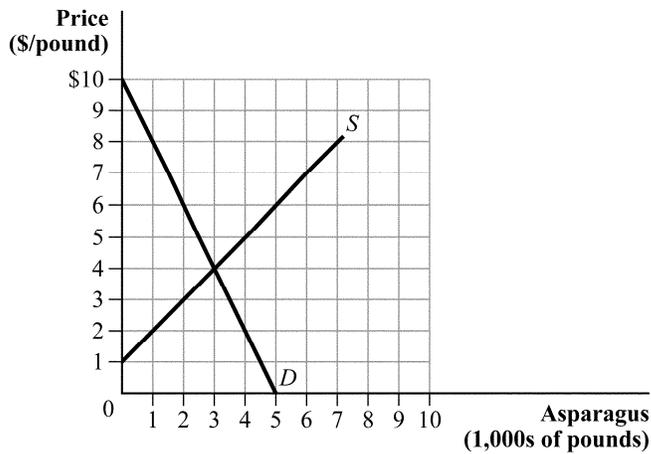


Quiz #1, September 12, 2019

1. The demand for goats is $Q = 20 - 2P$ and the supply of goats is $Q = P - 4$. The equilibrium price and quantity of goats are:
 - A) $Q^* = 8, P^* = 4$.
 - B) $Q^* = 4, P^* = 8$.
 - C) $Q^* = 6, P^* = 4$.
 - D) $Q^* = 4, P^* = 6$.
2. In the market for oranges, we observe that the equilibrium price increased and the equilibrium quantity increased. What could have caused this change?
 - A) an increase in supply and a decrease in demand
 - B) an increase in demand
 - C) a decrease in supply
 - D) an increase in supply
3. In the supply and demand model, we assume that there are _____ buyers and _____ sellers in the market.
 - A) many; many
 - B) several; several
 - C) many; several
 - D) several; many
4. A decrease in both demand and supply will cause a(n) _____ equilibrium price and a(n) _____ equilibrium quantity.
 - A) uncertain effect on; decrease in
 - B) increase in; decrease in
 - C) increase in; uncertain effect on
 - D) decrease in; uncertain effect on
5. If the demand curve is $Q_D = 10 - 2P$, then the lowest price at which no consumer is willing to buy the good (i.e., the demand choke price) is:
 - A) 10.
 - B) 2.
 - C) 7.
 - D) 5.

Use the following to answer question 6.

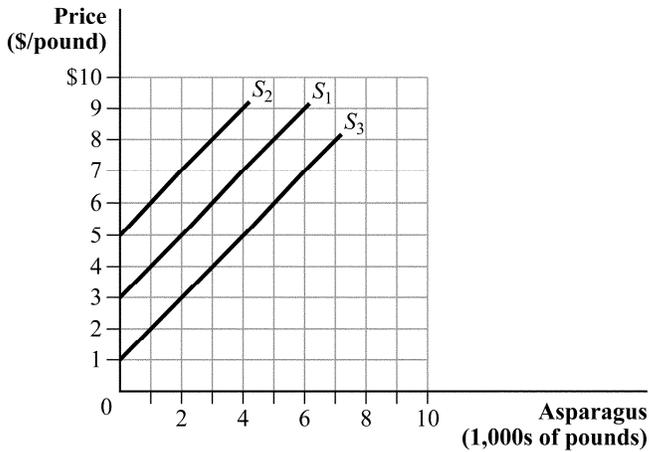
Figure 2.4



6. (Figure 2.4) At a price of \$2, there is an excess:
- A) supply of 4,000 pounds.
 - B) supply of 3,000 pounds.
 - C) demand of 3,000 pounds.
 - D) demand of 1,000 pounds.
7. If a 5% increase in income increases quantity demanded by 4%, the income elasticity of demand is:
- A) 1.25.
 - B) 0.80.
 - C) 2.0.
 - D) 0.02.

Use the following to answer question 8.

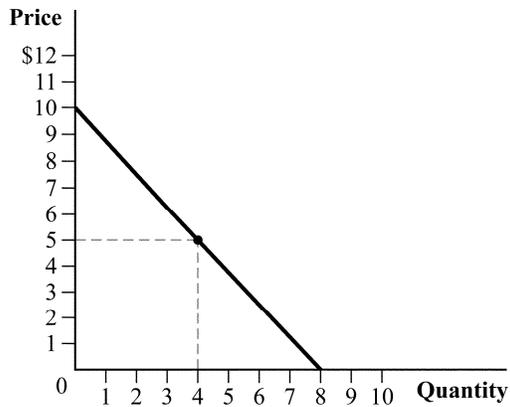
Figure 2.3



8. (Figure 2.3) What could cause the supply curve to shift from S_1 to S_2 ?
- A) an increase in the number of asparagus farmers
 - B) poor weather conditions that reduce the asparagus harvest
 - C) better fertilizers that lower the costs of production
 - D) a decrease in the price of asparagus
9. The demand for gasoline has an elasticity of -0.3 . Suppose the price of gasoline increases from \$3 to \$3.50. As a result, consumer spending on gasoline will:
- A) increase.
 - B) decrease.
 - C) stay the same.
 - D) be unknown as we need more information to determine the answer.

Use the following to answer question 10.

Figure 2.8



10. (Figure 2.8) Which of the following statements is TRUE?

- I. The price elasticity of demand is less than 1 in absolute value at prices less than \$5.
- II. The price elasticity of demand is elastic at prices above \$5.
- III. The price elasticity of demand is negative infinity at a price of \$0.
- IV. At \$5, the price elasticity of demand is perfectly inelastic.

- A) III only
- B) II and IV
- C) I, II, III, and IV
- D) I and II

Answer Key - F19-1

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