

**Supply and Demand + Opportunity Cost Test** Name: \_\_\_\_\_

Part 1: Multiple Choice Questions

1. When an economist says that the demand for a product has increased, this means that:
  - A) Quantity demanded is greater at each possible price
  - B) Firms make less of the product available for sale
  - C) Consumers did not respond to a lower price by buying more
  - D) Supply curve has shifted
2. When movie ticket prices increase, families tend to spend less time watching movies and more time at home watching videos instead. This best reflects:
  - A) Diminishing marginal utility
  - B) The income effect
  - C) The rationing function of markets
  - D) The substitution effect
3. A decrease in the price of a product will increase the amount of it demanded because:
  - A) Supply curves are up-sloping
  - B) The lower price will decrease real incomes
  - C) The lower price induces (convinces) consumers to buy this product instead of similar products
  - D) Firms produce more at lower prices
4. "Because of unusually good growing conditions, the supply of strawberries has substantially increased." This statement indicates that
  - A) The demand for strawberries will necessarily rise
  - B) The equilibrium quantity of strawberries will fall
  - C) The amount of strawberries that will be available at various prices has increased
  - D) The price of strawberries will rise
5. An improvement in production technology for a specific good will cause a (n):
  - A) Increase in demand and an increase in price
  - B) Increase in demand and a drop in price
  - C) Drop in price and increase in quantity demanded
  - D) Increase in supply and an increase in price

**Part 2: Supply and demand shifters**

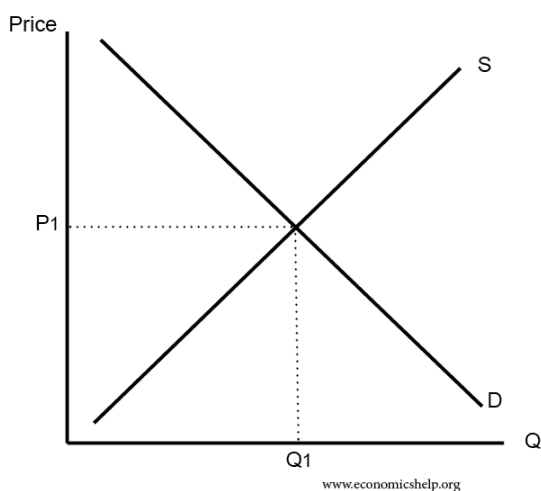
**1. The price of “Poland Spring” bottled water has increased 50%**

Will this affect the supply or demand for “Dasani” bottled water? and how ( $\uparrow\downarrow$ ) \_\_\_\_\_

What caused the change? \_\_\_\_\_

Will the equilibrium price increase or decrease? \_\_\_\_\_

Will the equilibrium quantity increase or decrease? \_\_\_\_\_



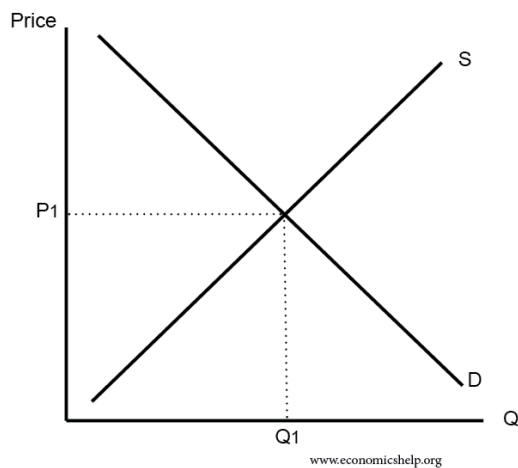
**2. Meteorologists are predicting that this summer is going to be very hot and sunny.**

Will this affect the supply or demand for sunscreen and how ( $\uparrow\downarrow$ ) \_\_\_\_\_

What caused the change? \_\_\_\_\_

Will the equilibrium price increase or decrease? \_\_\_\_\_

Will the equilibrium quantity increase or decrease? \_\_\_\_\_



Part 3: Opportunity Cost -Short Answer Questions

**Question 1:** You have been selected to go on an all inclusive 2-week trip to Jamaica. However, you would have to go during the same time that you were supposed to go on a road trip with your best friend.

Based on “scarcity”, which option should you choose, and why?

(2pts): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

What would the opportunity cost then be? :

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Question 2:** You have been invited by a group of friends to skip school and party. However, there is a problem, you are currently in the running for a “perfect attendance scholarship” which would award you \$5,000, but to get this scholarship, you must have perfect attendance all senior year.

Based on “scarcity” , which option should you choose, and why?

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What would the opportunity cost then be?:

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**Question 3:** In a few sentences, please explain how supply and demand and opportunity cost are connected. Please feel free to give an example.

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