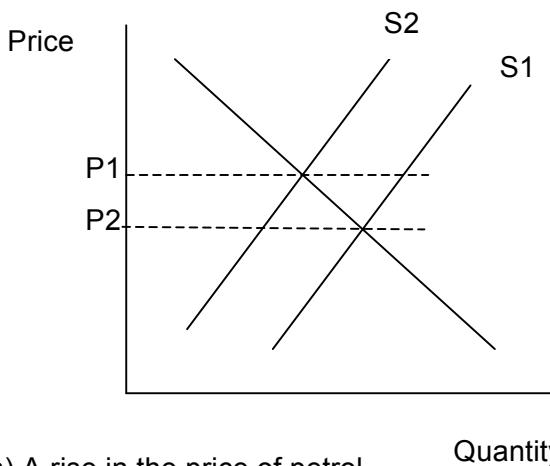


## Assessment #3 – Markets

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1) Which of the following could have caused the shift in the supply curve for petrol?



- a) A rise in the price of petrol
- b) A reduction in the costs of producing petrol
- c) A rise in the level of tax on petrol
- d) An increase in the costs of producing petrol

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2) Which of the following will cause an extension or expansion in the quantity of new cars demanded?

- a) A decrease in the price of new cars
- b) An increase in the cost of making new cars
- c) A decrease in the price of public transport
- d) A fall in the tax applied to selling second hand cars

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3) Which of the following will result from an increase in the supply of Plasma TV's?

- a) A fall in the equilibrium price of Plasma TV's and a fall in the quantity of Plasma TV's sold.
- b) A rise in the equilibrium price of Plasma TV's and a fall in the quantity of Plasma TV's sold.
- c) A fall in the equilibrium price of Plasma TV's and a rise in the quantity of Plasma TV's sold.
- d) A rise in the equilibrium price of Plasma TV's and a rise in the quantity of Plasma TV's sold.

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4) Which of the following events would cause the demand curve for ice cream to shift to the right?

- a) A fall in consumer incomes
- b) A change of tastes or preferences switches demand to non-dairy foods
- c) A fall in the price of ice cream
- d) A successful marketing campaign for ice cream

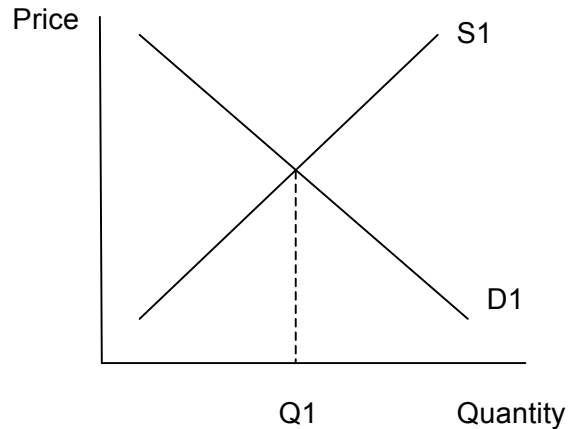
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5) If the price of apples falls, what happens to demand for oranges?

- a) The demand curve for oranges shifts to the right
- b) The demand curve for oranges shifts to the left
- c) There is a contraction in demand and a movement along the demand curve for oranges
- d) There is an expansion or extension of demand and a movement along the demand curve for oranges

6) In a free market, why doesn't trade take place beyond the equilibrium quantity (Q1 in the diagram)?

- a) Consumers opt out of the market at this point because the benefit they receive from buying the product is now less than the price they have to pay for it.
- b) Consumers opt out of the market at this point because the benefit they receive from buying the product is more than the price they have to pay for it.
- c) Producers opt out of the market at this point because costs of production are less than the price they receive from selling the good.
- d) At this point producers are not making any profit and consumers are getting no benefit.



7) In a competitive free market, if the price is at a level above the equilibrium level there will be a:

- a) a temporary surplus but in the longer term the market will adjust so demand and supply are equal
- b) a temporary shortage but in the longer term the market will adjust so demand and supply are equal
- c) a surplus in the short term and long term
- d) a shortage in the short term and long term

8) The formulae for the demand and supply curves in a market given below.

Demand formula:  $Q_d = 30 - 2P$     Supply formula:  $Q_s = 15 + 3P$

The equilibrium position in this market is:

- a) Price = 3; Quantity = 3.
- b) Price = 3; Quantity = 24.
- c) Price = 1; Quantity = 28.
- d) Price = 5; Quantity = 20.

Price (\$)	Quantity demanded	Quantity supplied
1.50	2	32
1.25	8	28
1.00	14	24
0.75	20	20
0.50	26	16

9) The table is a demand and supply schedule for a market. Which of the following is a correct statement based on the data in the table.

0.25	32	12
0.00	38	8

- a) At price \$1.00 there is a surplus of 24 units being supplied to the market.
- b) At price \$0.75 there is a shortage of 20 units being supplied to the market
- c) The equilibrium price will be \$0.50
- d) At price \$1.25 there will be a surplus of 20 units in the market

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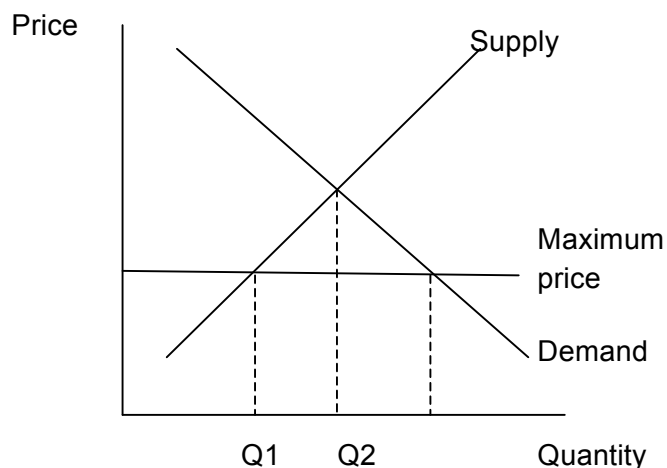
10) Which one of the following factors could cause a shift in market supply?

- a) A change in consumers' income.
- b) A change in the price of factors of production used to make the product.
- c) A change in the price charged by suppliers.
- d) A change in the level of stocks.

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11) What is the role of prices in a market economy?

- a) Prices reflect the scarcity of goods and services and their costs of production.
- b) Prices reflect the value or benefit of the product to all consumers.
- c) Prices cause demand and supply to be in equilibrium at all times.
- d) Prices determine what and how much to produce, how to produce and for whom to produce.




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12) If the government imposes a price ceiling or maximum price on petrol below the market equilibrium price what will be the result?

- a) A shortage equal to distance Q1 to Q3
- b) An equilibrium price at Q2
- c) A surplus equal to the distance Q1 to Q3
- d) A surplus equal to the distance Q1 to Q2

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13) Which of the following pairs of products are best described as substitutes?

- a) Knives and forks
- b) Beef and chicken
- c) DVD players and DVD's.
- d) Cars and the services provided by car mechanics

14) Market demand is

- a) how much of something a person wants
- b) the total potential purchases of a product by households in an economy
- c) the level of necessity of a product in an economy
- d) the level of purchases of a product a person is willing to make given their income

15) The law of demand states that as the price of a product falls so:

- a) demand will fall as well
- b) supply and demand will fall
- c) demand will rise
- d) prices will be equilibrium when demand equals supply

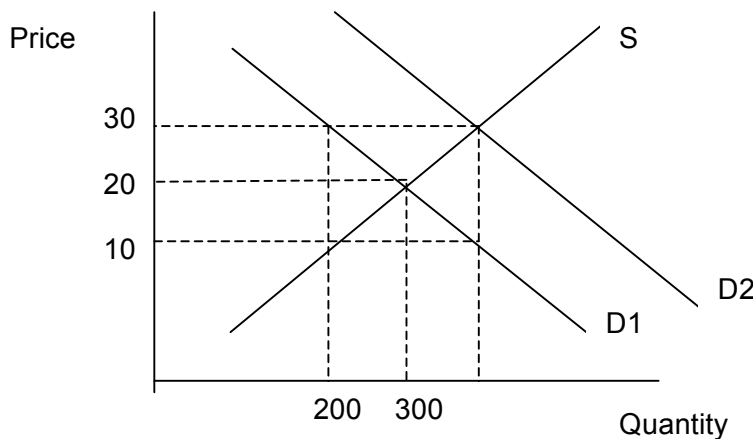
Write your answers clearly in the appropriate box below.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

**CONTINUE OVER THE PAGE TO PART B**

**PART B**

The diagram compares two market situations, the position before a demand shock (demand curve D1) and the position after a demand shock (demand curve D2).



a) Define the term market equilibrium  
(1 mark)

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b) What is the initial equilibrium price and quantity demanded in this market?  
(1 mark)

Price = \_\_\_\_\_ Quantity demanded = \_\_\_\_\_

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c) List two factors that could have caused the shift in the demand curve from D1 to D2.  
(2 marks)

i)

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ii)

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d) If the price was set at \$10 would there be a queue of buyers or surplus stock left unsold? Say how big the shortage or surplus will be.

(1 mark)

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**TURN OVER**

