

Model (1)

Answer the following questions with true (✓) or false (x)

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1	A change in the price of a good shifts the good's demand curve but does not cause a movement along it.
2	The law of demand implies that, other things remaining the same, as income increases, the quantity of cheese-burgers demanded will increase.
3	When the price is below the equilibrium price, the quantity demanded exceeds the equilibrium quantity; and the quantity supplied is less than the equilibrium quantity.
4	Because resources are limited, the production possibilities frontier always slopes downward to the right.
5	The production possibilities frontier represents the maximum levels of production that can be attained. In addition, it shows how consumers will receive equal benefits from the two goods.
6	A price floor is a legal minimum price a commodity, such as cotton, can be sold at. Price floors are typically accompanied by a supply surplus.
7	Production efficiency is achieved when it producing one more unit of one good cannot occur without producing less of some other good.
8	A drop in the price of a good "A" shifts the demand curve for a good "B" leftward. From that you know that a good "A" and a good "B" are complements.
9	The following two factors shifts the supply curve for gasoline rightward: (1) A decrease in the price of a resource used to produce gasoline, such as crude oil; (2) An increase in the price of gasoline.
10	The quantity demanded is the number of units of a good that consumers are willing and can afford to buy over a specified period of time.
11	A larger population will cause shifting the entire demand curve of a good "beef" to the right, even if the price of "beef" and average incomes of consumers do not change.
12	Opportunity cost is expressed in a production possibilities frontier (PPF) by a movement along the PPF where to gain more of one good it is necessary to give some of another good.

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13	A point outside a production possibilities frontier indicates an output combination that society cannot attain given its current level of resources and technology.
14	Opportunity cost is best defined as the amount of money that an individual is willing to pay to purchase a good that means a great deal to that person.
15	The equilibrium price and quantity are found at the intersection point of the supply and the demand curves.
16	A supply surplus occurs when the price is less than the equilibrium price.
17	An optimal decision is one that chooses the most desirable alternative among the possibilities permitted by the available resources, which are always scarce in this sense.
18	If the quantity of shoes produced is measured along the horizontal axis of a PPF and the quantity of shirts is measured along the vertical axis. As you move down toward the right along the PPF, the marginal cost of shoes decreases.
19	The consumer preference that makes the demand curve shift outward to the right, and does not affect an upward-sloped supply curve, will raise the equilibrium price and the equilibrium quantity.
20	Goods that have high opportunity costs will have low money costs.

The End