Your test for chapters 4-6 will be 50 multiple-choice question and 5 free-response questions. Each chapter will have 10-15 questions and then about 10 questions will come from previous learning, the Budget Challenge quizzes, and the What’s Next packet on Checking Accounts (so you might want to briefly study the review sheet from the last test and your checking accounts packet). There will be two types of questions on the test. One type will test your standards-based content knowledge. The second will be practical problems that will test your ability to apply what you have learned. This review sheet will help you prepare for both but it is not all-inclusive of the test questions. The number in parenthesis represents the APPROXIMATE page number where you can find the answer although I can’t guarantee they are completely accurate. **This review sheet will not be graded but it will help you be successful on the test.** If you need the textbook pages, I will post them on my website. The answer key to this review will be posted on Sunday night so you can check your answers.

### CHAPTER 4 (DEMAND)

1. A _________________ is any place where buyers and sellers meet. (90)

2. In economics, demand means _________________ and _________________ to buy a good. (90)

3. Market demand represents all _________________ demand curves added together. (94)

4. If the demand for computers increases, the demand curve will shift to the __________ (right or left). (95)

5. A shift of the demand curve represents a change in _________________ (demand or quantity demanded). (95)

6. If the demand curve shifts to the left, it means buyers want to buy __________ (more or less). (95)

7. A _________________ (normal, inferior or neutral) good will be in higher demand if a person’s income increases. (96)

8. If a decrease in income increases the demand for a good, the good is _________________ (normal, inferior or neutral). (96)

9. A change in the _________________ of the product will not change the demand for a product. (96-97)

10. If the number of buyers in the market increases, the demand in the market will _________________ (increase or decrease). (97)

11. Higher birthrates, increased immigration, and higher prices in the future could all result in a(n) _________________ (increased or decreased) demand for a good. (97)

12. When goods are _________________ (substitutes or complements), the demand for one good moves in the same direction as the price of the other good. (97)

13. If consumers expect _________________ (higher or lower) prices in the near future in the car market, the demand for cars will increase. (97)

14. When goods are _________________ (substitutes or complements), the demand for one good moves in the opposite direction as the price of the other good. (97)
15. A change in ____________________________ (demand or quantity demanded) can be caused by price. (98)

16. On a demand curve, a change in quantity demanded is represented by a _________________ along the curve. (99)

17. Elasticity of demand measures how much buyers _____________________________ to a change in price. (102)

18. If there are few or no substitutes for a good, then the demand would be ___________________ (elastic, inelastic or unit-elastic). (103)

19. The demand for necessities such as milk, electricity, and water is usually ___________________ (elastic, inelastic or unit-elastic). (104)

20. If demand for a good is elastic and its price decreases, total revenue goes _______ (up or down). (105-107)

CHAPTER 5 (SUPPLY)

21. The law of supply says that the quantity supplied of a good ________________ (rises or falls) when the price of the good rises. (112)

22. A supply __________________________ includes price and quantity supplied at each price. (114-115)

23. A supply curve is a reflection of what suppliers are _____________ and _____________ to produce. (115)

24. A vertical supply curve indicates that a change in price will have _______ effect on the quantity supplied. (115)

25. The supply curve of one of Pablo Picasso’s (1881–1973) paintings would be shown as a _______________ line. (115)

26. A decrease in the costs of production will result in a supplier __________________________ supply. This will cause the supply curve to shift to the ________________ (right or left). (117)

27. If the government offers sellers a subsidy for production, a seller would __________________________ supply. This will cause the supply curve to shift to the ________________ (right or left). (117-120)

28. If a new quota were imposed on a seller’s product, a seller would __________________________ supply. This will cause the supply curve to shift to the ________________ (right or left). (117-120)

29. More sellers entering a market would __________________________ supply. This will cause the supply curve to shift to the ________________ (right or left). (117-120)

30. An advance in technology would __________________________ supply. This will cause the supply curve to shift to the ________________ (right or left). (117-120)

31. If a tax were applied to the firm’s product, a seller would __________________________ supply. This will cause the supply curve to shift to the ________________ (right or left). (117-120)

32. If you are a baker who specializes in bagels, and the price of flour falls, you would be willing and able to produce ________________ (more or less) bagels than before. (119)

33. Weather, the number of sellers and future price expectations all cause a supply curve to ________________ . (120)
34. If the price of a product __________________________ (increases or decreases), we would expect the accompanying graph to show an upward movement along the supply curve. (121)

35. ________________________________ (supply or quantity supplied) changes because of a change in price. (121)

36. If prices fall for a product, we would expect the accompanying graph to show a(n) ___________________ (upward or downward) movement along the supply curve. (121)

37. When quantity supplied changes by the same percentage as price, it is ______________________ (elastic, inelastic or unit-elastic). (123)

38. Supply for tickets to the theater tonight would be ______________________ (elastic, unit-elastic, inelastic). (115/123)

39. If sellers do not respond to a change in price, supply is ______________________ (elastic, unit-elastic, inelastic). (123)

40. If the percentage change in price is equal to 25 percent and the percentage change in quantity supplied is 50 percent, the elasticity of supply is ______________________ (elastic, unit-elastic, inelastic). (123)

CHAPTER 6 (PRICE)

41. Equilibrium price is the price that occurs when the quantity demanded is ______________ to the quantity supplied. (131)

42. At the equilibrium price, buyers and sellers are ______________________ because buyers have bought everything they want to buy and sellers have sold everything they wanted to sell. (131)

43. ______________________ can be expressed as Qd = Qs. (131)

44. When there is a shortage in the market prices may ____________ (rise or fall). (131)

45. ______________________ includes stock on hand. (131)

46. A ______________ occurs when quantity supplied is greater than quantity demanded. On a graph this is shown by the area __________________ (above or below) the equilibrium point. (130-132)

47. A ______________ occurs when quantity demanded is greater than quantity supplied. On a graph this is shown by the area __________________ (above or below) the equilibrium point. (130-132)

48. When there is a surplus in the market price may ______________ (rise or fall). (131)

49. If all else remains the same, a decrease in the demand for a good will ______________ (increase or decrease) the price. (134)

50. There has been an increase in new construction for houses in Houston, Texas. As a result the ____________________ (supply or demand) market for homes has ____________________ (increased or decreased). This would result in a(n) ____________________ (increase or decrease) in equilibrium price and a(n) ____________________ (increase or decrease) in equilibrium quantity. (134-136)
51. If candy producers are informed that the cost of sugar has doubled, the _____________ (supply or demand) curve would shift to the ________ (right or left). This would result in a(n) _______________ (increase or decrease) in equilibrium price and a(n) _______________ (increase or decrease) in equilibrium quantity. (134-136)

52. Shortages occur when a new equilibrium quantity is _______________ (higher or lower) after a shift in demand or supply. (134-136)

53. As consumers purchase more and more DVDs, the _______________ (supply or demand) market for VCRs will _______________ (increase or decrease) in equilibrium quantity. This would result in a(n) _______________ (increase or decrease) in equilibrium price and a(n) _______________ (increase or decrease) in equilibrium quantity. (134-136)

54. If a hurricane hits Florida, the _______________ (supply or demand) for drinking water will _______________ (increase or decrease). This would result in a(n) _______________ (increase or decrease) in equilibrium price and a(n) _______________ (increase or decrease) in equilibrium quantity. (134-136)

55. Surpluses occur when a new equilibrium quantity is _______________ (higher or lower) after a shift in demand or supply. (134-136)

56. A legal maximum price at which a good can be sold is a price _______________. (138)

57. A price floor results in a _______________ (surplus or shortage). (138)

58. In a free enterprise market, _______________ allocate resources. (144)

59. If a greater supply of labor were combined with decreased demand for labor, we might expect _______________ to fall. (147)

60. If there were a shortage of nurses, we would expect the wages of nurses to _______________ (increase or decrease). (147)

Don’t forget to study the review from the last unit and your checking accounts packet as you will see questions on the test from both of those as well as from the Budget Challenge.