Name: _______________________________________

1. In a competitive market, the price of a product
   a. is determined by buyers, and the quantity of the product produced is determined by sellers.
   b. is determined by sellers, and the quantity of the product produced is determined by buyers.
   c. and the quantity of the product produced are both determined by sellers.
   d. None of the above is correct.

2. In competitive markets,
   a. firms produce identical products.
   b. no individual buyer can influence the market price.
   c. no individual seller can influence the market price.
   d. All of the above are correct.

3. The quantity demanded of a good is the amount that buyers are
   a. willing to purchase.
   b. willing and able to purchase.
   c. willing, able, and need to purchase.
   d. able to purchase.

4. A decrease in the price of a good will
   a. increase demand.
   b. decrease demand.
   c. increase quantity demanded.
   d. decrease quantity demanded.

5. Refer to Figure 1-1. The movement from point A to point B on the graph shows
   a. a decrease in demand.
   b. an increase in demand.
   c. a decrease in quantity demanded.
   d. an increase in quantity demanded.
6. Refer to Figure 1-1. The movement from point A to point B on the graph is caused by
   a. an increase in price.
   b. a decrease in price.
   c. a decrease in the price of a substitute good.
   d. an increase in income.

7. Refer to Figure 1-1. It is apparent from the figure that the
   a. good is inferior.
   b. demand for the good decreases as income increases.
   c. demand for the good conforms to the law of demand.
   d. All of the above are correct.

8. The law of demand states that, other things equal, when the price of a good
   a. falls, the demand for the good rises.
   b. rises, the quantity demanded of the good rises.
   c. rises, the demand for the good falls.
   d. falls, the quantity demanded of the good rises.

9. The following table contains a demand schedule for a good.

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity Demanded</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>100</td>
</tr>
<tr>
<td>$20</td>
<td>Q1</td>
</tr>
</tbody>
</table>

   If the law of demand applies to this good, then Q1 could be
   a. 0.
   b. 100.
   c. 200.
   d. 400.

10. A market demand curve shows how the total quantity demanded of a good varies as
   a. income varies.
   b. price varies.
   c. price of the nearest substitute good varies.
   d. supply varies.

Answers:
1. D
2. D
3. B
4. C
5. D
6. B
7. C
8. D
9. A
10. B