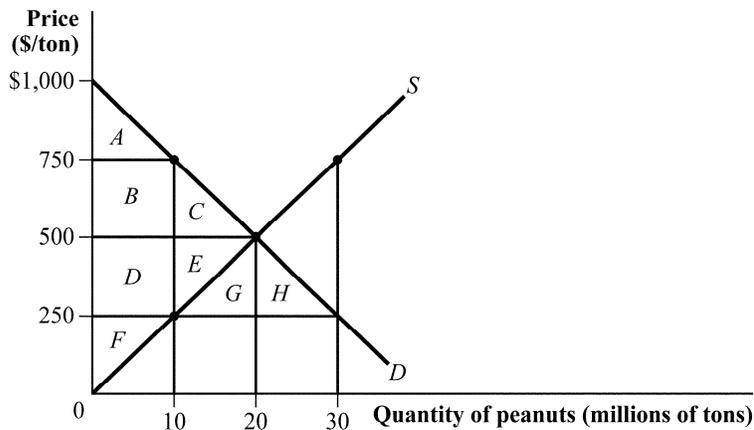


## Quiz #2 -- October 5, 2017

1. Sonia says she prefers two theater tickets and one bottle of French wine to three games of bowling and one pitcher of draft beer. In this example, Sonia is demonstrating the \_\_\_\_\_ assumption of consumer behavior.
  - A) more is better than less
  - B) completeness and rankability
  - C) transitivity
  - D) diminishing marginal utility

Use the following to answer question 2.

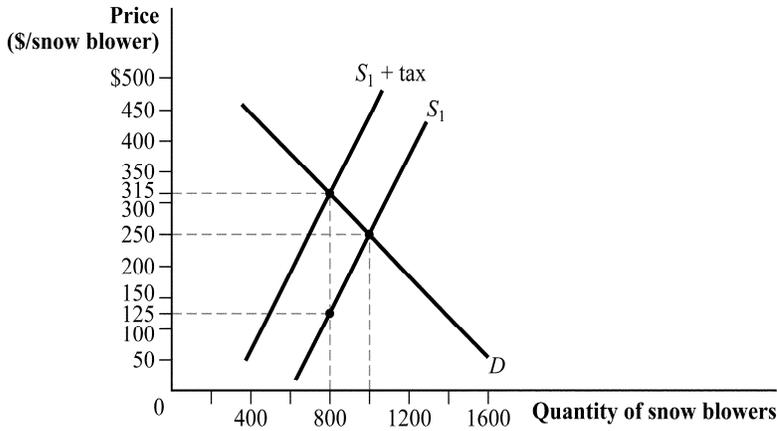
Figure 3.9



2. (Figure 3.9) Suppose the government enacts a price ceiling of \$250 per ton. Which of the following statements are TRUE?
  - I. Consumer surplus before the price ceiling =  $A + B + C$ .
  - II. Consumer surplus after the price ceiling =  $D + E$ .
  - III. Producer surplus before the price ceiling =  $D + E + G$ .
  - IV. Producer surplus after the price ceiling =  $F$ .
  - A) I, II, and IV
  - B) I and IV
  - C) II and III
  - D) II, III, and IV

Use the following to answer question 3.

Figure 3.14



3. (Figure 3.14) The size of the tax is:
- A) \$125.
  - B) \$65.
  - C) \$190.
  - D) \$200.
4. If the government taxes a product, what is the relationship between the price that buyers pay ( $P_B$ ) and the price that sellers receive ( $P_S$ )?
- A)  $P_B + \text{tax} = P_S$
  - B)  $P_B + P_S = \text{tax}$
  - C)  $P_B = P_S + \text{tax}$
  - D)  $P_B(1 + \text{tax}) = P_S$
5. Suppose that  $MU_Y = 15$ ,  $MU_X = 10$ ,  $P_Y = \$2$ , and  $P_X = \$1$ . Which of the following statements is TRUE?
- A) The consumer is maximizing utility.
  - B) The consumer could increase utility by giving up 1 unit of good  $Y$  for 2 units of good  $X$ .
  - C) The consumer could increase utility by giving up 2 units of good  $X$  for 1 unit of good  $Y$ .
  - D) The consumer is receiving more marginal utility per dollar from good  $Y$  than from good  $X$ .

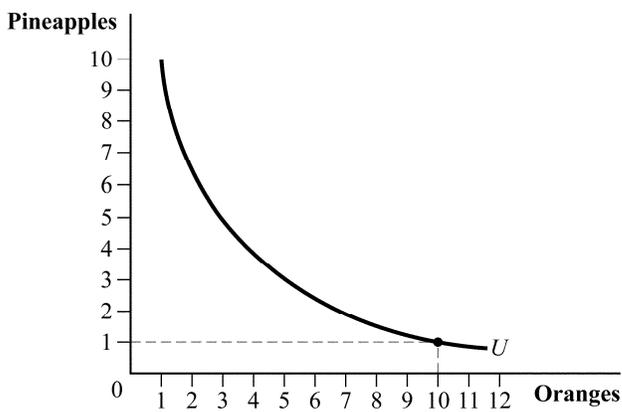
6. In a small country, the demand and supply of kidneys are represented by  $Q^D = 10,000 - 0.25P$  and  $Q^S = 0.5P + 4,000$ . Which of the following statements is (are) TRUE?

- I. The equilibrium price is \$8,000.
- II. At a price ceiling of \$0, there are 4,000 volunteer donors.
- III. At a price ceiling of \$0, there is an excess demand of 14,000 kidneys.

- A) I, II, and III
- B) II and III (because the demand curve shifts out, pushing up the price)
- C) I and II
- D) III

Use the following to answer question 7.

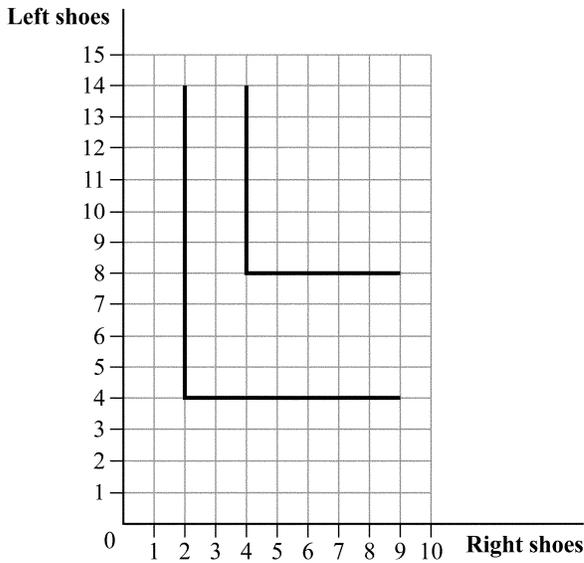
**Figure 4.1**



7. (Figure 4.1) Sam's grandmother, who is visiting from Florida, gives Sam 10 oranges and 1 pineapple. As a result, Sam will be willing to:
- A) trade away more than one orange for an additional pineapple.
  - B) trade lots of pineapples for an additional orange.
  - C) trade his only pineapple for one more orange.
  - D) give up all his oranges for several more pineapples.

Use the following to answer question 8.

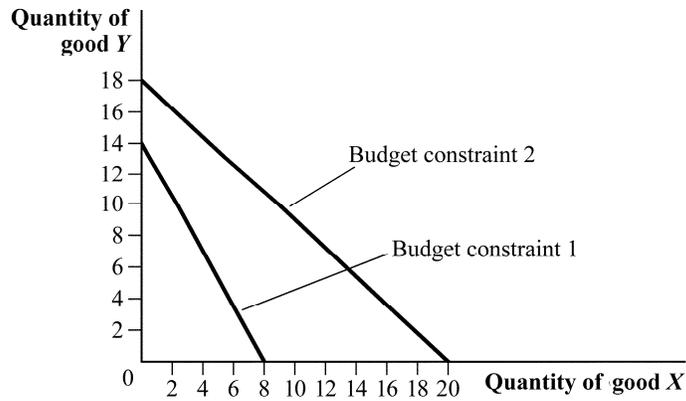
**Figure 4.12**



8. (Figure 4.12) The three-legged Ork, a space creature from the universe Warhammer, wears 1 right shoe and 2 left shoes. His indifference curves are presented in Figure 4.12. Based on the shape of the Ork's indifference curves, right and left shoes are:
- A) perfect substitutes.
  - B) perfect complements.
  - C) consumed in changing proportions.
  - D) neither perfect substitutes nor perfect complements.
9. Jewel's utility is a function of golf ( $G$ ) and music lessons ( $M$ ), where the  $MU_G = 1/G$  and  $MU_M = 1/M$ . What is  $MRS_{GM}$  when  $M = 10$  and  $G = 4$ ?
- A) 2.5
  - B) 14
  - C) 0.4
  - D) 6

Use the following to answer question 10.

Figure 4.14



10. (Figure 4.14) Suppose the budget constraint shifted from Budget constraint 2 to Budget constraint 1. What could have caused this change?
- A) a decrease in income
  - B) a decrease in the price of good  $X$
  - C) a decrease in income and decrease in the relative price of good  $X$  to those of good  $Y$
  - D) an increase in the relative price of good  $X$  to that of good  $Y$

**Answer Key - F17-2**

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