

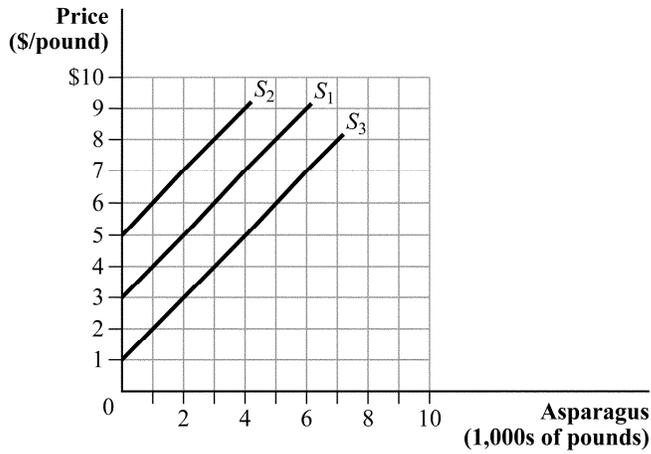
## Quiz #1, September 7, 2017

- Which of the following factors influences demand?
  - consumer income
  - prices of complement goods
  - prices of substitute goods
  - the number of consumers
  - I and IV
  - II and III
  - I, III, and IV
  - I, II, III, and IV
- The demand curve for a good is  $Q = 80 - 0.20P$ , where  $Q$  is the quantity demanded and  $P$  is the price per unit. This good's inverse demand curve, giving price as a function of quantity, is:
  - $P = 80 - 0.20Q$ .
  - $P = 40 - Q$ .
  - $P = 5Q + 40$ .
  - $P = 400 - 5Q$ .
- Suppose the demand for lobster decreased from a fall in consumer income, while the supply of lobster increased from a record harvest. What effect would these supply and demand changes have on the equilibrium price and quantity of lobsters?
  - Both the equilibrium price and quantity would decrease.
  - The equilibrium price would fall, but the effect on the equilibrium quantity could not be predicted.
  - The equilibrium price would fall and the equilibrium quantity would increase.
  - The equilibrium quantity would increase, but the effect on price could not be predicted.
- In the market for oranges, we observe that the equilibrium price increased and the equilibrium quantity increased. What could have caused this change?
  - an increase in supply and a decrease in demand
  - an increase in demand
  - a decrease in supply
  - an increase in supply

5. A key assumption of the supply and demand model is that:
- A) each firm's good is unique and cannot be duplicated by other firms in the market.
  - B) firms will continue to raise price until profits become positive.
  - C) each firm produces an identical good in the market.
  - D) each firm produces a level of output at which price exceeds marginal cost.
6. If a 10% increase in the price of pork reduces quantity demanded by 7%, the price elasticity of demand is:
- A) -1.43.
  - B) -0.14.
  - C) -3.0.
  - D) -0.70.
7. An increase in the price of computer chips causes a decrease in the total sales by computer chip manufacturers. The price elasticity of demand for computer chips is:
- A) positive and elastic.
  - B) inelastic.
  - C) elastic.
  - D) positive and inelastic.
8. The demand for goats is  $Q = 15 - 3P$  and the supply of goats is  $Q = 2P - 5$ . The equilibrium price and quantity of goats are:
- A)  $Q^* = 4, P^* = 3$ .
  - B)  $Q^* = 3, P^* = 4$ .
  - C)  $Q^* = 5, P^* = 2$ .
  - D)  $Q^* = 0, P^* = 5$ .

Use the following to answer question 9.

Figure 2.3



9. (Figure 2.3) An increase in quantity supplied could be indicated by:
- A) the supply curve shifting from  $S_1$  to  $S_2$ .
  - B) the supply curve shifting from  $S_1$  to  $S_3$ .
  - C) movement up and along supply curve  $S_1$ .
  - D) the supply curve shifting from  $S_3$  to  $S_2$ .
10. Tavist allergy pills sell for \$25 a box. Steve, Brian, and Toby are willing to pay \$33, \$27, and \$19, respectively, for a box of Tavist. What is the total consumer surplus for Steve, Brian, and Toby?
- A) \$16
  - B) \$10
  - C) \$4
  - D) \$60

**Answer Key - F17-1**

1. D
2. D
3. B
4. B
5. C
6. D
7. C
8. B
9. C
10. B