

AP Microeconomics

Name: \_\_\_\_\_ Score: \_\_\_\_\_

1. The law of demand says that, other things equal, when price rises the quantity demanded:

- ☐ stays the same
- ☐ rises
- ☐ falls
- ☐ doubles

2. The law of supply says that, other things equal, when price rises the quantity supplied:

- ☐ becomes negative
- ☐ rises
- ☐ stays the same
- ☐ falls

3. Price elasticity of demand is calculated as:

- ☐  $\% \text{ change in price} \div \% \text{ change in quantity demanded}$
- ☐  $\text{price} \times \text{quantity}$
- ☐  $\text{change in quantity} \div \text{change in price}$
- ☐  $\% \text{ change in quantity demanded} \div \% \text{ change in price}$

4. Price elasticity of supply is normally:

- ☐ negative, because price and quantity move apart
- ☐ always zero
- ☐ always exactly one
- ☐ positive, because price and quantity supplied move together

5. Two goods have a **positive** cross-price elasticity. They are:

- ☐ substitutes
- ☐ both inferior goods
- ☐ unrelated
- ☐ complements

6. Demand is  $P = 20 - Q$  and supply is  $P = 2 + Q$ . What is the equilibrium quantity  $Q$ ?

\_\_\_\_\_

7. When both demand and supply shift at once, both price and quantity are always determinate.

☐ True      ☐ False

8. Equilibrium is 5 dollars and 100 units. A price ceiling of 3 dollars gives quantity demanded 140 and quantity supplied 70. What is the size of the shortage?

\_\_\_\_\_ units

9. Free trade raises total surplus for a country, even though it helps one side and hurts the other.

☐ True      ☐ False

10. A change in the good's own price causes a movement along the demand curve, not a shift.

☐ True      ☐ False

AP Microeconomics

1. **falls**

Price and quantity demanded move in opposite directions – an inverse relationship.

2. **rises**

Price and quantity supplied move in the same direction – a direct relationship.

3. **% change in quantity demanded ÷ % change in price**

PED divides the percentage change in quantity by the percentage change in price.

4. **positive, because price and quantity supplied move together**

Supply obeys a direct relationship, so PES is positive.

5. **substitutes**

Positive XED: a dearer Y sends buyers to X – the goods substitute for each other.

6. **9**

Set  $20 - Q = 2 + Q$ , so  $18 = 2Q$  and  $Q = 9$ .

7. **False**

One is determinate; the other depends on which shift is larger – it is indeterminate.

8. **70 units**

Shortage = quantity demanded – quantity supplied =  $140 - 70 = 70$ .

9. **True**

The winners gain more than the losers lose, so total surplus rises.

10. **True**

Own price → movement along; every other factor → shift of the whole curve.