# Chapter 4 Test, Form A

#### Demand

**DIRECTIONS: Matching** Match each item with the correct description.

- **1.** combination of desire, ability, and willingness to buy a product
- 2. graph showing the quantity demanded at each and every possible price that might prevail in the market at a given time
- \_\_\_\_\_ 3. rule stating that more will be demanded at lower prices and less at higher prices
- 4. satisfaction or usefulness obtained from acquiring one more unit of a product
  - 5. movement along the demand curve showing that a different quantity is purchased in response to a change in price
- 6. the portion of a change in quantity demanded caused by a change in price that makes other products more or less costly
- 7. consumer demand for different amounts at every price, causing the demand curve to shift to the left or the right
- 8. products related in such a way that an increase in the price of one reduces the demand for the other
- 9. the extent to which a change in price causes a change in the quantity demanded
  - 10. type of elasticity in which the percentage change in the independent variable (usually price) causes a less than proportionate change in the dependent variable (usually quantity demanded or supplied)

- A. change in demand
- B. change in quantity demanded
- **C.** complements
- **D.** demand
- E. demand curve
- F. demand elasticity
- **G.** inelastic
- H. Law of Demand
- I. marginal utility
- J. substitution effect

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- **11.** What are the characteristics of demand?
  - **A.** the desire and ability to buy a product
  - **B.** the ability and willingness to buy a product
  - C. the willingness and desire to buy a product
  - **D.** the desire, ability, and willingness to buy a product

## Chapter 4 Test, Form A cont.

#### **Demand**

**12.** Changes in quantity demanded and changes in price have a(n) \_\_\_\_\_\_ relationship.

A. indirect C. inverse

**B.** positive **D.** neutral

\_ 13. A hungry man is willing to pay a high price for food. After he is no longer hungry, he is not willing to pay the same high price. Which of the following best defines this example?

> A. a complement C. unit elasticity

**B.** diminishing marginal utility **D.** the substitution effect

\_ **14.** On a demand curve, movement along the curve, as opposed to a shift in the entire curve, is a result of \_\_\_

**A.** a change in price. **C.** a decrease in demand.

**B.** an increase in demand. **D.** a change in demand.

**15.** What is the income effect?

A. a change in quantity demanded caused by a change in consumer income

B. a change in demand caused by substitution

C. a proportional change in quantity demanded based on income

**D.** an increase in purchase of complements based on an increase in income

16. A developer builds 100 new homes next to an old grocery store. Which would most certainly

**A.** The price of the store's products would increase.

B. The market demand curve related to the store's products would shift.

**C.** The demand for the store's products would become inelastic.

**D.** The store would decrease its total revenue.

17. Which would an economist consider a likely complement for coffee?

C. chicken A. water

**B.** tea **D.** donuts

**18.** Which product most likely has a demand that is inelastic?

**A.** a meal at a restaurant C. a vital medicine **B.** green beans D. a vacation

\_ 19. What test do economists use to measure elasticity?

A. utility C. total expenditures

B. revenue D. demand

20. To estimate elasticity, compare the \_\_\_\_\_ of a price change to the \_\_\_\_ of the

change in total revenue.

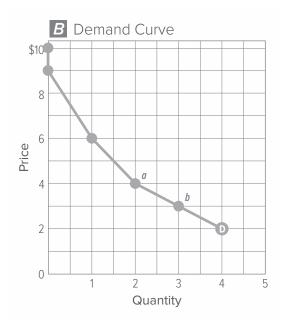
**A.** amount, amount C. direction, amount

**B.** amount, direction **D.** direction, direction

# **Chapter 4 Test, Form A** cont.

### **Demand**

**DIRECTIONS:** Essay Write a short essay for each of the following questions.



21. How does the graph illustrate the Law of Demand?

# Chapter 4 Test, Form A cont.

### **Demand**

22. How is the Law of Demand related to diminishing marginal utility?

23. Why would understanding the demand elasticity of various products be useful to the manager of a grocery store?