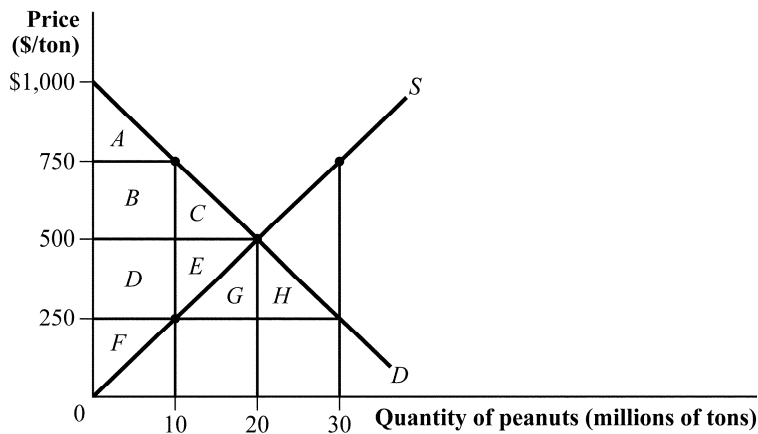


## Quiz #2 -- September 24, 2020

1. Sonia says she prefers two theater tickets and one bottle of French wine to three games of bowling and one pitcher of draft beer. In this example, Sonia is demonstrating the \_\_\_\_\_ assumption of consumer behavior.
  - A) more is better than less
  - B) completeness and rankability
  - C) transitivity
  - D) diminishing marginal utility

Use the following to answer question 2.

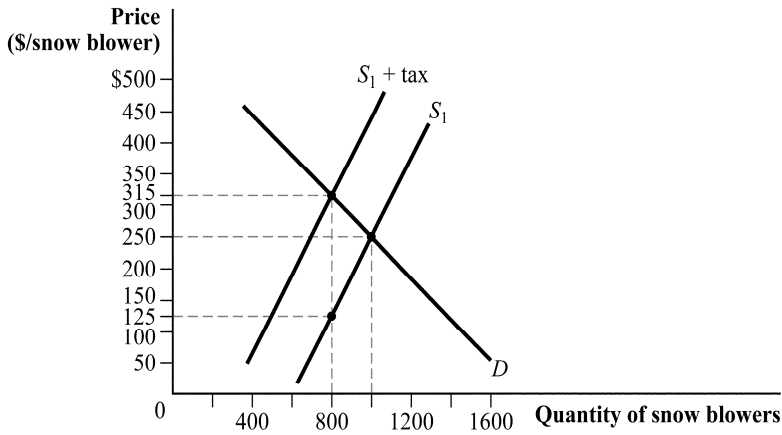
Figure 3.9



2. (Figure 3.9) Suppose the government enacts a price ceiling of \$250 per ton. Which of the following statements are TRUE?
  - I. Consumer surplus before the price ceiling =  $A + B + C$ .
  - II. Consumer surplus after the price ceiling =  $D + E$ .
  - III. Producer surplus before the price ceiling =  $D + E + G$ .
  - IV. Producer surplus after the price ceiling =  $F$ .
  - A) I, II, and IV
  - B) I and IV
  - C) II and III
  - D) II, III, and IV

Use the following to answer question 3.

**Figure 3.14**



3. (Figure 3.14) Which of the following statements is (are) TRUE?

- I. The price sellers receive after tax is \$250.
- II. With the tax, consumers pay \$315 per snow blower.
- III. The government collects \$200,000 in tax revenue.

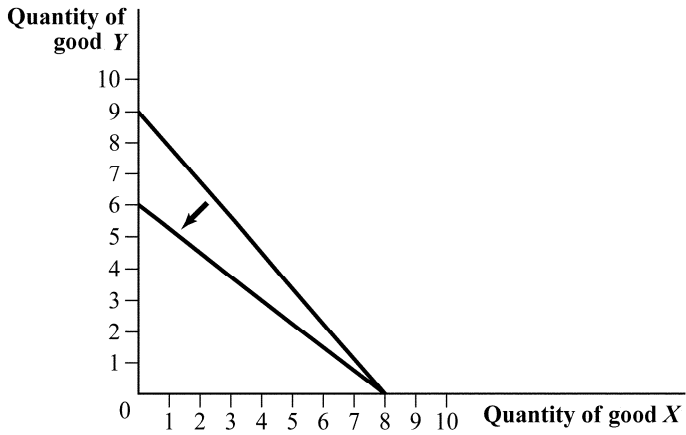
- A) I and III
- B) II and III
- C) II
- D) I, II, and III

4. If the government taxes a product, what is the relationship between the price that buyers pay ( $P_B$ ) and the price that sellers receive ( $P_S$ )?

- A)  $P_B + tax = P_S$
- B)  $P_B + P_S = tax$
- C)  $P_B = P_S + tax$
- D)  $P_B(1 + tax) = P_S$

Use the following to answer question 5.

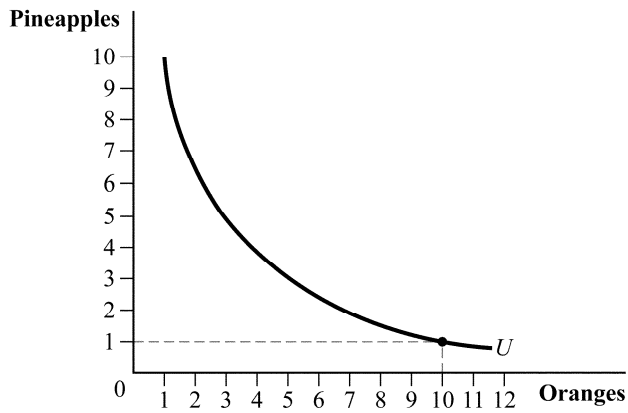
**Figure 4.13**



5. (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  $Y$
6. In a small country, the demand and supply of kidneys are represented by  $Q^D = 10,000 - 0.25P$  and  $Q^S = 0.5P + 4,000$ . Which of the following statements is (are) TRUE?
- I. The equilibrium price is \$8,000.
  - II. At a price ceiling of \$0, there are 4,000 volunteer donors.
  - III. At a price ceiling of \$0, there is an excess demand of 14,000 kidneys.
- A) I, II, and III
  - B) II and III (because the demand curve shifts out, pushing up the price)
  - C) I and II
  - D) III

Use the following to answer question 7.

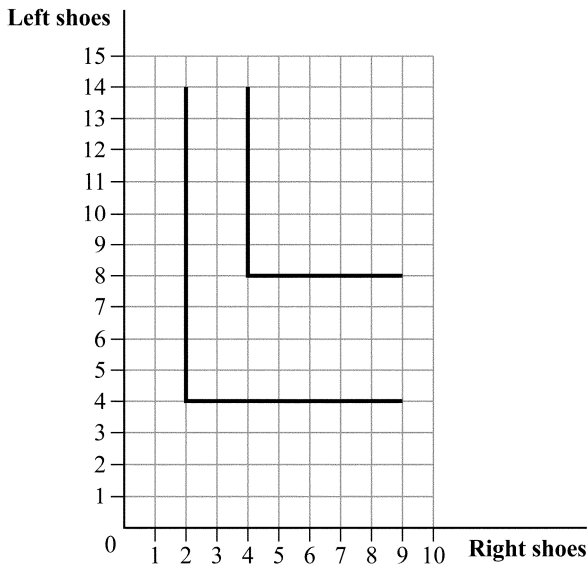
**Figure 4.1**



7. (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 his oranges for several more pineapples.

Use the following to answer question 8.

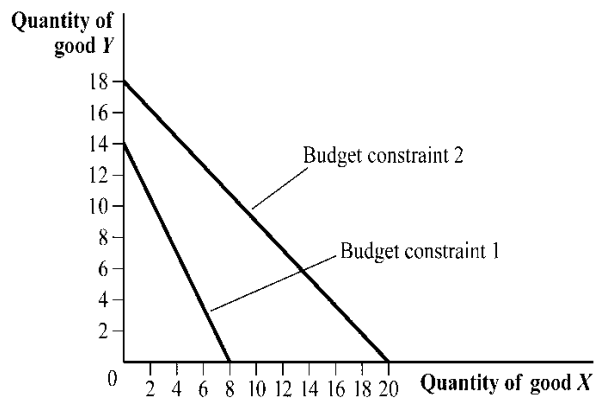
**Figure 4.12**



8. (Figure 4.12) The three-legged Ork, a space creature from the universe Warhammer, wears 1 right shoe and 2 left shoes. His indifference curves are presented in Figure 4.12. Based on the shape of the Ork's indifference curves, right and left shoes are:
- A) perfect substitutes.
  - B) perfect complements.
  - C) consumed in changing proportions.
  - D) neither perfect substitutes nor perfect complements.
9. 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)  $GM$
  - B)  $M/G$
  - C)  $G/M$
  - D)  $M - G$

Use the following to answer question 10.

**Figure 4.14**



10. (Figure 4.14) For budget constraint 1, the price of good  $X$  and the price of good  $Y$  could equal \_\_\_\_\_, respectively.
- A) \$175 and \$100
  - B) \$80 and \$140
  - C) \$140 and \$160
  - D) \$6 and \$4

**Answer Key - F20-2**

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