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:

   ☐ % change in price ÷ % change in quantity demanded

   ☐ price × quantity

   ☐ change in quantity ÷ change in price

   ☐ % change in quantity demanded ÷ % 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?

   _____

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☐ 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

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.

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