Quiz #1 -- September 6, 2018
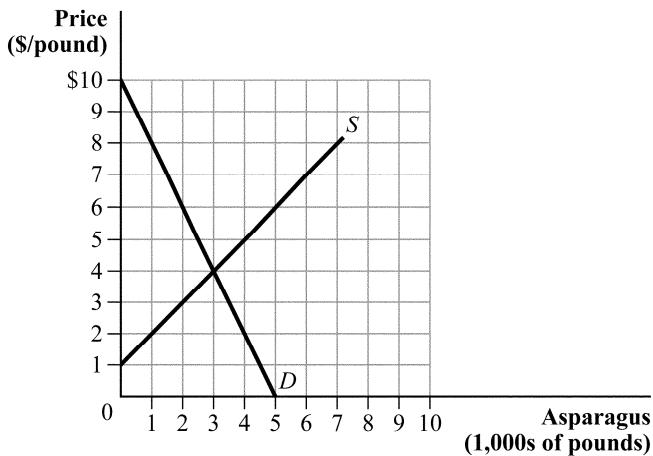
1. Which of the following factors influences demand?

I.   consumer income
II. prices of complement goods
III. prices of substitute goods
IV. the number of consumers

A) II and III   **B)** I and IV   **C)** I, III, and IV   **D)** I, II, III, and IV

Use the following to answer question 2.

Figure 2.4

2. (Figure 2.4) At a price of $2, there is an excess:
    A) demand of 3,000 pounds.   **C)** demand of 1,000 pounds.
   **B)** supply of 4,000 pounds.   **D)** supply of 3,000 pounds.

3. (Figure 2.4) At what price does the quantity demanded by consumers equal the quantity supplied by producers?
    A) $1   **B)** $5   **C)** $4   **D)** $3

4. If a 10% increase in the price of pork reduces quantity demanded by 7%, the price elasticity of demand is:

A) −3.0. **B)** −0.70. **C)** −1.43. **D)** −0.14.

5. On some days Gus makes his own salad for lunch, preferring to use either iceberg or romaine lettuce, topped off with lots of fresh tomatoes. The cross-price elasticity of demand for iceberg lettuce with respect to romaine lettuce is _____, and the cross-price elasticity of demand for iceberg lettuce with respect to tomatoes is _____.

A) negative; zero **C)** negative; positive
B) positive; negative **D)** zero; positive

6. 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?

A) The equilibrium quantity would increase, but the effect on price could not be predicted.
B) Both the equilibrium price and quantity would decrease.
C) The equilibrium price would fall and the equilibrium quantity would increase.
D) The equilibrium price would fall, but the effect on the equilibrium quantity could not be predicted.

Use the following to answer question 7.

Figure 2.1
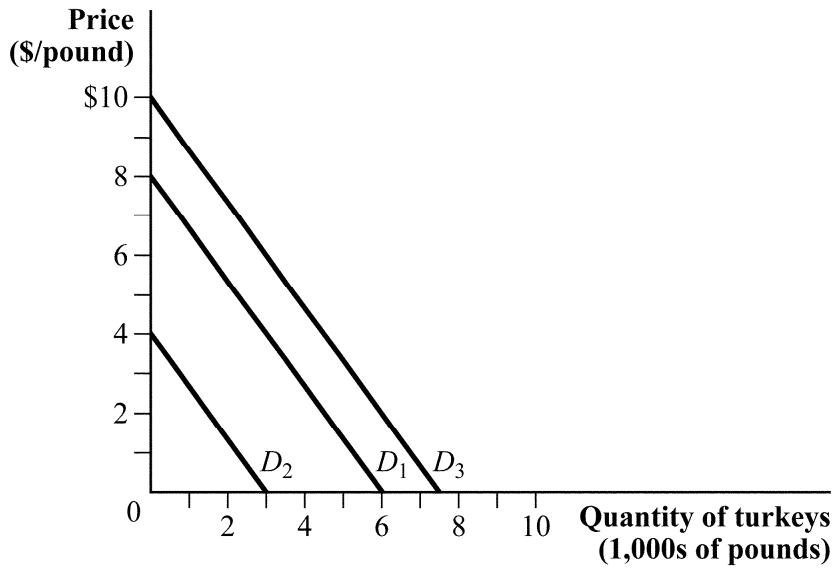
7. (Figure 2.1) Mathematically, the demand curve D_1 is described by the equation:
   A) $Q = 8 - 1.33P$.   **B)** $Q = 6 - 0.75P$.   **C)** $P = 6 - 8P$.   **D)** $Q = 0.75 - P$.

8. The supply curve obeys $P_S = 18 + Q_S/10$ and the demand curve obeys $P_D = 15 - Q_D/20$.
   Which of the following is true of the equilibrium?
   A) The equilibrium price is $P^* = 16$.
   B) The equilibrium price is $P^* = 0$ and the equilibrium quantity is $Q^* = 300$.
   C) There is no equilibrium.
   D) The equilibrium quantity is $Q^* = 0$, and the price is anything between 15 and 20.

9. Nancy paid $55 for car mats but was willing to pay $80. What is Nancy's consumer surplus?
   A) $105   **B)** $25   **C)** $135   **D)** $15

Use the following to answer question 10.

Figure 3.2
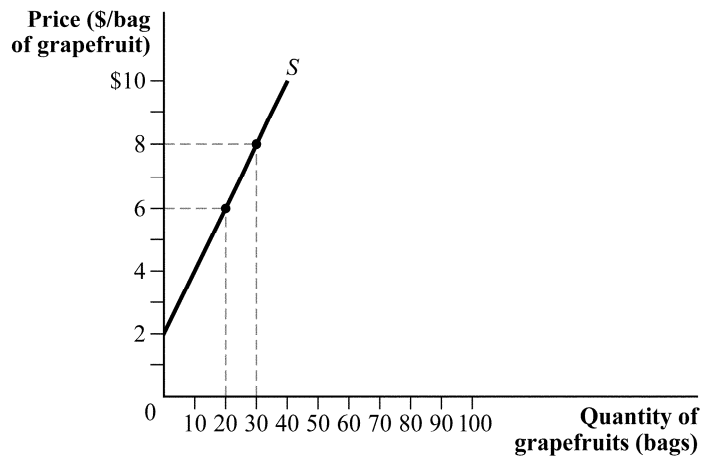
10. (Figure 3.2) If the price per bag of grapefruit increases from $6 to $8, producer surplus changes by:
   A) $90.   **B)** $130.   **C)** $40.   **D)** $50.

Answer Key - F18-1

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