test: No

10. If demand is elastic, then total revenue would decrease if price were raised.
(p. 489)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #10
Question Type: Definition
Self-Test: No

11. If demand is inelastic, then total revenue would increase if price were lowered.
(p. 489)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #11
Question Type: Definition
Self-Test: No

12. If demand is inelastic, then total revenue would increase if price were raised.
(p. 489)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #12
Question Type: Definition
Self-Test: No

13. Elasticity of demand is defined in terms of changes in total costs of production.
(p. 489)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #13
Question Type: Definition
Self-Test: No

14. If total revenue remains the same when price is raised or lowered, then we have the special case of "unitary elasticity of demand."
(p. 489)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #14
Question Type: Definition
Self-Test: No

15. A demand curve cannot be both elastic and inelastic.
(p. 490)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #15
Question Type: Definition
Self-Test: No

16. A single demand curve can have both elastic and inelastic parts over different price ranges.
(p. 490)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #16
Question Type: Definition
Self-Test: No

17. The availability of substitutes is one important factor affecting whether the demand for a product is elastic or inelastic.
(p. 490)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 4
Perreault - Chapter Appendix... #17
Question Type: Definition
Self-Test: No

18. When a large number of substitutes are available, demand will tend to be more elastic.
(p. 490)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 4
Perreault - Chapter Appendix... #18
Question Type: Definition
Self-Test: No

19. When few substitutes are available, demand will tend to be more elastic.
(p. 490)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 4
Perreault - Chapter Appendix... #19
Question Type: Definition
Self-Test: No

20. Most supply curves slope upward, indicating that suppliers will be willing to offer greater quantities at higher prices.
(p. 492)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #20
Question Type: Definition
Self-Test: No

21. If supply is elastic, the supply curve will be nearly vertical.
(p. 493)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #21
Question Type: Definition
Self-Test: No

22. The equilibrium point is where the quantity and price that sellers are willing to offer are greater than the quantity and price that buyers are willing to accept.
(p. 493)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #22
Question Type: Definition
Self-Test: No

23. The equilibrium point is that point at which the quantity demanded would not change if price were either lowered or raised.
(p. 493)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #23
Question Type: Definition
Self-Test: No

24. Some customers get a consumer surplus because they would be willing to pay more than the market price.
(p. 494)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #24
Question Type: Definition
Self-Test: No

25. The elasticity of the firm's demand curve, the number and size of competitors, and the uniqueness of the firm's marketing mix all affect the nature of the competitive situation.
(p. 494)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #25
Question Type: Definition
Self-Test: No

26. Pure competition exists when a market has homogeneous products, many buyers and sellers, and ease of entry for buyers and sellers.
(p. 495)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #26
Question Type: Definition
Self-Test: No

27. In pure competition, individual producers have perfectly flat demand curves while the industry demand curve is down-sloping at the equilibrium price.
(p. 495)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #27
Question Type: Definition
Self-Test: No

28. In pure competition situations, each seller usually has a lot of control over his price because of the lack of competitive substitutes.
(p. 495)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #28
Question Type: Definition
Self-Test: No

29. Oligopoly conditions develop when a market has homogeneous products, a fairly inelastic industry demand curve, and relatively few sellers.
(p. 496)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #29
Question Type: Definition
Self-Test: No

30. In an oligopoly situation, a "price war" will cause all sellers to lose sales revenue.
(p. 496)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #30
Question Type: Definition
Self-Test: No

31. Monopolistic competition develops when a market is dominated by one large seller and a lot of small firms.
(p. 497)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #31
Question Type: Definition
Self-Test: No

32. In monopolistic competition, sellers feel they have some competition in a market and consumers see competitive products as heterogeneous.
(p. 497)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #32
Question Type: Definition
Self-Test: No

33. A firm in monopolistic competition faces no competition, so it can set its price at any level.
(p. 497)

FALSE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #33
Question Type: Definition
Self-Test: No

34. In monopolistic competition, individual firms have down-sloping demand curves.
(p. 497)

TRUE

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #34
Question Type: Definition
Self-Test: No

35. The "law of diminishing demand" says that:
(p. 487)

- A. if the price of a product is lowered, usually the same quantity will be demanded.
- B.** if the price of a product is raised, a smaller quantity will be demanded.
- C. the demand for any product will tend to decline over time.
- D. the more of a product a person buys, the less utility that particular product offers him.
- E. if the price of a product is lowered, a smaller quantity will be demanded.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Hard
LearnObj: 1
Perreault - Chapter Appendix... #35
Question Type: Definition
Self-Test: No

36. A "demand schedule:"

(p. 487)

- A. shows how much a firm is willing to sell at a particular price.
- B. is published regularly by the U.S. government and other governments.
- C.** is a table which shows the relationship between price and quantity demanded in a market.
- D. is usually the same for all products.
- E. Both B and C are true.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 1
Perreault - Chapter Appendix... #36
Question Type: Definition
Self-Test: No

37. A demand curve:

(p. 487)

- A. shows what quantities would be supplied at various possible prices.
- B. shows how total revenue increases as prices decrease.
- C. is usually up-sloping from left to right.
- D.** is formed by plotting the data from a demand schedule.
- E. All of the above are true.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 2
Perreault - Chapter Appendix... #37
Question Type: Definition
Self-Test: No

38. If a firm's total revenue DECREASES when the price of its product is reduced from \$80 to \$40, the demand for this product between these two prices is:

(p. 489)

- A. unitary elastic.
- B.** inelastic.
- C. elastic.
- D. Cannot tell from what is given.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #38
Question Type: Application
Self-Test: No

39. If a firm's total revenue DECREASES when the price of its product is raised from \$50 to \$55, the demand for this product between these two prices is:

(p. 489)

- A.** elastic.
- B. inelastic.
- C. unitary elastic.
- D. Cannot tell from what is given.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #39
Question Type: Application
Self-Test: No

40. If a firm's total revenue INCREASES when the price of its product is reduced from \$90 to \$50, the demand for this product between these two points is:

(p. 489)

- A. inelastic.
- B. unitary elastic.
- C. elastic**
- D. Cannot tell from what is given.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 3
Perreault - Chapter Appendix... #40
Question Type: Application
Self-Test: No

41. When a demand curve is INELASTIC:

(p. 489)

- A. if price goes down, then total revenue stays the same.
- B. if price goes up, then total revenue stays the same.
- C. if price goes down, then total revenue goes down.**
- D. if price goes up, then total revenue goes down.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 3
Perreault - Chapter Appendix... #41
Question Type: Definition
Self-Test: No

42. In the following table, select the quantity interval in which demand is elastic.

(p. 489)

PRICE	QUANTITY (UNITS)
\$40	10
30	16
20	22
15	28
10	40
5	60

- A. 28-40 units
- B. 40-60 units
- C. 10-16 units**
- D. 16-22 units
- E. 22-28 units

AACSB: 13 Economic environments
Chapter: A
Difficulty: Hard
LearnObj: 3
Perreault - Chapter Appendix... #42
Question Type: Mathematical
Self-Test: No

43. The elasticity of demand for a particular product depends upon:

(p. 490)

- A. the availability of substitutes.
- B. the producer's costs.
- C. the availability of raw materials.
- D. the quantity the producer is willing to supply.
- E. All of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 4
Perreault - Chapter Appendix... #43
Question Type: Comprehension
Self-Test: No

44. The elasticity of demand for a particular product depends upon:

(p. 490)

- A. the importance of the item in each customer's budget.
- B. the urgency of the target customers' needs.
- C. the availability of substitutes.
- D. All of the above.
- E. None of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 4
Perreault - Chapter Appendix... #44
Question Type: Definition
Self-Test: No

45. Lack of good substitutes for a particular product affects its demand curve as follows:

(p. 490-491)

- A. Makes it more elastic
- B. Makes it less elastic
- C. Makes it unitary elastic
- D. Doesn't affect it at all
- E. Cannot be determined without knowing the supply curve

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 4
Perreault - Chapter Appendix... #45
Question Type: Comprehension
Self-Test: No

46. Which of the following products would have the MOST ELASTIC demand?

(p. 490-491)

- A. Water supplied by a local utility company
- B. A Minolta automatic camera
- C. A new home which has not yet been built
- D. Mercedes automobile
- E. An individual farmer's wheat

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 4
Perreault - Chapter Appendix... #46
Question Type: Application
Self-Test: No

47. Which of the following products would have the MOST INELASTIC (or least elastic) INDUSTRY demand?
(p. 490-491)

- A. Videotape recording system
- B. Microwave ovens
- C. Oranges
- D.** Gas for heating homes
- E. Chicken

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 4
Perreault - Chapter Appendix... #47
Question Type: Application
Self-Test: No

48. A supply curve:
(p. 492)

- A. shows the quantity of products that would be demanded at various possible prices.
- B.** is generally up-sloping from left to right.
- C. is not affected by suppliers' costs.
- D. generally slopes in the same direction as the demand curve.
- E. All of the above are true.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #48
Question Type: Definition
Self-Test: No

49. Which of the following statements about elasticity of supply is TRUE?
(p. 492)

- A. A product's elasticity of supply is calculated directly from its elasticity of demand.
- B. In the long run, the supply curve for most products is highly inelastic.
- C. If a product's demand curve is inelastic, then its supply curve also must be inelastic.
- D.** In the very short run (after the growing season has begun), the supply curve for most agricultural products is highly inelastic.
- E. All of the above are true.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Hard
LearnObj: 3
Perreault - Chapter Appendix... #49
Question Type: Comprehension
Self-Test: No

50. Given generally elastic demand and supply curves for an industry, an INCREASE in supply will (all other things being equal):

(p. 493)

- A. lower price but not change quantity demanded.
- B. increase price and increase quantity demanded.
- C. increase price and decrease quantity demanded.
- D. lower price and increase quantity demanded.**
- E. not change anything else.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Hard
LearnObj: 3
Perreault - Chapter Appendix... #50
Question Type: Application
Self-Test: No

51. The SHORT-RUN market adjustment for a homogeneous product, like wheat, following a decrease in demand would most likely be:

(p. 493)

- A. an increase in production.
- B. a decrease in price.**
- C. a decrease in production.
- D. a decrease in demand for available substitutes.
- E. an increase in price.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 3
Perreault - Chapter Appendix... #51
Question Type: Application
Self-Test: No

52. Which of the following statements about demand and supply interaction is TRUE?

(p. 493)

- A. A market is said to be in equilibrium when the elasticity of demand equals the elasticity of supply.
- B. For a market to be in equilibrium, the price and quantity that buyers are willing to accept must be greater than the price and quantity that suppliers are willing to offer.
- C. The interaction of supply and demand determines the size of the market and the market price.**
- D. Demand determines price.
- E. All of the above are true.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 2
Perreault - Chapter Appendix... #52
Question Type: Comprehension
Self-Test: No

53. The "equilibrium point" is where:

(p. 493)

- A. the quantity and price sellers are willing to offer equal the quantity and price that buyers are willing to accept.
- B. the quantity demanded equals its cost.
- C. the market price is at its minimum.
- D. the elasticity of demand equals the elasticity of supply.
- E. the market price is at its maximum.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 2
Perreault - Chapter Appendix... #53
Question Type: Definition
Self-Test: No

54. "Consumer surplus" means that:

(p. 494)

- A. consumers just get their money's worth in any transaction.
- B. consumers don't consume all the products they buy.
- C. the price consumers have to pay is more than the value to them.
- D. some consumers get more than their money's worth because they would be willing to pay more than the equilibrium price if they had to.
- E. there are more consumers than products to satisfy them.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Hard
LearnObj: 2
Perreault - Chapter Appendix... #54
Question Type: Definition
Self-Test: No

55. A market situation with homogeneous products, many informed buyers and sellers, and ease of entry is a _____ market situation.

(p. 495)

- A. oligopoly
- B. monopolistic competition
- C. monopoly
- D. pure competition
- E. both B and C

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #55
Question Type: Definition
Self-Test: No

56. Pure competition develops when a market has:

(p. 495)

- A. uninformed buyers and sellers.
- B. heterogeneous products.
- C.** many buyers and sellers.
- D. limited entry for buyers and sellers.
- E. both C and D.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #56
Question Type: Definition
Self-Test: No

57. Pure competition occurs when a market has:

(p. 495)

- A. homogeneous (similar) products.
- B. easy entry for new sellers.
- C. many buyers and sellers.
- D. informed buyers and sellers.
- E.** All of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #57
Question Type: Definition
Self-Test: No

58. A FIRM faces an almost perfectly flat or horizontal demand curve in a(an) _____ market situation.

(p. 495)

- A. monopolistic competition
- B. monopoly
- C.** pure competition
- D. oligopoly
- E. None of the above--demand curves are always down-sloping.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #58
Question Type: Comprehension
Self-Test: No

59. A firm in pure competition will:

(p. 495)

- A. advertise its product to tell potential customers about its unique product.
- B. be able to set its own price level.
- C.** have to accept the going price.
- D. be able to increase its total revenue only by lowering its price.
- E. All of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #59
Question Type: Comprehension
Self-Test: No

60. Rico Hardware is an industrial supply firm that sells standard screws, bolts, and other small hardware items to construction companies. Rico competes with many similar firms nationwide and sells its merchandise at "the going rate." Rico seems to be operating in an environment that is close to:

(p. 495)

- A. pure competition.
- B. monopoly.
- C. monopolistic competition.
- D. oligopoly.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #60
Question Type: Application
Self-Test: No

61. Oligopoly situations develop when a market has:

(p. 496)

- A. relatively few buyers.
- B. elastic industry demand.
- C. heterogeneous products.
- D. relatively few sellers.
- E. All of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #61
Question Type: Definition
Self-Test: No

62. An oligopoly market situation has:

(p. 496)

- A. relatively few sellers--or a few large firms and many smaller firms which follow the lead of the larger ones.
- B. essentially homogeneous products.
- C. fairly inelastic industry demand.
- D. All of the above.
- E. None of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #62
Question Type: Definition
Self-Test: No

63. A market which has relatively few sellers, homogeneous products, and fairly inelastic industry demand is an example of a(an) _____ market situation.

(p. 496)

- A. pure competition
- B. monopolistic competition
- C. oligopoly**
- D. monopoly
- E. Any of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #63
Question Type: Definition
Self-Test: No

64. Which of the following would probably be an oligopoly in a U.S. market?

(p. 496)

- A. A gift shop at an art museum.
- B. U.S. Steel (USX).**
- C. A "7 to 11" convenience food store.
- D. A Ford car dealership in a small town.
- E. All of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #64
Question Type: Application
Self-Test: No

65. Tara Whitehall is responsible for price setting at her firm. The last time she raised her price, competitors left their prices at the lower level and she lost customers. Now she wants to increase her market share with a lower price, but she is concerned that her competitors will "follow" her to the lower price level. Whitehall is probably operating in an environment of:

(p. 496)

- A. oligopoly.**
- B. pure competition.
- C. monopoly.
- D. monopolistic competition.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #65
Question Type: Application
Self-Test: No

66. Which of the following is the best example of an oligopoly situation?

(p. 496)

- A. grocery retailers in Miami.
- B. a community in the mountains with one electric power company.
- C. a farmers' market with many farmers selling peaches.
- D. a small airport with two airlines going to different destinations.
- E.** most of the aluminum in the U.S. is sold by three producers.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #66
Question Type: Application
Self-Test: No

67. In which of the following situations would the seller(s) be most likely to face a "kinked" demand curve?

(p. 496)

- A. a medium-sized airport with one gift shop.
- B.** a small town--some distance from any others--with three "off brand" gasoline stations at the major intersection.
- C. men's clothing stores in downtown Las Vegas.
- D. a small community with one electric power company.
- E. a farmers' market with one farmer selling honey.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #67
Question Type: Application
Self-Test: No

68. In oligopoly situations:

(p. 496)

- A. prices tend to be rigid and similar--because of price-fixing agreements.
- B.** price wars may occur if a firm seeks to increase its market share by cutting price.
- C. a firm faces an INELASTIC demand curve if it raises price.
- D. the quantity offered changes a lot due to the lack of a fixed market price.
- E. All of the above are true.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Hard
LearnObj: 5
Perreault - Chapter Appendix... #68
Question Type: Comprehension
Self-Test: No

69. "Kinked" demand curves:

(p. 496)

- A. are sometimes found in pure competition.
- B. are inelastic above the "kink" and elastic below the "kink."
- C. are typical of monopolistic competition.
- D.** tend to encourage a stable price in a product-market.
- E. both C and D are true.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Hard
LearnObj: 5
Perreault - Chapter Appendix... #69
Question Type: Comprehension
Self-Test: No

70. Which of the following statements about oligopoly situations is TRUE?

(p. 496)

- A. "Price cutters" face fairly elastic demand curves.
- B.** Cutting prices can lead to everyone losing sales revenue.
- C. Many large sellers are competing with each other.
- D. Essentially heterogeneous products are offered by many competitors.
- E. None of the above is true.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #70
Question Type: Comprehension
Self-Test: No

71. Which of the following statements about the competitive environment is TRUE?

(p. 496)

- A. In monopolistic competition a seller has a down-sloping demand curve due to the lack of any substitute products.
- B. In pure competition, an individual firm is usually faced with a very inelastic demand curve.
- C.** Firms in oligopoly should avoid price cutting.
- D. The industry demand curve in oligopoly is usually horizontal.
- E. All of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Hard
LearnObj: 5
Perreault - Chapter Appendix... #71
Question Type: Integrating
Self-Test: No

72. Monopolistic competition occurs when an individual firm

(p. 497)

- A. obtains complete control over prices--through collusion.
- B.** differentiates its product from competitors--in the eyes of some customers.
- C. develops products which have no substitutes.
- D. obtains complete control of the supply of a product.
- E. All of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #72
Question Type: Comprehension
Self-Test: No

73. A market with several firms competing, some promotion, and some differences among products is in
(p. 497) a(an) _____ market situation.

- A. monopoly
- B. pure competition
- C. monopolistic competition**
- D. oligopoly
- E. Any of the above.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #73
Question Type: Definition
Self-Test: No

74. Monopolistic competition exists when:
(p. 497)

- A. each competitor has its own kinked demand curve.
- B. there is only one firm in the industry.
- C. no substitute products are available for consumers in this market.
- D. each firm in the market has differentiated its product from its competitors--in the eyes of some customers.**
- E. both B and C.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Easy
LearnObj: 5
Perreault - Chapter Appendix... #74
Question Type: Definition
Self-Test: No

75. Which of the following is the best example of a monopoly situation?
(p. 497)

- A. A movie theater with one snack bar for popcorn and soft drinks.**
- B. Jewelry stores in Paris.
- C. A farmers' market with many farmers selling sweet corn.
- D. The only Domino's Pizza in a large university town.
- E. A small town--some distance from any others--with only three drugstores.

AACSB: 13 Economic environments
Chapter: A
Difficulty: Medium
LearnObj: 5
Perreault - Chapter Appendix... #75
Question Type: Application
Self-Test: No

76. Which of the following is MOST likely to be competing in monopolistic competition?

(p. 497)

- A. a soybean farmer
- B. a steel producer
- C.** a restaurant
- D. an oil producer
- E. an electric utility company

AACSB: 13 Economic environments

Chapter: A

Difficulty: Medium

LearnObj: 5

Perreault - Chapter Appendix... #76

Question Type: Application

Self-Test: No

a Summary

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