

## Unit II Test Review Questions

1. What almost always happens to quantity demanded as price drops?
2. What impact does increasing income have on demand?
3. What are two other factors that greatly impact overall demand?
4. What is the substitution effect?
5. What is the name for reduced satisfaction achieved from continued consumption of a particular good?
6. What does elasticity of demand measure?
7. If demand for a good changes little with changes in price then demand is elastic or inelastic?
8. What are three key factors that affect elasticity?
9. What does a supply schedule measure?
10. If producers are willing to produce a much larger quantity with a small increase in price supply is considered elastic or inelastic?
11. What are two factors that cause shifts in supply?
12. What is a firm experiencing if it becomes more productive (and efficient) by adding workers?
13. What are fixed production costs? Variable production costs?
14. What is the amount of additional cost required to produce one more unit?
15. What is the amount of additional revenue gained by producing one more unit?
16. What will suppliers do when there is excess demand? Excess supply?
17. What is it called when a few major firms dominate a particular market?
18. What is it called when an oligopoly colludes to set prices & ruin competition?
19. What is it called when a monopolist charges different prices to different consumers? Examples?
20. What is a "price war"?
21. Where is market equilibrium?
22. What is a shortage? a surplus?
23. What are two conditions that must be present for a monopoly to exist?
24. Name two different types of monopoly?
25. What type of monopoly occurs when competition would drive prices below per unit production costs?
26. Identify two factors that place price pressure on monopolies.
27. What system is used by consumers and producers to communicate?
28. What are two advantages of the price system?
29. What are two limitations of the price system?
30. What is the name for officially limiting the supply of a particular good? When has this happened in United States history?
31. What are two of the major criticisms of rationing?
32. Does deregulation increase or decrease government control of business?
33. How does deregulation effect companies?
34. Selling a product below cost to drive competitors out of the market is:
35. What are four Conditions of Monopolistic Competition?
36. What is the name for a situation in which many buyers and sellers compete under the laws of supply and demand?
37. What is the opposite of perfect competition?
38. What is product differentiation?
39. What is the name for the practice of competition based on brand identity rather than price?
40. Give an example of economies of scale.
41. Give an example of a price ceiling and a price floor.
42. Give two examples of how price controls can have negative side effects.
43. What is the primary purpose of anti-trust legislation?
44. What is the name for a group of businesses that share a name and product line but are individually owned?