

MIDTERM TEST – ECONOMICS

Total Marks: 40

Instructions:

- Circle the correct answer for MCQs & True/False. (0.5 mark each)
 - Draw neat, labeled graphs where required.
 - Show all working clearly for calculation questions.
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Section A: KNOWLEDGE (20 Qs × 0.5 = 10 marks)

1 Which of the following would NOT shift the demand curve?

- a) Change in consumer tastes
- b) Change in income
- c) Change in the price

2 At equilibrium:

- a) $Q_d = Q_s$
- b) Shortage exists
- c) Surplus exists

3 When supply is perfectly inelastic, the supply curve is:

- a) Vertical
- b) Horizontal
- c) Downward sloping

4 Which of the following best explains *why* the demand curve slopes downward?

- a) Producers are willing to sell more at higher prices
- b) Consumers have unlimited incomes
- c) Consumers to buy less when prices rise
- d) Prices and demand are directly proportional

5 An elastic demand curve is:

- a) Vertical
- b) sloping
- c) round

6 If the price of gasoline rises sharply, the demand for cars (a complementary good to gas) will:

- a) Increase
- b) Decrease
- c) Stay the same

7 If the price of peanut butter rises, the demand for jam (a substitute good) will:

- a) Increase
- b) Decrease
- c) Stay the same

8 Which of the following shifts the supply curve left?

- a) Decrease in input costs
- b) Bad weather
- c) Improved technology

9 A subsidy to producers shifts the supply curve:

- a) Leftward
- b) Rightward
- c) Not at all

10 True/False: A change in the price of a good causes a movement along the demand curve.

- a) True
- b) False

11 True/False: Luxury goods have elastic demand

- a) True
- b) False

12 Which is NOT a determinant of elasticity of demand?

- a) Availability of substitutes
- b) Portion of income spent
- c) Technology in production

13 $PED > 1$ means demand is:

- a) Elastic
- b) Inelastic
- c) Unit elastic

14 $PES < 1$ means supply is:

- a) Elastic
- b) Inelastic
- c) Perfectly elastic

15 True/False: Inferior goods have negative income elasticity.

- a) True
- b) False

16 Which of the following is a movement along the supply curve?

- a) Increase in price of the good
- b) Increase in wages
- c) Technological improvement

17 If demand decreases and supply stays constant, equilibrium price will:

- a) Fall
- b) Rise
- c) Stay the same

18 True/False: A shortage exists when $Q_d > Q_s$ at a given price.

- a) True
- b) False

19 True/False: In the long run, producers can adjust more easily, making supply more elastic.

- a) True
- b) False

20 When $PED = 1$, demand is:

- a) Elastic
- b) Inelastic
- c) Unit elastic

Section B: THINKING (4 Qs - 10 marks)

1. Draw and label: (a) elastic demand curve, (b) inelastic demand curve. (2 marks)

2. A hurricane damages orange crops in Florida.

- Task: Draw a graph showing the shift in the supply curve for oranges.

Explain: What happens to price and quantity? (2 marks)

3. A new farming technology doubles wheat production.

- Task: Draw a graph showing the shift in the supply curve.

Explain: What happens to equilibrium price and quantity? (2 marks)

4. Question: (4 marks)

The market for **organic coffee** experiences the following changes **simultaneously**:

1. A **government subsidy** lowers the cost of producing organic coffee.
2. A **new health report** increases consumer preference for organic coffee.

Tasks:

a) Draw a graph showing:

- Original demand and supply curves
- Original equilibrium price (\$5) and quantity (Q 10)
 - b) Show the **shifts** in supply and then the demand curves due to the changes.
 - c) Identify the **new equilibrium price** and **new equilibrium quantity**
 - d) Explain the effect of each change on price and quantity.

Section D: COMMUNICATION (5 Qs- 10 marks)

1. Market Equilibrium – Smartphones

Price	Qd	Qs
\$200	500	300
\$300	450	450
\$400	400	600

(a) Graph demand & supply curve with proper labels. (2 mark)

(b) Identify equilibrium price & quantity. (2 mark)

2. Demand Increase – E-scooters become popular due to government incentives.

a Draw a graph showing the demand shift. (1 mark)

b Explain impact on equilibrium price & quantity. (1 mark)

3. Demand Decrease – During a recession, luxury handbags see lower sales.

- Graph the demand shift. (1 mark)

- Explain impact on price & quantity. (1 mark)

4. Supply Increase – A new farming technology improves wheat production.

- Graph the supply shift. (1 mark)
- Explain impact on equilibrium. (1 mark)