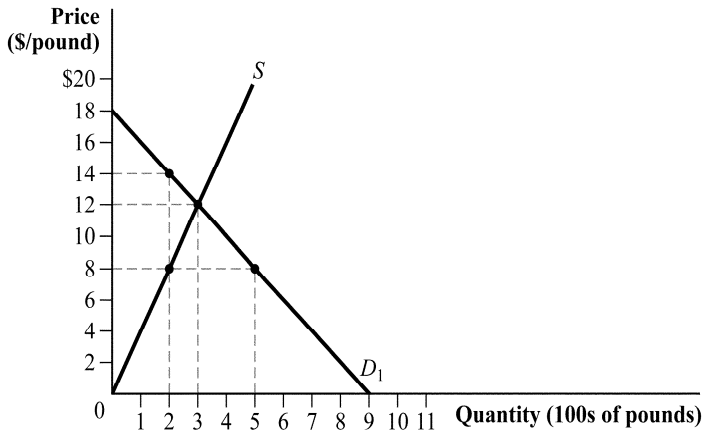


## Quiz #2 -- February 6, 2020

Use the following to answer question 1.

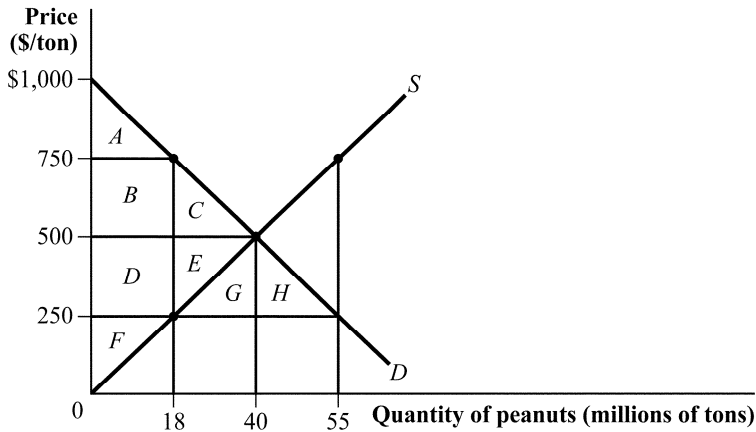
Figure 3.7



1. (Figure 3.7) At a price ceiling of \$8, there is a shortage of \_\_\_\_\_ and a deadweight loss of \_\_\_\_\_.  
A) 300 pounds; \$300  
B) 200 pounds; \$1,200  
C) 300 pounds; \$600  
D) 500 pounds; \$400
2. Randy likes baseball more than football, football more than basketball, and basketball more than baseball. Which assumption about consumer preferences does this violate?  
A) The more a consumer has of a particular good, the less she is willing to give up of something else to get even more of that good.  
B) transitivity  
C) more is better  
D) completeness and rankability

Use the following to answer question 3.

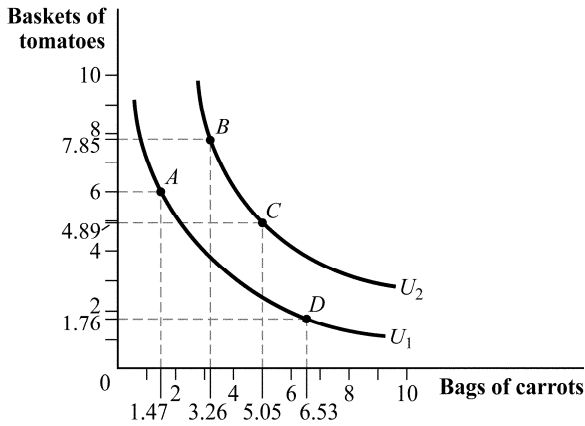
Figure 3.10



3. (Figure 3.10) If the government mandates a price floor of \$750, the area of consumer surplus:
- A) decreases from  $B + C$  to  $A$ .
  - B) decreases from  $A + B + C$  to  $A$ .
  - C) increases from  $A$  to  $B + C$ .
  - D) increases from  $A$  to  $A + B + C$ .
4. 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)  $P_B = P_S + \text{subsidy}$
  - B)  $P_B + \text{subsidy} = P_S$
  - C)  $P_B + P_S = \text{subsidy}$
  - D)  $P_B(1 + \text{subsidy}) = P_S$
5. 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 receiving more marginal utility per dollar from good  $Y$  than from good  $X$ .
  - B) The consumer could increase utility by giving up 1 unit of good  $Y$  for 2 units of good  $X$ .
  - C) The consumer is maximizing utility.
  - D) The consumer could increase utility by giving up 2 units of good  $X$  for 1 unit of good  $Y$ .

Use the following to answer question 6.

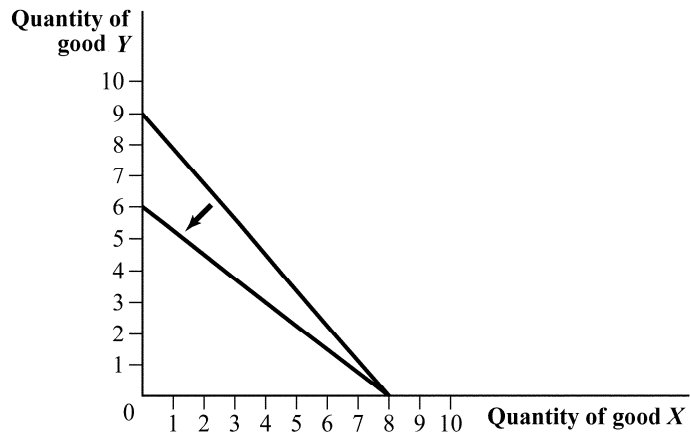
Figure 4.3



6. (Figure 4.3) Which of the following statements is FALSE?
- A) Bundle  $C$  is preferred to bundle  $D$ .
  - B) Indifference curve  $U_2$  provides a higher level of utility than indifference curve  $U_1$ .
  - C) The consumer is indifferent between bundle  $A$  and bundle  $D$ .
  - D) Bundle  $A$  is preferred to bundle  $C$ .
7. Jewel's utility is a function of golf ( $G$ ) and music lessons ( $M$ ), where  $MU_G = 1/G$  and  $MU_M = 1/M$ . What is the equation for the marginal rate of substitution of music lessons for golf ( $MRS_{GM}$ )?
- A)  $M/G$
  - B)  $M - G$
  - C)  $G/M$
  - D)  $GM$

Use the following to answer question 8.

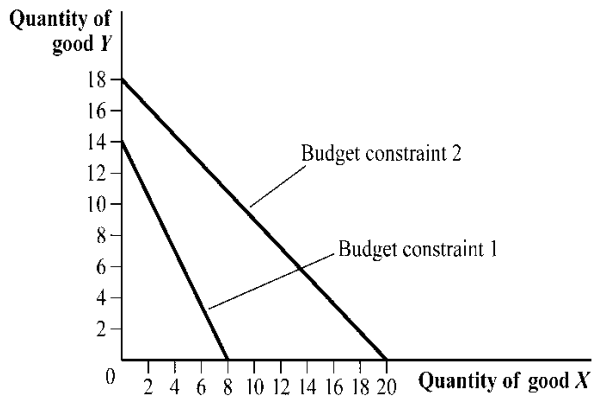
Figure 4.13



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

Use the following to answer question 9.

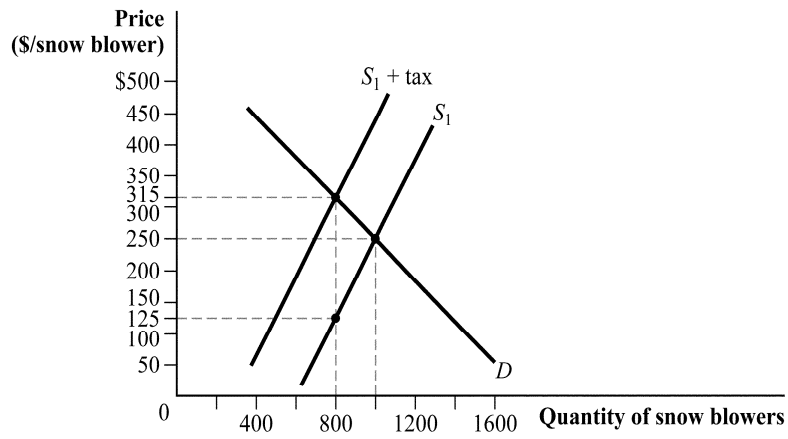
**Figure 4.14**



9. (Figure 4.14) Suppose the budget constraint shifted from constraint 2 to constraint 1. What could have caused this change?
- A) a decrease in income
  - B) a decrease in income and an increase in the price of good  $X$  relative to that of good  $Y$
  - C) an increase in the relative price of good  $X$  to that of good  $Y$
  - D) a decrease in the price of good  $X$

Use the following to answer question 10.

Figure 3.14



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

A) \$190.

B) \$125.

C) \$200.

D) \$65.

## Answer Key - S20-2

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