**Mr. Deal**

**Microeconomics**

**Chapter 6 Elasticity**

**Practice test**

1. The price elasticity of demand coefficient measures:
**A**. buyer responsiveness to price changes.
B. the extent to which a demand curve shifts as incomes change.
C. the slope of the demand curve.
D. how far business executives can stretch their fixed costs
2. The basic formula for the price elasticity of demand coefficient is:
A. absolute decline in quantity demanded/absolute increase in price.
**B.** percentage change in quantity demanded/percentage change in price.
C. absolute decline in price/absolute increase in quantity demanded.
D. percentage change in price/percentage change in quantity demanded.
3. The demand for a product is inelastic with respect to price if:
**A.** consumers are largely unresponsive to a per unit price change.
B. the elasticity coefficient is greater than 1.
C. a drop in price is accompanied by a decrease in the quantity demanded.
D. a drop in price is accompanied by an increase in the quantity demanded.
4. 23. If a demand for a product is elastic, the value of the price elasticity coefficient is:
A. zero.
**B.** greater than one.
C. equal to one.
D. less than one.
5. 8. If a firm can sell 3,000 units of product A at $10 per unit and 5,000 at $8, then:
A. the price elasticity of demand is <1 ( 0.44)
B. A is a complementary good.
**C.** the price elasticity of demand is > 1 (3.3)

D. A is an inferior good.

1. 11. Most demand curves are relatively elastic in the upper-left portion because the original price:
A. and quantity from which the percentage changes in price and quantity are calculated are both large.
B. and quantity from which the percentage changes in price and quantity are calculated are both small.
C. from which the percentage price change is calculated is small and the original quantity from which the percentage change in quantity is calculated is large.
**D.** from which the percentage price change is calculated is large and the original quantity from which the percentage change in quantity is calculated is small.



7. 34. Refer to the above data. If this demand schedule were graphed, we would find that:
A. its slope diminishes as we move southeast down the curve.
B. its slope diminishes as we move northwest up the curve.
**C.** its slope is constant throughout.
D. the data is inconsistent with the law of demand.

8. 35. Refer to the above data. The price elasticity of demand is relatively elastic:
**A.** in the $6-$4 price range.
B. over the entire $6-$1 price range.
C. in the $3-$1 price range.
D. in the $6-$5 price range only.

9. 38. Refer to the above data. Which of the following is *correct*?
**A.** Although the slope of the demand curve is constant, price elasticity declines as we move from high to low price ranges.
B. Although the slope of the demand curve is constant, price elasticity increases as we move from high to low price ranges.
C. Although the demand curve is convex to the origin, price elasticity of demand is constant throughout.
D. A steep slope means demand is inelastic; a flat slope means demand is elastic.

10. 9. A perfectly inelastic demand schedule:
A. rises upward and to the right, but has a constant slope.
**B.** can be represented by a line parallel to the vertical axis.
C. cannot be shown on a two-dimensional graph.
D. can be represented by a line parallel to the horizontal axis.

11. 53. Gigantic State University raises tuition for the purpose of increasing its revenue so that more faculty can be hired. GSU is assuming that the demand for education at GSU is:
A. decreasing.
B. relatively elastic.
C. perfectly elastic.
**D.** relatively inelastic.



12. 67. Refer to the above diagram. Total revenue at price *P*1 is indicated by area(s):
A. *C* + *D.*
**B.** *A* + *B.*
C. *A* + *C.*
D. *A.*

13. 85. The main determinant of elasticity of supply is the:
A. number of close substitutes for the product available to consumers.
**B.** amount of time the producer has to adjust inputs in response to a price change.
C. urgency of consumer wants for the product.
D. number of uses for the product