APEducate: www.Microeconomics**AP**.com

1. AP MICROECONOMICS EXAMINATION QUESTIONS

1. Explain the law of demand **and** use diagrams and examples to distinguish between shifts of the demand curve and movements along the demand curve. **[10 marks]**

2. Explain the apparent contradiction: a demand decrease leads to falling prices, and when there is an increase in the quantity demanded prices also fall. **[10 marks]**

3. Over a period of time, the quantity of chocolate bought and consumed has increased as too has the price of chocolate. Is this situation in violation of the law of demand? Use diagrams to support your argument. **[10 marks]**

2. AP MICROECONOMICS EXTENSION QUESTIONS

Question One   **[25 marks]**

a. The general form of the demand function is $Qd = a – bP$. <u>Outline</u> the meanings of variables 'a' and '–b'.   **[2 marks]**

b. <u>Outline</u> why the demand function has a negative slope.   **[2 marks]**

Consider the demand function: $Qd = 60 – 5P$. Qd is the quantity of product A that is demanded per week, and P is the price per unit of A.

c. <u>Construct</u> a graph of the demand curve for product A   **[1 mark]**

d. <u>Calculate</u> the quantities demanded when the price of product A is $2 **and** $3.   **[2 marks]**

e. <u>Calculate</u> the prices of product A when the quantity demanded is 40 and 20 units.   **[2 marks]**

f. <u>Calculate</u> the vertical and horizontal intercepts using the function.   **[2 marks]**

g. <u>Identify</u> the horizontal (Qd) and vertical (P) intercepts on the demand graph.   **[2 marks]**

h. 10 fewer units of product A are demanded at each price as consumers' incomes increase. <u>Determine</u> the new equation for the demand function.   **[1 mark]**

i. <u>Identify</u> the horizontal (Qd) and vertical (P) intercepts in the new demand function and <u>draw</u> the new demand curve.   **[3 marks]**

Consumer preference for product A is increasing. Relative to the initial demand function, 20 more units of product A are being demanded at each price.

j. <u>Determine</u> the new demand function.   **[2 marks]**

k. <u>Draw</u> the new demand curve.   **[1 mark]**

l. <u>State</u> the new demand function if the slope of the demand curve for product A changes to –2, and <u>outline</u> how this change in the slope affects the demand curve.   **[2 marks]**

m. <u>Describe</u> the relationship between individual consumer demand for product A and its market demand.   **[2 marks**