

Quiz #1, September 8, 2022

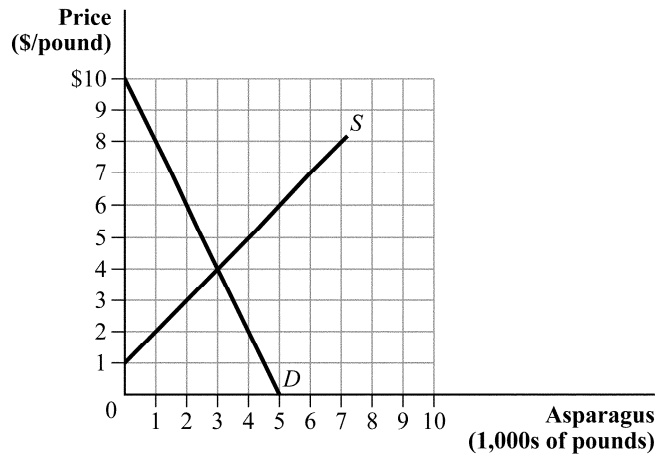
You have until the end of class to complete the quiz. Answer the questions on the answer sheet. Pick the alternative that best completes the statement or answers the question. Be sure to write and bubble in your name and PantherID on the answer sheet. You may keep the test booklet.

- 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) \$240 B) \$250 C) \$115 D) \$365
- 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) 5. B) 2. C) 7. D) 10.
- In the market for oranges, we observe that the equilibrium price decreased and the equilibrium quantity increased. What could have caused this change?
A) an increase in supply
B) a decrease in supply
C) a decrease in supply and an increase in demand
D) an increase in demand
- 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) $Q^* = 5, P^* = 5$. B) $Q^* = 1, P^* = 3$. C) $Q^* = 3, P^* = 6$. D) $Q^* = 7, P^* = 4$.
- 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; decreased C) raised; increased
B) raised; decreased D) lowered; increased

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) increased.
 - C) could have increased, decreased, or stayed the same depending on the price elasticity of demand.
 - D) stayed the same.
7. If a 5% increase in income increases quantity demanded by 4%, the income elasticity of demand is:
- A) 0.02.
 - B) 1.25.
 - C) 2.0.
 - D) 0.80.
8. 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.
9. The demand for a good is given by $Q^D = 750 - 0.4P$. What is consumer surplus at a price of \$80?
- A) \$1,875
 - B) \$71,800
 - C) \$644,405
 - D) \$57,440

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 4,000 pounds.
 - B) supply of 3,000 pounds.
 - C) demand of 3,000 pounds.
 - D) demand of 1,000 pounds.

Answer Key - F22-1

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