

## Supply and Demand Practice Questions (Answers on Page 2)

1. When the price of apples increases:
  - a. quantity demanded of apples will also increase.
  - b. demand for apples will also increase.
  - c. demand for apples will decrease.
  - d. quantity demanded of apples will decrease.
  
2. According to the Law of Supply
  - a. the quantity supplied of paper is inversely related to the price of paper.
  - b. when the price of paper increases, this causes an increase in the supply of paper.
  - c. the quantity supplied of paper is directly related to the price of paper.
  - d. if the price of inputs (resources used to make paper) decreases, this will cause a decrease in the supply of paper.
  
3. If the government provides a \$0.20 per bushel subsidy (financial aid) to Canadian wheat producers, this would cause
  - a. an increase in demand for Canadian wheat.
  - b. a decrease in demand for Canadian wheat.
  - c. an increase in supply of Canadian wheat.
  - d. a decrease in supply of Canadian wheat.
  
4. In general, if the cost of manufacturing cars in Canada declines, we can expect
  - a. an increase in supply of Canadian cars and a decrease in equilibrium price of Canadian cars.
  - b. an increase in supply of Canadian cars and an increase in equilibrium price of Canadian cars.
  - c. an increase in demand for Canadian cars and an increase in equilibrium price of Canadian cars.
  - d. a decrease in demand for Canadian cars and a decrease in equilibrium price of Canadian cars.
  
5. Assume that the price of gasoline is a complement (related) product to brand new large sport utility vehicles (SUVs). If the price of gasoline significantly decreases, in the long-run this will result in
  - a. an increase in supply of SUVs, and a decrease in equilibrium price of SUVs.
  - b. a decrease in supply of SUVs, and an increase in equilibrium price of SUVs.
  - c. an increase in demand for SUVs, and a increase in equilibrium price of SUVs.
  - d. a decrease in demand for SUVs, and a decrease in equilibrium price of SUVs.

## Supply and Demand Practice Questions (Answers)

1. When the price of apples increases:
  - a. quantity demanded of apples will also increase.
  - b. demand for apples will also increase.
  - c. demand for apples will decrease.
  - d. **quantity demanded of apples will decrease.**
  
2. According to the Law of Supply
  - a. the quantity supplied of paper is inversely related to the price of paper.
  - b. when the price of paper increases, this causes an increase in the supply of paper.
  - c. **the quantity supplied of paper is directly related to the price of paper.**
  - d. if the price of inputs (resources used to make paper) decreases, this will cause a decrease in the supply of paper.
  
3. If the government provides a \$0.20 per bushel subsidy (financial aid) to Canadian wheat producers, this would cause
  - a. an increase in demand for Canadian wheat.
  - b. a decrease in demand for Canadian wheat.
  - c. **an increase in supply of Canadian wheat.**
  - d. a decrease in supply of Canadian wheat.
  
4. In general, if the cost of manufacturing cars in Canada declines, we can expect
  - a. **an increase in supply of Canadian cars and a decrease in equilibrium price of Canadian cars.**
  - b. an increase in supply of Canadian cars and an increase in equilibrium price of Canadian cars.
  - c. an increase in demand for Canadian cars and an increase in equilibrium price of Canadian cars.
  - d. a decrease in demand for Canadian cars and a decrease in equilibrium price of Canadian cars.
  
5. Assume that the price of gasoline is a complement (related) product to brand new large sport utility vehicles (SUVs). If the price of gasoline significantly decreases, in the long-run this will result in
  - a. an increase in supply of SUVs, and a decrease in equilibrium price of SUVs.
  - b. a decrease in supply of SUVs, and an increase in equilibrium price of SUVs.
  - c. **an increase in demand for SUVs, and a decrease in equilibrium price of SUVs.**
  - d. a decrease in demand for SUVs, and a decrease in equilibrium price of SUVs.