

Chapter 6 Test, Form A

Prices

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

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|--|--------------------------------|
| _____ 1. the monetary value of a product | A. economic model |
| _____ 2. system of allocating goods and services without prices | B. equilibrium price |
| _____ 3. a simplified version of a complex concept or behavior expressed in the form of an equation, graph, figure, or diagram | C. equilibrium quantity |
| _____ 4. price where quantity supplied equals quantity demanded | D. price |
| _____ 5. quantity of output supplied that is exactly equal to the quantity demanded | E. price ceiling |
| _____ 6. situation where quantity supplied is greater than quantity demanded at a given price | F. price floor |
| _____ 7. situation where quantity supplied is less than quantity demanded at a given price | G. rationing |
| _____ 8. the highest legal price that can be charged for a product | H. shortage |
| _____ 9. the lowest legal price that can be paid for a product | I. surplus |
| _____ 10. price floor for agricultural products set by the government to stabilize farm prices | 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?
- nothing
 - buy more
 - buy less
 - substitute
- _____ 12. In a competitive market economy, prices are considered _____.
- dictated
 - uncompromising
 - favorable
 - 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
B. producers
C. government
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
B. shortage
C. equilibrium
D. floor
- _____ 17. What effect would a bumper crop most likely have on the price of that crop?
- A. increase
B. decrease
C. equilibrium
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
B. subsidy
C. equilibrium price
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

