Prices

DIRECTIONS: Matching Match each item with the correct statement below.

_____ **1.** the monetary value of a product

Chapter 6 Test, Form A

- **2.** system of allocating goods and services without prices
- ______ 3. a simplified version of a complex concept or behavior expressed in the form of an equation, graph, figure, or diagram
- 4. price where quantity supplied equals quantity demanded
- ____ **5.** quantity of output supplied that is exactly equal to the quantity demanded
- _____6. situation where quantity supplied is greater than quantity demanded at a given price
- ______ 7. situation where quantity supplied is less than quantity demanded at a given price
- ______8. the highest legal price that can be charged for a product
- _ 9. the lowest legal price that can be paid for a product
- _ 10. price floor for agricultural products set by the government to stabilize farm prices

- A. economic model
- B. equilibrium price
- C. equilibrium quantity
- **D.** price
- E. price ceiling
- F. price floor
- **G.** rationing
- H. shortage
- I. surplus
- J. target price

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

- _____ **11.** What do low prices signal buyers to do?
 - **A.** nothing
 - B. buy more
 - C. buy less
 - **D.** substitute
 - _____ 12. In a competitive market economy, prices are considered ______.
 - **A.** dictated
 - **B.** uncompromising
 - C. favorable
 - **D.** neutral

Chapter 6 Test, Form A cont.

Prices

_____ 13. Without prices, the three basic questions of WHAT, HOW, and FOR WHOM to produce are answered by _____.

A. consumers

C. government

B. producers

D. markets

_____ 14. What do most economists believe is the most efficient way to allocate resources?

A. competitive markets

B. rationing

C. government action

D. distorted incentives

_____ **15.** Equilibrium is reached when what occurs?

A. quantity supplied equals quantity demanded

B. there is no change in the quantity supplied

C. price increases

D. prices are inelastic

_____ **16.** Which is the opposite of a surplus?

A. inelastic

C. equilibrium

B. shortage

D. floor

____ 17. What effect would a bumper crop most likely have on the price of that crop?

A. increase

C. equilibrium

B. decrease

D. no effect

_ 18. What do price ceilings and price floors prevent?

A. shortages

B. surpluses

C. prices reaching equilibrium

D. benefits to consumers

19. Which term best describes rent control?

A. price ceiling

C. equilibrium price

B. subsidy

D. nonrecourse

.20. Why have agricultural products been the object of many price stabilization efforts?

A. their prices would not otherwise reach equilibrium

B. their prices are exempt from supply and demand

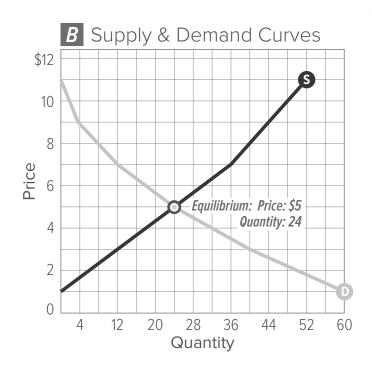
C. their prices are easily controllable

D. their prices tend to fluctuate widely

Chapter 6 Test, Form A cont.

Prices

DIRECTIONS: Essay Write a short essay in response to each item.



21. How does the graph demonstrate how prices send signals and provide incentives to buyers and sellers?

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Prices

22.	Should price floors and price ceilings be used to promote social goals? Provide reasons for your position.