

Economics
Unit 4 – Supply, Demand, & the Role of Price
EDLINE Test Study Guide

The Unit 4 test is a 25-question multiple-choice and will be taken on EDLINE. It is worth 50 points and will count as a Test grade. On the test, you will be required to do the following:

- Identify examples of interactions of the following as depicted in the **circular flow of economic activity** diagram:
 - Factors Market
 - Products Market
 - Government Participation
- Identify the definition of the **law of demand**
- Given a scenario, identify the scenario as illustrating the concept of **diminishing marginal utility**
- Identify the effect of a **demand shifter** on market demand
- Identify the effect changes in the following demand shifters on market demand
 - **Income**
 - **Number of Consumers**
 - **Consumer Tastes & Preferences**
 - **Consumer Expectations**
 - **Price of Substitute Goods**
 - **Price of Complementary Goods**
- Identify an example of a scenario that would cause **movement along the demand curve, not a shift in demand**
- Identify the definition of the **law of supply**
- Identify the effect of the following supply shifters on market supply:
 - **Cost of Inputs**
 - **Number of Producers**
 - **Conditions Due to Natural Disasters or International Events**
 - **Technology**
 - **Producer Expectations**
- Identify the effect of a producer setting a price **above** market equilibrium
- Identify the effect of a producer setting a price **below** market equilibrium
- Identify the following definitions:
 - **Elastic supply/demand**
 - **Inelastic supply/demand**
- Identify the factors that influence **demand elasticity** for a product
- Identify the factors that influence **supply elasticity** for a product
- Identify the results of a government-established **price floor**
- Identify the results of a government-established **price ceiling**