

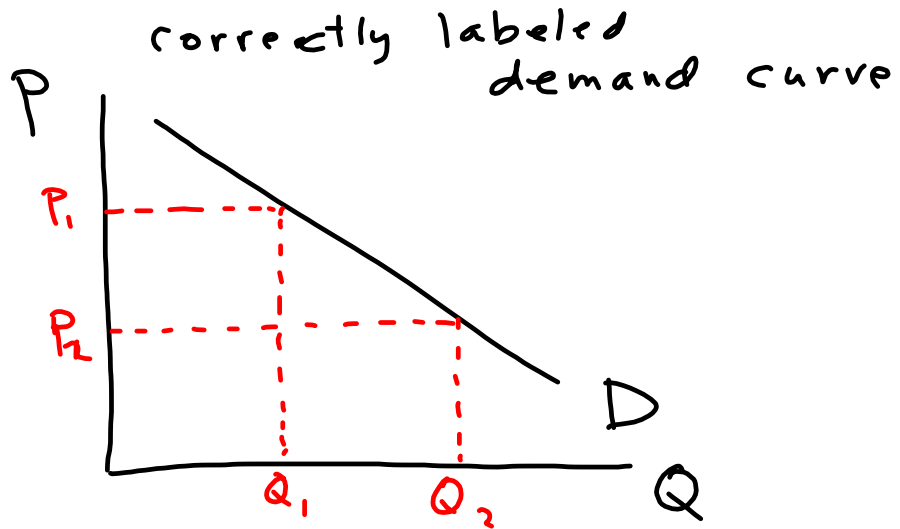
## MC Modules 2-3

- |    |                        |        |        |               |
|----|------------------------|--------|--------|---------------|
| 1. | ANS: B                 | PTS: 1 | DIF: M | REF: Module 2 |
|    | SKL: Critical Thinking |        |        |               |
| 2. | ANS: D                 | PTS: 1 | DIF: E | REF: Module 2 |
|    | SKL: Definitional      |        |        |               |
| 3. | ANS: A                 | PTS: 1 | DIF: E | REF: Module 2 |
|    | SKL: Definitional      |        |        |               |
| 4. | ANS: C                 | PTS: 1 | DIF: E | REF: Module 2 |
|    | SKL: Definitional      |        |        |               |
| 5. | ANS: E                 | PTS: 1 | DIF: E | REF: Module 2 |
|    | SKL: Concept-Based     |        |        |               |
| 6. | ANS: A                 | PTS: 1 | DIF: M | REF: Module 3 |
|    | SKL: Concept-Based     |        |        |               |
| 7. | ANS: C                 | PTS: 1 | DIF: M | REF: Module 3 |
|    | SKL: Critical Thinking |        |        |               |
| 8. | ANS: A                 | PTS: 1 | DIF: M | REF: Module 3 |
|    | SKL: Critical Thinking |        |        |               |
| 9. | ANS: C                 | PTS: 1 | DIF: M | REF: Module 3 |
|    | SKL: Fact-Based        |        |        |               |

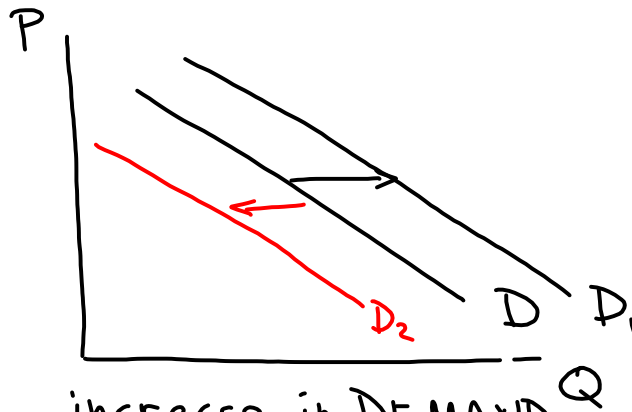
Topic: Demand Curve

Law of Demand: as price goes up, quantity demanded goes down, all else equal.

→ downward-sloping demand curve



If price goes from  $P_1$  to  $P_2$ ,  
QUANTITY DEMANDED goes from  
 $Q_1$  to  $Q_2$



increase in DEMAND  
 decrease in DEMAND  
 could be caused by:

- increase in income
- " " popularity of product
- expectation of increased income
- or increased price of product
- increase in target population

\* exogenous effects  
 (external to demand curve)

## Substitutes

goods that can be substituted for each other

change in price of good A causes a change in DEMAND of good B.

Ex. hamburgers & hot dogs.

$P_{HB} \uparrow$      $D_{HD} \rightarrow$

$P_{HB} \downarrow$      $D_{HD} \leftarrow$

$P_{HD} \uparrow$      $D_{HB} \rightarrow$

$P_{HD} \downarrow$      $D_{HB} \leftarrow$

Complements: usually consumed together  
(hot dogs, relish)

$P_{HD} \uparrow$      $D_R \leftarrow$

$P_{HD} \downarrow$      $D_R \rightarrow$