

Quiz #1 -- January 28, 2021

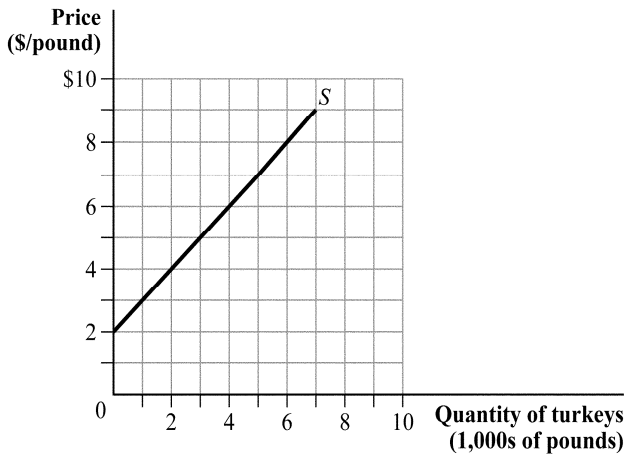
1. Which of the following statements is TRUE?
 - A) A demand curve shows the relationship between a product's price and the number of units consumers want to buy at each price, assuming there are no changes in other factors affecting demand.
 - B) A demand curve shows the relationship between consumer income and the quantity purchased of some product.
 - C) A demand curve shows the relationship among consumer income, price of a product, quantity supplied, and the number of units of that product consumers want to buy.
 - D) A demand curve is drawn with the assumption that demand equals supply.

2. If a 10% increase in the price of beef reduces quantity demanded by 14%, the price elasticity of demand is:
 - A) -1.4.
 - B) -0.14.
 - C) -3.0.
 - D) -0.71.

3. 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) luxury good; normal good
 - B) normal good; inferior good
 - C) inferior good; luxury good
 - D) normal good; luxury good

Use the following to answer question 4.

Figure 2.2

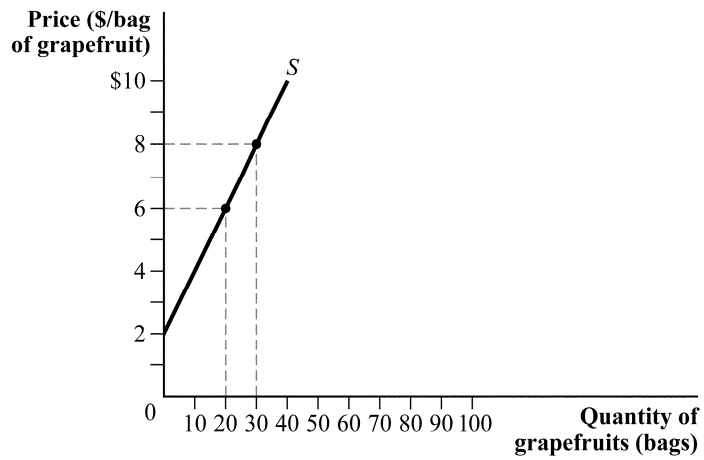


4. (Figure 2.2) If the price of turkey is \$3 per pound, _____ pounds of turkey will be offered for sale; if the price of turkey is \$8 per pound, _____ pounds of turkey will be offered for sale.
- A) 3,000; 6,000
B) 0; 5,000
C) 2,000; 5,000
D) 1,000; 6,000
5. The demand curve for a good is $Q = 80 - 0.20P$, where Q is the quantity demanded and P is the price per unit. This good's inverse demand curve is:
- A) $P = 80 - 0.20Q$.
B) $P = 40 - Q$.
C) $P = 5Q + 40$.
D) $P = 400 - 5Q$.
6. In the blackberry market, the quantity demanded is given by $Q^D = 2,600 - 500P$, and the quantity supplied is given by $Q^S = -400 + 100P$. What are the equilibrium price and equilibrium quantity?
- A) \$5 and 100 pounds
B) \$4.25 and 3,000 pounds
C) \$2.50 and 900 pounds
D) \$1.80 and 2,200 pounds

7. Suppose that the demand and supply curves for green peas are given by $Q^D = 10 - 8P$ and $Q^S = 2P$, where P is price per pound and Q is measured in thousands of pounds. If the price per pound of peas is \$0.50, the market _____, so the price will _____.
- A) has excess demand of 3,000 pounds; rise
 - B) has excess supply of 1,000 pounds; fall
 - C) is in equilibrium; remain unchanged
 - D) has excess demand of 5,000 pounds; rise
8. 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 and a decrease in demand
 - B) an increase in demand
 - C) a decrease in supply
 - D) an increase in supply
9. Nancy paid \$45 for car mats but was willing to pay \$90. What is Nancy's consumer surplus?
- A) \$22.50
 - B) \$35
 - C) \$45
 - D) \$135

Use the following to answer question 10.

Figure 3.2



10. (Figure 3.2) If the price per bag of grapefruit increases from \$8 to \$10, producer surplus changes by:
- A) \$160.
 - B) \$90.
 - C) \$70.
 - D) \$50.

Answer Key - S21-1

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