

## Demand

### Multiple Choice

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

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

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

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

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

### Matching

Match each item with the correct statement below.

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

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

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

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

- \_\_\_ 41. consists of all revenue

Name: \_\_\_\_\_

ID: A

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

### Short Answer

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

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**Demand  
Answer Section**

**MULTIPLE CHOICE**

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

**MATCHING**

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

Name: \_\_\_\_\_

ID: A

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

**SHORT ANSWER**

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