PPSC Economics Topic 6 Economics Model

Sr	Questions	Answers Choice
1	Most Microeconomic models assume that decision makers wish to.	A. Make themselves as well off as possible B. Act selfishly C. Not cooperate with others D. None of the above
2	If price is initially above the equilibrium level.	A. the supply curve will shift rightward B. The supply curve will shift letward C. Excess supply exists D. All firms can sell as much as they want
3	The expression increase in quantity supplied is illustrated graphically as a.	A. Leftward shift in the supply curve B. Rightward shift in the supply curve C. Movement up long the supply curve D. Movement down along the supply curve
4	If a government imposed price celling causes the observed price in a market to be below the equilibrium price.	A. There will be excess demand B. There will be excess supply C. The curves will shift to make a new equilibrium at the regulated price D. None of the above
5	If the demand curve for a good is horizontal and the price is positive then a leftward shift of the supply curve results in.	A. a price of zero B. An increase in price C. A decrease in price D. No change in price
6	When two goods are substitutes a shock that raises the price of one good causes the price of the other goods to.	A. Remain unchanged B. Decrease C. Increase D. Change in an unpredictable manner
7	The purpose of making assumptions in economic model building is to.	A. Force the model to yield the correct answer B. Minimize the amount of work an economist must do C. simplify the model while keeping important details. D. Express the relationship mathematically.
8	An increases in the demand curve for orange juice would be illustrated as a.	A. Leftward shift of the demand curve B. Right ward shift of the demand curve C. Movement up along the demand curve D. Movement down along the demand curve
9	Consumers and firms are known as price takers only it	A. No market exists to determine the equilibrium price B. they can set the market price C. They cannot effect the market price D. Excess demand exists
10	A vertical demand curve results in.	A. No change in quantity when the supply curve shifts. B. No change in price when the supply curve shifts C. No change in the supply curve being possible D. No change in quantity when the demand curve shifts.
11	Equilibrium is defined as a situation in which.	A. Neither buyers nor sellers want to change their behavior B. No government regulations exist C. Demand curves are perfectly horizontal D. suppliers will supply and amount

		that buyers wish to buy
12	Holding all other factors constant consumers demand more of a good the	A. Higher its price B. Lower its price C. Steeper the downward slope of the demand curve D. Steeper the upward slope of the demand curve
13	To determine the total demand for all consumers sum the quantity each consumer demands.	A. At a given price B. At all prices and then sum this amount across all consumers C. Both a and b will generate the same total demand D. None of the above
14	In the labor market if the government imposes a minimum wage that is below the equilibrium wage then.	A. Workers who wish to work at the minimum wage will have a difficult time finding jobs. B. Firms will hire fewer workers than without the minimum wage law. C. Some workers may lose their jobs as a result D. Nothing will happen to the wage rate or employment
15	A Horizontal demand curve for a good could arise because consumers.	A. Are irrational B. Are not sensitive to price changes C. View this good as identical to another good D. Have no equivalent substitutes for this good
16	Which of the following is an example of a normative statement.	A. Since this good is bad for you, you should not consume it. B. this good is bad for you C. If you consume this good you will get sick D. People usually get sick after consuming this good
17	As the price of a good increases, the change in the quantity demanded can be shown by	A. Shifting the demand curve leftward B. Shifting the demand curve rightward C. Moving down along the same demand curve D. Moving up long the same demand curve
18	Economists tend to judge a model based upon	A. the realty of its assumptions B. The accuracy of its predications C. Its simplicity D. Its complexity
19	If the price of automobiles were to decrease substantially the demand curve for public transpiration would most likely.	A. shift rightward B. Shift leftward C. Remain unchanged D. Remain unchanged while quantity demanded would change
20	A vertical demand curve for a particular good implies that consumers are.	A. Sensitive to changes in the price of that good B. Not sensitive to changes in the price of that good. C. Irrational D. Not interested in that good