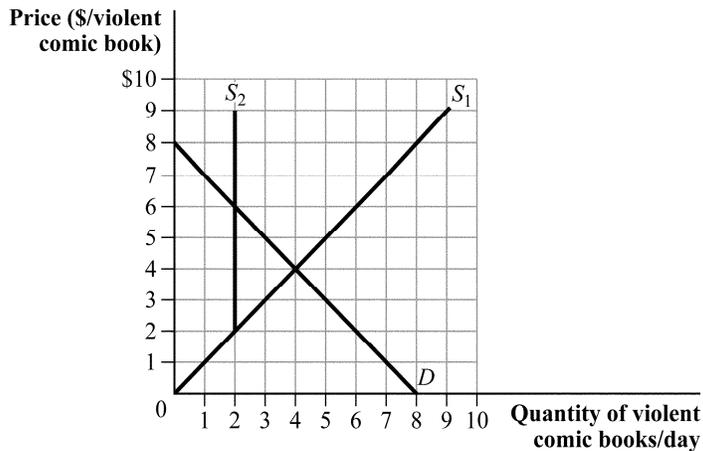


Quiz #2, February 9, 2017

Use the following to answer question 1.

Figure 3.12

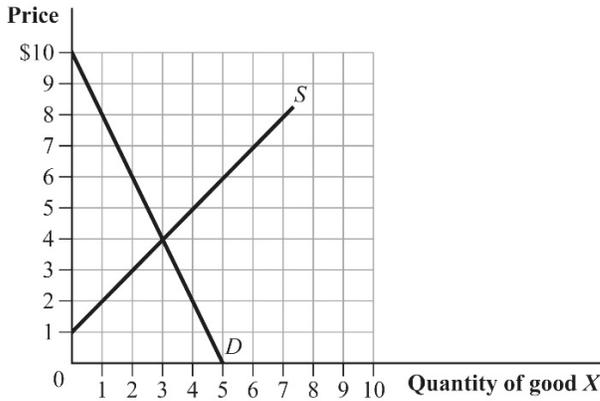


1. (Figure 3.12) The quota causes consumer surplus to:
 - A) increase from \$8 to \$16.
 - B) decrease from \$8 to \$2.
 - C) decrease from \$16 to \$12.
 - D) decrease from \$12 to \$4.

2. Billy is maximizing utility subject to his limited income. As a result, which of the following statements is TRUE?
 - A) The slope of the indifference curve is twice the slope of the budget constraint.
 - B) The indifference curve intersects the budget constraint at precisely two points.
 - C) The budget constraint is tangent to the indifference curve.
 - D) The $MRS_{XY} = P_X P_Y$.

Use the following to answer question 3.

Figure 3.16



3. (Figure 3.16) Which of the following statements is (are) TRUE?

- I. A tax on buyers of \$3 per unit raises the price buyers pay to \$6.
- II. A tax on sellers of \$3 per unit raises the price buyers pay to \$6.
- III. With a tax on sellers of \$3 per unit, the share of the tax paid by buyers is 67%.

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

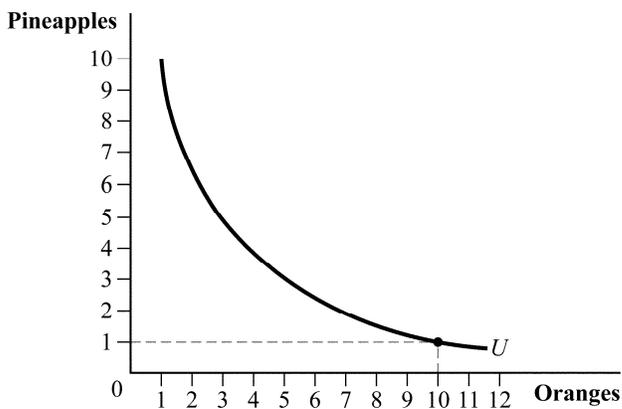
4. At the equilibrium price of \$10, the elasticity of demand and supply are -0.9 and 1.10 . If the government institutes a tax of \$1 per unit, sellers will receive _____ and consumers will pay _____.

- A) \$9.55; \$10.55
- B) \$10.25; \$11.25
- C) \$9.80; \$10.80
- D) \$9.75; \$10.75

5. Maggie prefers cheese to crayons, and she prefers crayons to coconuts. To satisfy the assumption of _____, Maggie must also prefer _____.
- A) rankability; cheese to coconuts
 - B) transitivity; cheese to coconuts
 - C) transitivity; coconuts to cheese
 - D) rankability; coconuts to cheese

Use the following to answer question 6.

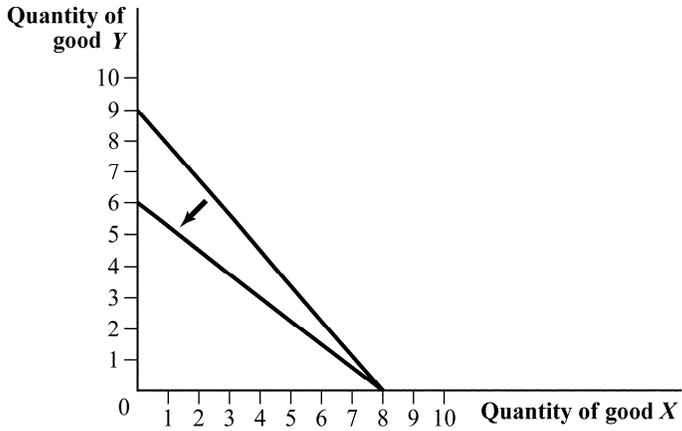
Figure 4.1



6. (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 of his oranges for several more pineapples.
7. Cher's marginal rate of substitution of necklaces (N) for earrings (E) is 5 ($MRS_{EN} = 5$). This information implies that:
- A) Cher is willing to trade away five necklaces for one more pair of earrings, holding her utility constant.
 - B) Cher will move to a higher indifference curve if she trades away five necklaces for one more pair of earrings.
 - C) Cher should own five times as many necklaces as pairs of earrings.
 - D) the slope of the indifference curve is 5 and thus upward sloping.

Use the following to answer question 8.

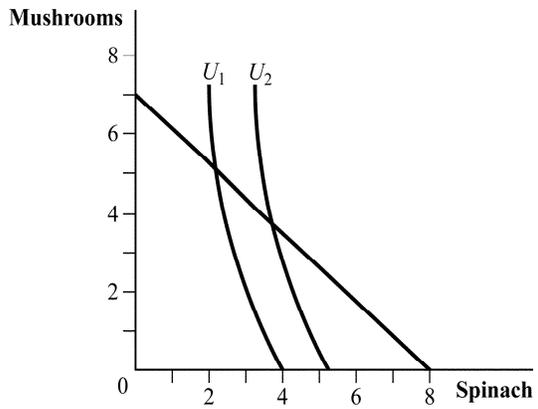
Figure 4.13



8. (Figure 4.13) What rotated the budget constraint?
- A) an increase in the price of good X
 - B) a decrease in the price of good Y
 - C) a decrease in income
 - D) an increase in the price of good Y
9. 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 .

Use the following to answer question 10.

Figure 4.15



10. (Figure 4.15) The consumer maximizes utility by consuming:
- A) 7 mushrooms and no spinach.
 - B) 8 units of spinach and no mushrooms.
 - C) on indifference curve U_2 .
 - D) approximately 4 mushrooms and 4 units of spinach.

Answer Key - S17-2

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