

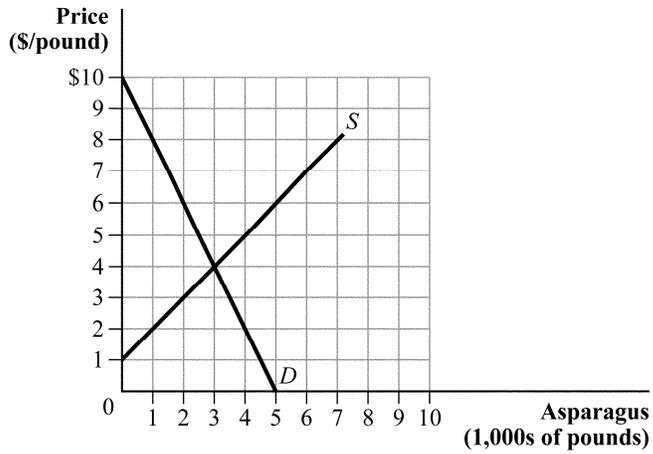
Quiz #1, January 25, 2018

- Justin purchased a Polar Express train set from Lionel Trains. He paid \$240 for the set and received consumer surplus of \$125. What was Justin's willingness to pay for the train set?
A) \$250 B) \$115 C) \$240 D) \$365
- The demand for groats is $Q = 15 - 2P$ and the supply of groats is $Q = 2P - 5$. The equilibrium price P^* and quantity Q^* of groats are:
A) $Q^* = 1, P^* = 3$. B) $Q^* = 5, P^* = 5$. C) $Q^* = 7, P^* = 4$. D) $Q^* = 3, P^* = 6$.
- The price of baseball tickets increased by 5%, leading to a 3% decrease in the number of tickets sold. Given this specific situation, total expenditures on baseball tickets:
A) fell.
B) stayed the same.
C) could have increased, decreased, or stayed the same depending on the price elasticity of demand.
D) increased.
- 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
B) an increase in supply and a decrease in demand
C) a decrease in supply
D) an increase in demand
- The income elasticity of demand for dental services is 2.40, and the income elasticity of demand for nursing homes is 0.90. Based on these estimates, dental services are a(n) _____ and nursing home care is a(n) _____.
A) normal good; inferior good C) normal good; luxury good
B) luxury good; normal good D) inferior good; luxury good
- The demand for a good is given by $Q^D = 750 - 0.4P$. What is consumer surplus at a price of \$80?
A) \$57,440 B) \$644,405 C) \$71,800 D) \$1,875

7. 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) 2. B) 10. C) 7. D) 5.
8. Genetically modified soybean seed is an example of a new technology that has increased productivity. As a result, this new technology _____ production costs and _____ the supply of soybeans.
A) lowered; increased C) raised; decreased
B) raised; increased D) lowered; decreased
9. A key assumption of the supply and demand model is that:
A) firms will continue to raise price until profits become positive.
B) each firm produces at a level of output at which price exceeds marginal cost.
C) each firm's good is unique and cannot be duplicated by other firms in the market.
D) each firm in the market produces an identical good.

Use the following to answer question 10.

Figure 2.4



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

Answer Key - S18-1

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