

Quiz #1 -- September 10, 2020

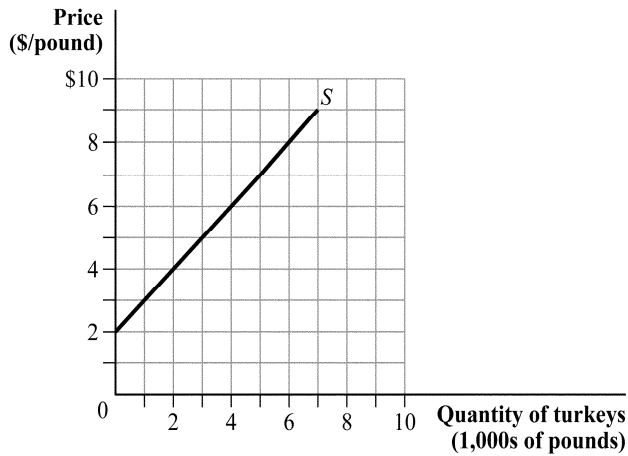
1. Which of the following factors influences demand?
 - I. consumer income
 - II. prices of complement goods
 - III. prices of substitute goods
 - IV. the number of consumers
 - A) I and IV
 - B) II and III
 - C) I, III, and IV
 - D) I, II, III, and IV

2. 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.

3. 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) positive; negative
 - B) negative; positive
 - C) zero; positive
 - D) negative; zero

Use the following to answer question 4.

Figure 2.2

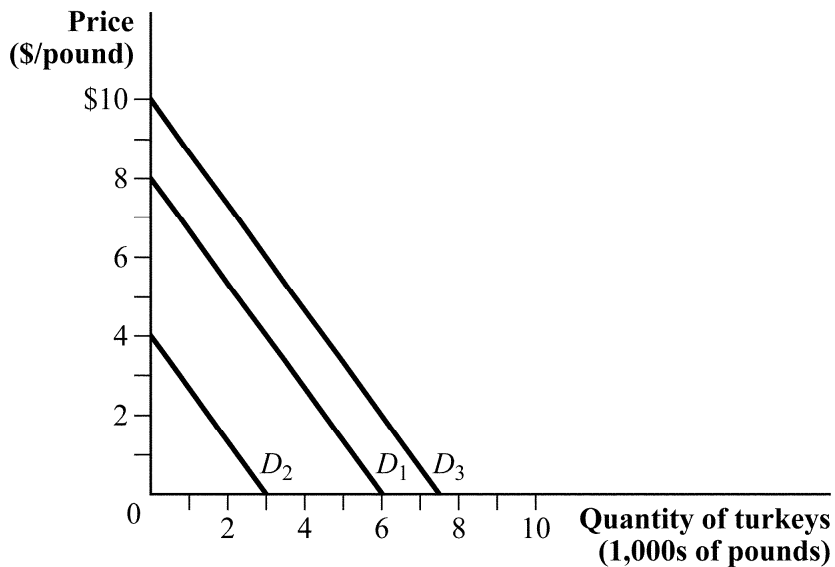


4. (Figure 2.2) If the price of turkey is \$4 per pound, _____ pounds of turkey will be offered for sale; if the price of turkey is \$7 per pound, _____ pounds of turkey will be offered for sale.
- A) 3,000; 6,000
 - B) 0; 6,000
 - C) 2,000; 5,000
 - D) 1,000; 8,000
5. The Internet has made learning to play a musical instrument easier than ever, with thousands of Web sites offering free music lessons. What happens in the musical instruments market?
- A) The supply curve increases, pushing down the price.
 - B) The demand curve shifts out, pushing up the price.
 - C) The demand curve shifts out, which in turn causes the supply curve to increase. The overall effect on price is ambiguous.
 - D) The price of musical instruments falls, causing an increase in the quantity demanded.

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

Use the following to answer question 7.

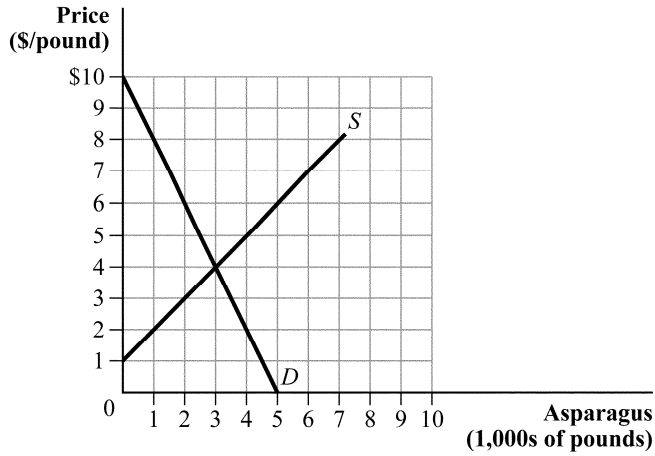
Figure 2.1



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

Use the following to answer question 8.

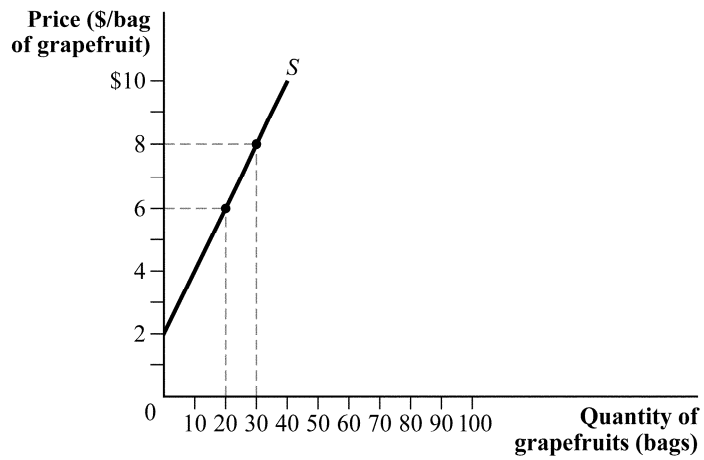
Figure 2.4



8. (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.
9. Nancy paid \$55 for car mats but was willing to pay \$80. What is Nancy's consumer surplus?
- A) \$105
 - B) \$15
 - C) \$25
 - D) \$135

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) \$130.
 - B) \$50.
 - C) \$90.
 - D) \$40.

Answer Key - F20-1

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