

Micro Economic questions

Part I

In a diagram of the circular flow of economic activity, businesses

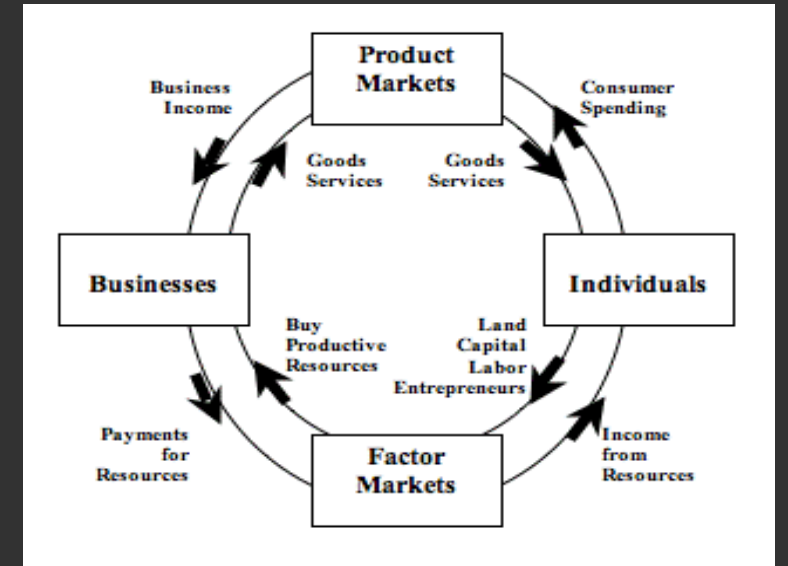
- a. receive goods and services from productive markets.
- b. buy productive resources from resource markets.
- c. purchase goods and services from individuals.
- d. derive income from resource markets.

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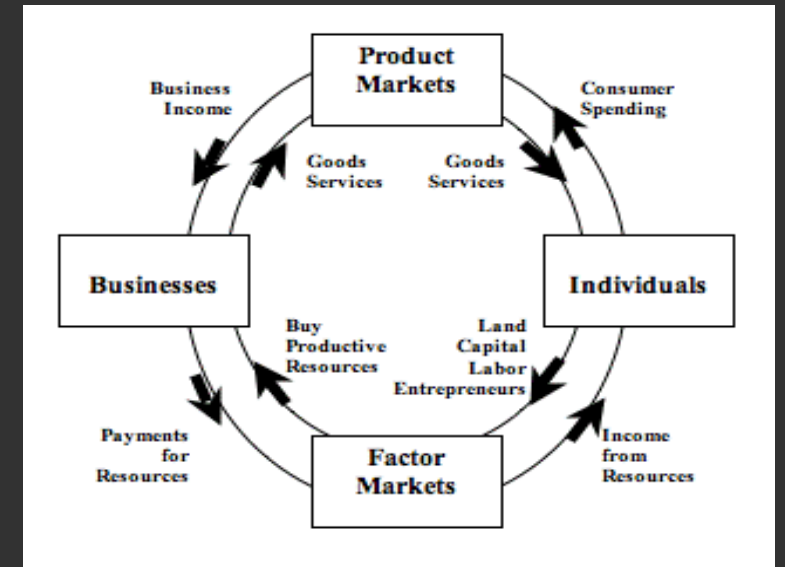
Using this diagram, if individuals stopped purchasing goods, businesses would

- a. lose income.
- b. produce less goods.
- c. not be able to pay for resources.
- d. experience all of these economic outcomes.



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James works as a machine inspector at an automobile factory. At the end of the week, he is paid by his boss, Bill. James takes his paycheck to the bank every Friday and deposits most of it, but keeps a little bit of spending money, with which he takes his wife out for dinner.

According to the circular flow of economics, which market is James participating in with his boss, Bill?

- a. Stamp Market
- b. Factor Market
- c. Product Market
- d. Automobile Market

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Money flows through the economy when

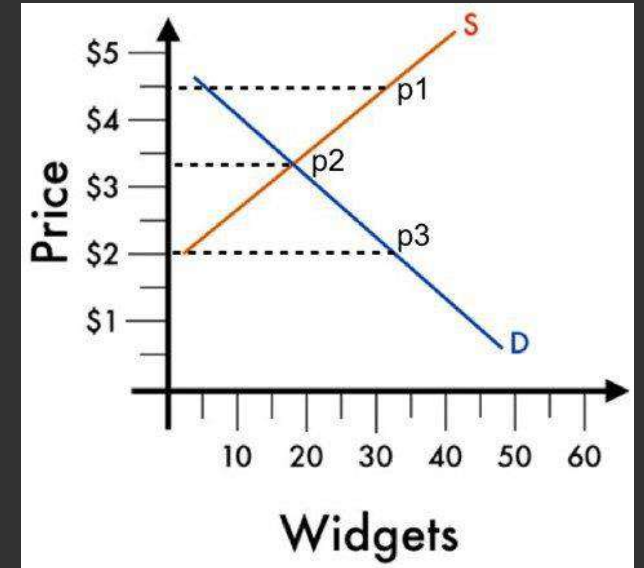
- a. individuals spend money to purchase resources from factor markets.
- b. money is used to purchase goods and services in the product markets.
- c. businesses pay for goods purchased in the product markets with money.
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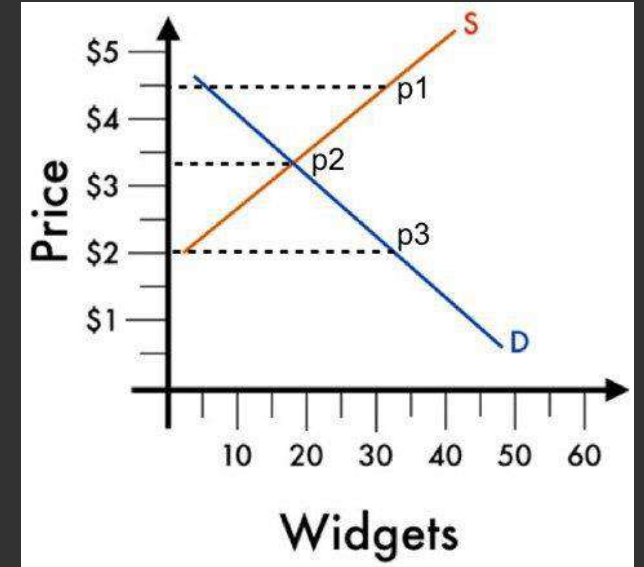
If the price of widgets moved from p_3 to p_2 the

- a. price would be lowered
- b. price would be too high
- c. there would be a shortage of widgets
- d. there would be no supply of widgets left over



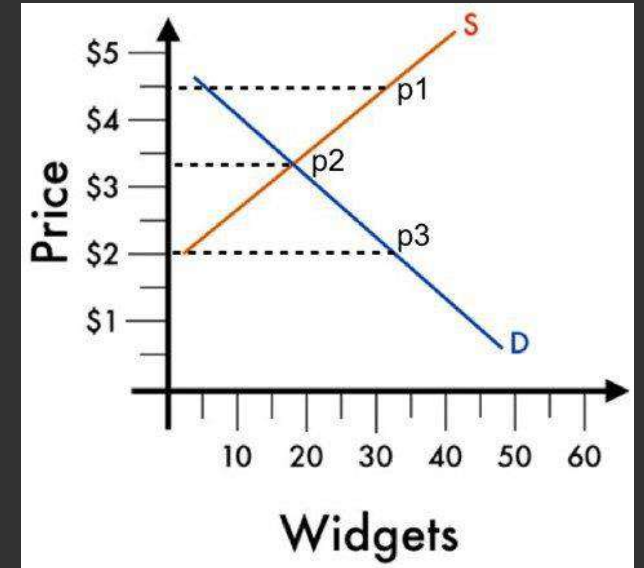
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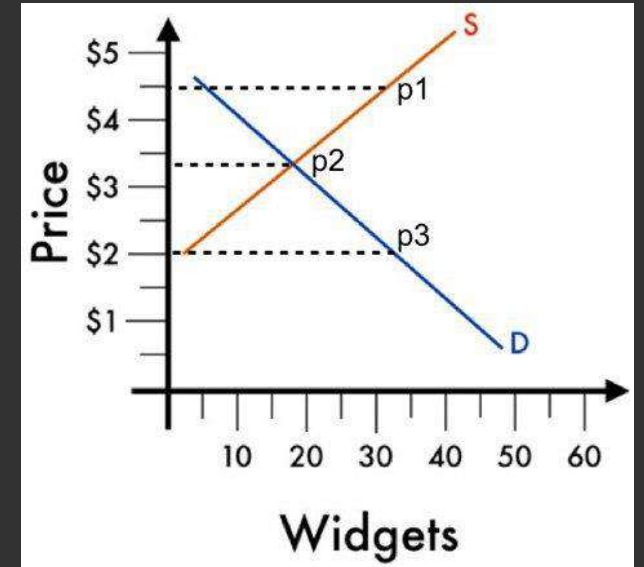
If the price for widgets was set at \$4,

- buyers would purchase all of the available widgets.
- producers would discover the price was too low.
- buyers would purchase more widgets than are available.
- producers would discover the price should be lowered.



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- a. Price Floor.
- b. Law of Supply.
- c. Law of Demand.
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Spi-Tech manufactures wooden handles for shovels. The company would *MOST* likely increase the supply of their handles when

- a. the cost of snow plow machines drop.
- b. Carolina Pine forests are hit by a beetle infestation.
- c. the flow of oil from the Middle East is interrupted by war.
- d. the forecast for the upcoming winter predicts higher-than-normal snowfalls.

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In order for demand to exist, there must be

- a. a desire for the item.
- b. the ability to pay for the item.
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Two months ago, Amy's Coffee Company dropped the price on all its regular coffees by 15% and experienced a noticeable increase in sales. The BEST explanation of the situation at Amy's Coffee is

- a. Amy supplied more coffee to her customers.
- b. the price of cups, milk, and sugar all decreased, as well.
- c. the shop was able to produce more coffee at the reduced prices.
- d. lower prices caused people to buy coffee at Amy's rather than at her competitors.

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If the price were \$6, a

- a. surplus of 25 units would exist and price would tend to fall.
- b. shortage of 25 units would exist and price would tend to fall.
- c. shortage of 50 units would exist and price would tend to rise.
- d. a perfectly competitive market would exist with no surplus or shortage

Demand and Supply		
Price	Quantity Demanded	Quantity Supplied
\$10	10	60
\$8	20	45
\$6	30	30
\$4	40	15
\$2	50	0

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