

AP Microeconomics Unit 2: Supply and Demand Practice Test

Question 1

What is necessary for the effective functioning of a market system?

- A. prohibitions on transferring ownership
- B. weak enforcement of ownership claims
- C. central control of resources of production
- D. well-defined system of property rights
- E. centrally coordinated prices

Question 2

The government of a small town is concerned about the litter created when people leave styrofoam cups used to serve large beverages on the ground. The government decides to tax these by implementing a \$1 tax on these drinks.

What is the most likely purpose of this tax?

- A. Encourage people to throw the cups away
- B. Reduce the number of beverages sold in styrofoam cups
- C. Raise tax revenue for a new park
- D. Reward sellers of this good
- E. Increase the demand for these drinks

Question 3

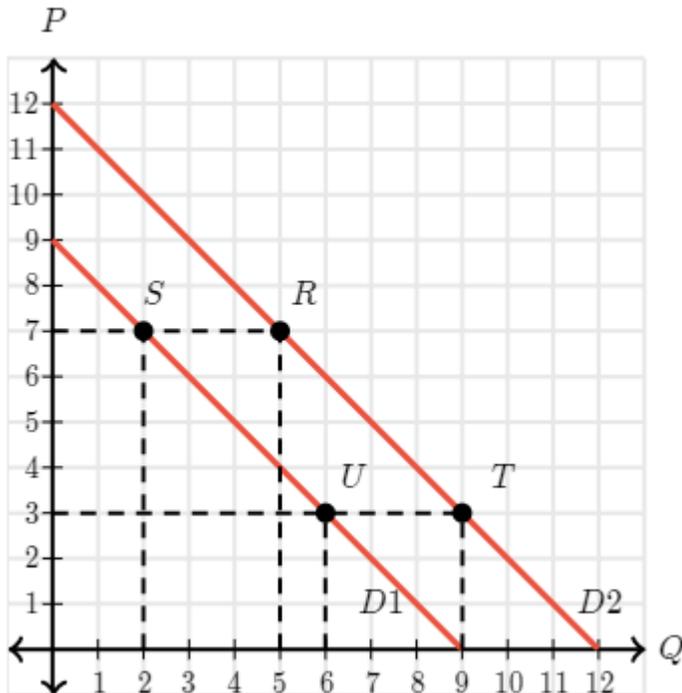
Meeps and Blops are two goods that are related to each other. When the price of Meeps goes down, the demand for Blops goes down.

Based only on the information given here, what kind of goods are Meeps and Blops?

- A. superior goods
- B. inferior goods
- C. normal goods
- D. complements
- E. substitutes

Question 4

Which of the following movements would represent an increase in the demand for a good?



- A. From R to T
- B. From S to U
- C. From R to S
- D. From S to R
- E. From T to U

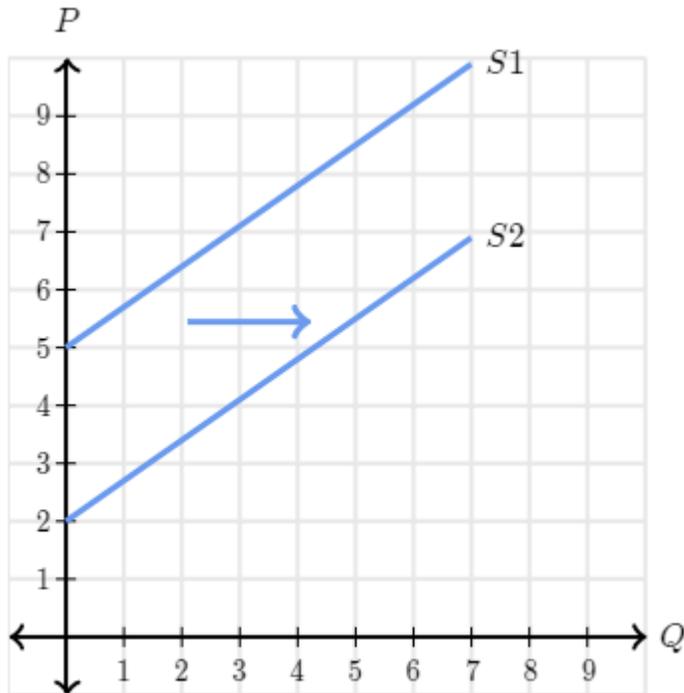
Question 5

Which of the following statements *correctly* describes how an event will impact supply or quantity supplied?

- A. A price decrease increases quantity supplied.
- B. An increase in demand causes an increase in supply.
- C. A decrease in resource costs causes an increase in the supply curve
- D. A price increase causes an increase in supply.
- E. An increase in costs of production causes the supply curve to increase.

Question 6

Which of the following describes the movement indicated by the arrow in the graph shown?



Two supply curves

- A. A decrease in quantity supplied
- B. A decrease in supply
- C. An increase in the supply
- D. An increase in the quantity supplied

Question 7

Assume that crayons can be stored indefinitely.

What happens today if producers of crayons expect to get higher prices in the future?

- A. The supply of crayons increases
- B. The demand for crayons increases
- C. The quantity supplied of crayons decreases
- D. The supply and demand for crayons both increase
- E. The supply of crayons decreases

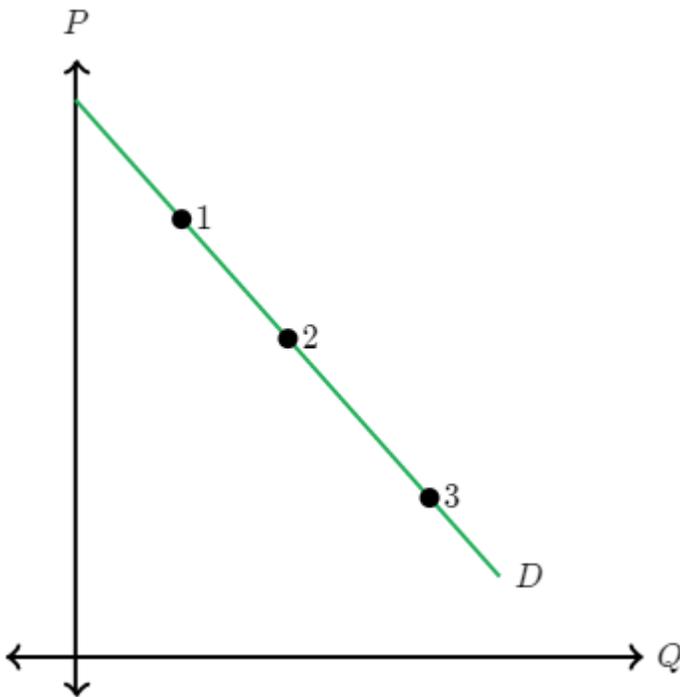
Question 8

Which of the following statements accurately describes how an event will impact supply?

- A. An increase in costs of production will cause an increase in the supply curve.
- B. An increase in demand will cause an increase in supply.
- C. An increase in price will cause supply to increase.
- D. A decrease in price will cause supply to increase.
- E. A decrease in resource costs will cause an increase in the supply curve.

Question 9

Three points along a linear demand curve are shown in this graph.



If the price elasticity of demand for point 2 equals 1, what must also be true?

- A. Point 1 is perfectly inelastic
- B. Point 3 is perfectly inelastic
- C. The value of price elasticity at point 3 is inelastic
- D. Point 3 also has a price elasticity of demand equal to 1
- E. The value of price elasticity at point 1 is less than 1

Question 10

Farmer Brown bought 20 cans of shark repellent when the price was \$100 and 15 cans of shark repellent when the price was \$150.

Which of the following statements is true based on this information?

- A. Farmer Brown has an inelastic demand for shark repellent, which means he considers it a luxury.
- B. Farmer Brown has a perfectly inelastic demand for shark repellent, which means he considers it a necessity.
- C. Farmer Brown has an elastic demand for shark repellent, which means he considers it a luxury.
- D. Farmer Brown has an elastic demand for shark repellent, which means he considers it a necessity.
- E. Farmer Brown has an inelastic demand for shark repellent, which means he considers it a necessity.

Question 11

When the price of jackfruit decreased 50%, total revenues earned by jackfruit sellers decreased.

What can be concluded based on this information?

- A. The demand for jackfruit is elastic.
- B. The price elasticity of demand for jackfruit is 1.
- C. The price elasticity of demand for jackfruit is 5
- D. The demand for jackfruit is unit elastic
- E. The demand for jackfruit is price inelastic.

Question 12

The price elasticity of demand for good X equals 0.

Which of the following is most likely to be a characteristic of good X?

- A. There is ample time to find alternatives to good X.
- B. It has no substitutes and is a necessity.
- C. There are many firms selling a product almost identical to it.
- D. It makes up a large share of consumers' budgets.
- E. It is a luxury good.

Question 13

In response to a change in price, the quantity supplied of sparkling lemonade increased by 10%.

If the price elasticity of supply is 0.5, how much did price change, and how is this elasticity interpreted?

- A. 50%; elastic
- B. 5%; elastic
- C. 20%; inelastic
- D. 50%; inelastic
- E. $\frac{1}{2}$; elastic

Question 14

Holly, Brian, Fred, Tracy, and Melanie have income elasticities for veggie burgers as given below:

Person	Income elasticity of demand
Tracy	3
Brian	1
Fred	-0.5
Holly	0.1
Melanie	-2

What kind of good does each person consider veggie burgers?

- A. Tracy and Brian consider this a normal luxury. Holly considers this a normal necessity, and Fred and Melanie consider this inferior.
- B. Fred, Tracy, and Brian consider this a normal luxury, Holly considers this a normal necessity, and Melanie considers them inferior.
- C. Tracy considers this a normal luxury, Holly considers this a normal necessity, and Brian, Fred, and Melanie consider this inferior.
- D. Brian and Tracy consider this to be a normal luxury, Fred and Holly consider this to be a normal necessity, and Melanie considers them to be inferior.
- E. Fred, Tracy, and Brian consider this to be a normal luxury, Melanie considers this a normal necessity, and Holly considers this to be inferior.

Question 15

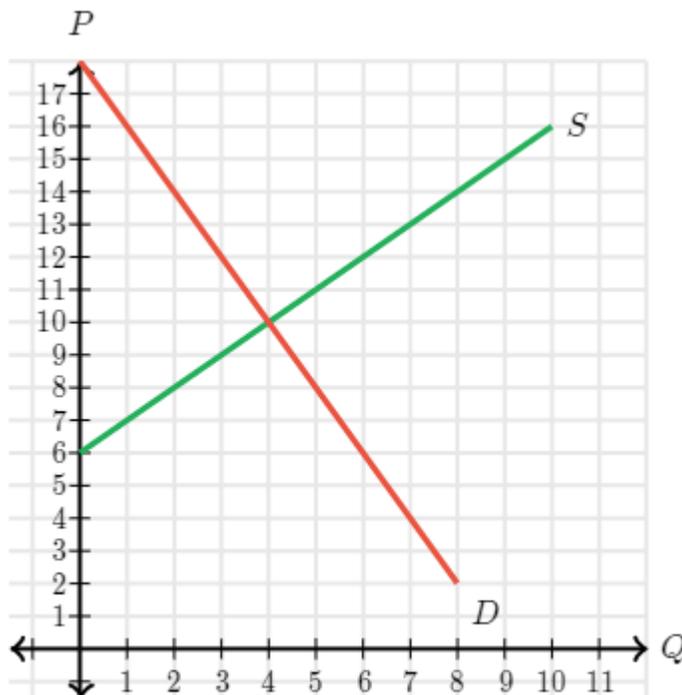
The government of Maxistan is interested in reducing the amount of gasoline that people buy. The government knows that the cross-price elasticity of gasoline in response to a change in the price of cars is -5 .

If they want to reduce the quantity demanded of gasoline by 50%, how much will the price of cars have to change?

- A. Decrease by 1%
- B. Increase 50%
- C. Increase by 5%
- D. Increase by 10%
- E. Increase by 1%

Question 16

The market for fluffy blankets is shown here.



The market for fluffy blankets

What is the equilibrium price (P^*) and quantity (Q^*) in this market?

- A. $P = \$14$; $Q = 8$
- B. $P = \$14$; $Q = 2$
- C. $P = \$6$; $Q = 18$
- D. $P = \$4$; $Q = 10$

E. $P = \$10$; $Q = 4$

Question 17

What must be true about a perfectly competitive market in equilibrium that is allocatively efficient?

- A. Total surplus is the highest it can be
- B. Total surplus equals deadweight loss
- C. Deadweight loss is the highest it can be
- D. Consumers have more surplus than producers
- E. Producers have more surplus than consumers

Question 18

What happens to the price and quantity of cheese sold if the demand for cheese increases and the supply of cheese decreases?

- A. Price increases; quantity stays the same.
- B. Price decreases; we do not know what happens to quantity.
- C. Price decreases; quantity doesn't change.
- D. Price increases; we do not know what happens to quantity.
- E. Price decreases; quantity increases.

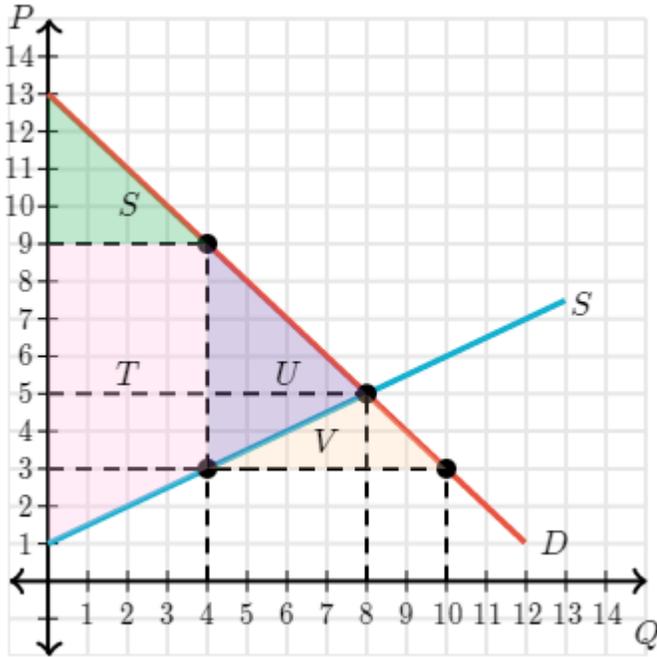
Question 19

What is the term for a quantity control that restricts the quantity sold in a market?

- A. Equilibrium price
- B. Price floor
- C. Price ceiling
- D. Quota
- E. Tariff

Question 20

The market shown here has a quota of 4 units.

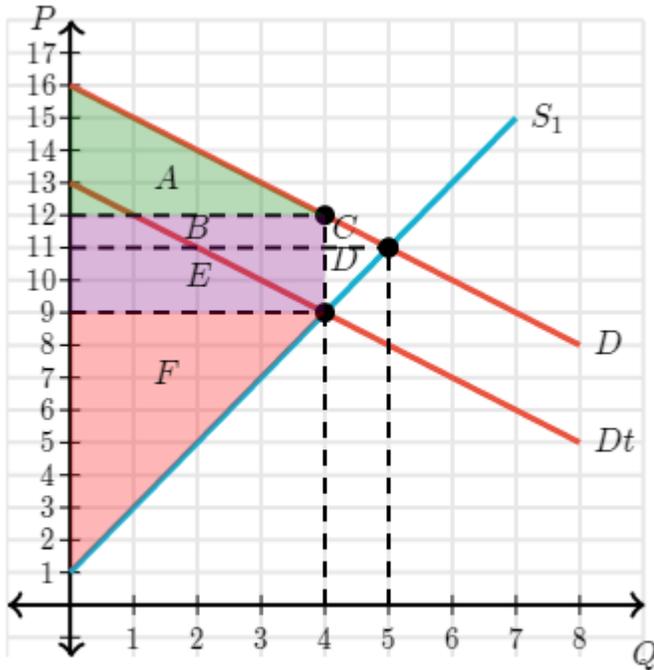


What is the value of deadweight loss in this market as a result of the quota?

- A. \$8
- B. \$6
- C. \$12
- D. \$24
- E. \$28

Question 21

This graph shows a market where a tax has been imposed on the buyers of a good.



A market with a tax on buyers of a good

What letters represent the tax burden of sellers?

- A. D
- B. C
- C. E
- D. B
- E. None, since the buyers of a good were taxed

Question 22

All of the following are true about quotas EXCEPT which option?

- A. They generate tax revenue.
- B. Total welfare is lower with quotas than with free trade.
- C. Consumer surplus decreases when a quota is imposed.
- D. Producer surplus for license holders increases when a quota is imposed.
- E. They cause deadweight loss.

Answer Key

1. D
2. B
3. E
4. D
5. C
6. C
7. E
8. E
9. C
10. E
11. E
12. B
13. C
14. A
15. D
16. E
17. A
18. D
19. D
20. C
21. C
22. A