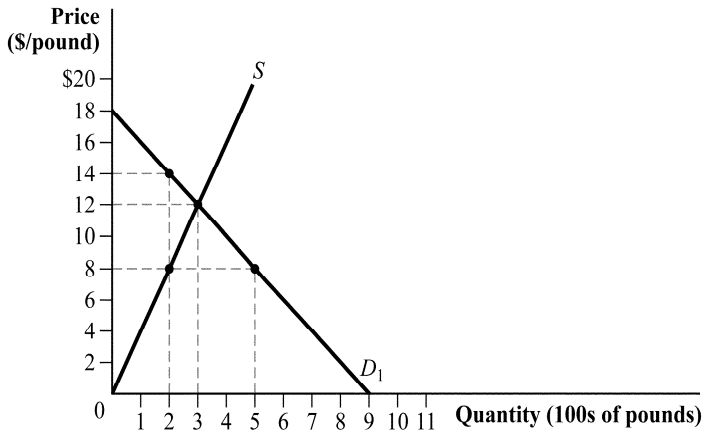


## Quiz #2 -- September 20, 2018

Use the following to answer question 1.

Figure 3.7



- (Figure 3.7) At a price ceiling of \$8, there is a shortage of \_\_\_\_\_ and a deadweight loss of \_\_\_\_\_.

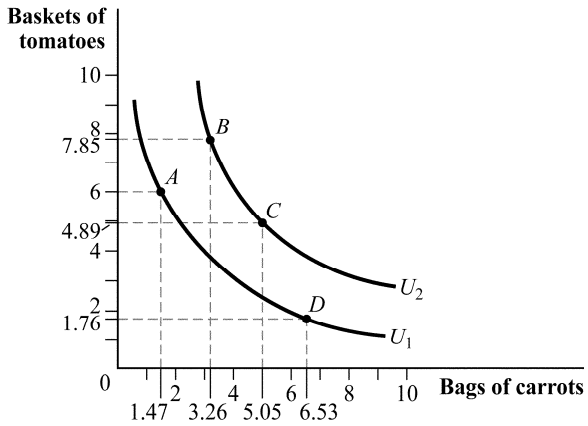
A) 200 pounds; \$1,200	C) 300 pounds; \$600
B) 500 pounds; \$400	D) 300 pounds; \$300
  
- If the government subsidizes a product, what is the relationship between the price that buyers pay ( $P_B$ ) and the price that sellers receive ( $P_S$ )?

A) $P_B + \text{subsidy} = P_S$	C) $P_B = P_S + \text{subsidy}$
B) $P_B + P_S = \text{subsidy}$	D) $P_B(1 + \text{subsidy}) = P_S$



Use the following to answer question 5.

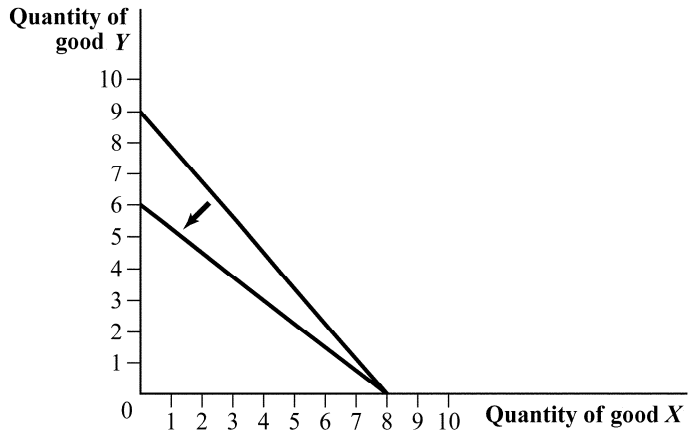
Figure 4.3



5. (Figure 4.3) Which of the following statements is FALSE?
- A) Indifference curve  $U_2$  provides a higher level of utility than indifference curve  $U_1$ .
  - B) Bundle  $C$  is preferred to bundle  $D$ .
  - C) Bundle  $A$  is preferred to bundle  $C$ .
  - D) The consumer is indifferent between bundle  $A$  and bundle  $D$ .
6. 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 7.

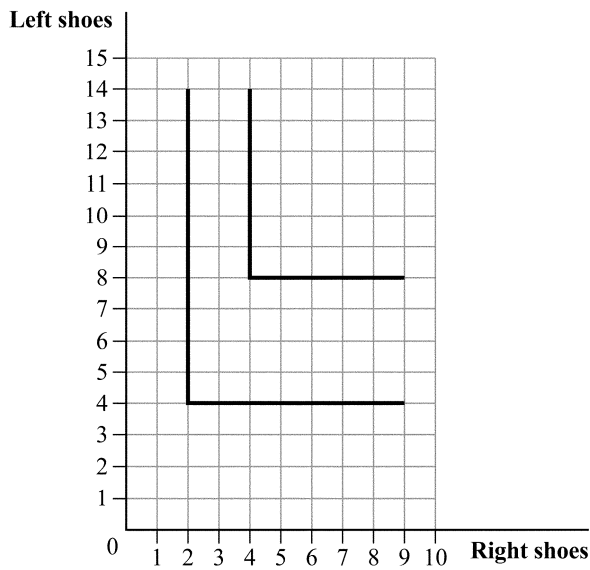
Figure 4.13



7. (Figure 4.13) What caused the budget constraint to rotate?
- A) an increase in the price of good  $X$                       C) a decrease in income  
B) a decrease in the price of good  $Y$                       D) an increase in the price of good  $Y$
8. 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                                      C) transitivity  
B) completeness and rankability                              D) diminishing marginal utility

Use the following to answer question 9.

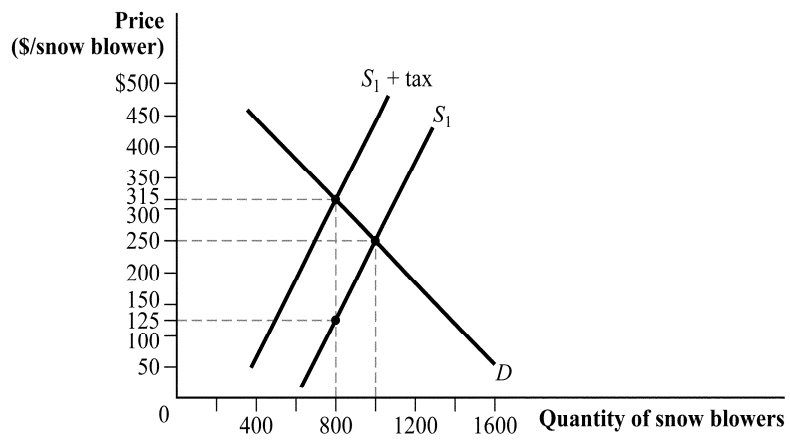
**Figure 4.12**



9. (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.

Use the following to answer question 10.

Figure 3.14



10. (Figure 3.14) The size of the tax is:

A) \$125.

B) \$65.

C) \$190.

D) \$200.

**Answer Key - F18-2**

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