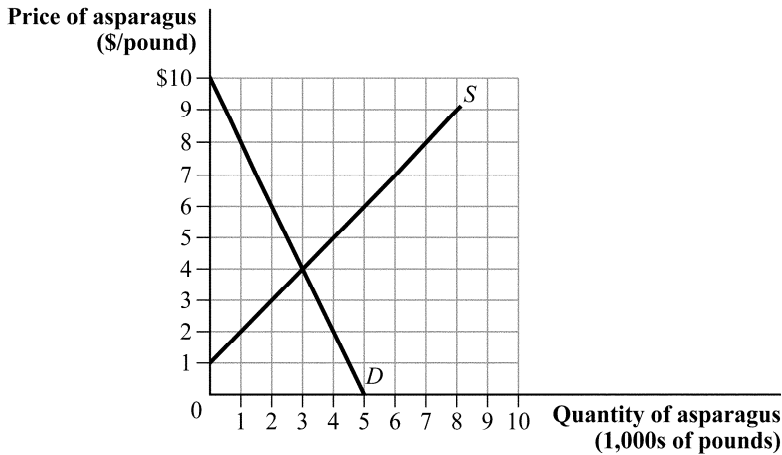


Quiz #2 -- February 11, 2021

Use the following to answer question 1.

Figure 3.8

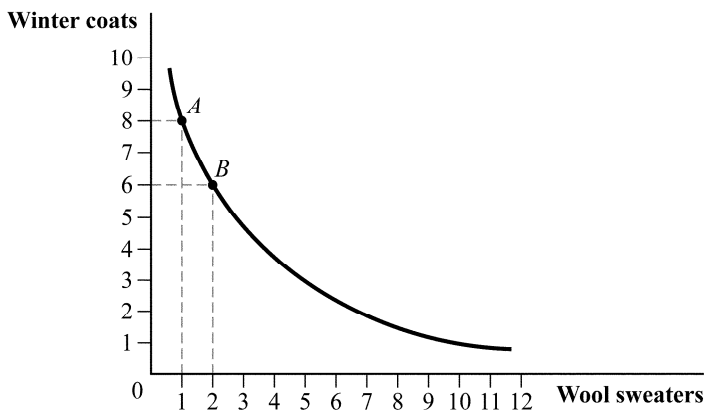


- (Figure 3.8) Suppose the government mandates a price ceiling of \$3 per pound. Producer surplus decreases from:
 - \$6,000 to \$3,000.
 - \$4,500 to \$4,000.
 - \$4,500 to \$2,000.
 - \$6,000 to \$4,000.
- Suppose that $U = U(P, M)$, where P and M are peanuts and marshmallows. The marginal utility of marshmallows, MU_M , is given by:
 - $P + M$.
 - P/M .
 - $\Delta U(P, M)/\Delta M$.
 - $\Delta U(P, M) \times \Delta M$.
- The price elasticity of demand is -1.25 , and the share of the tax borne by buyers is 0.90. What is the price elasticity of supply?
 - 11.25
 - 5
 - 1
 - 0.139

4. The demand and supply of ethanol are given by $Q^D = 8,000 - 2,000P$ and $Q^S = 1,000P - 1,000$, where P is price per gallon and Q measures gallons per minute. How much tax revenue does a \$0.30 per gallon tax on ethanol raise?
- A) \$660 per minute
 B) \$4,000 per minute
 C) \$540 per minute
 D) \$2,000 per minute

Use the following to answer question 5.

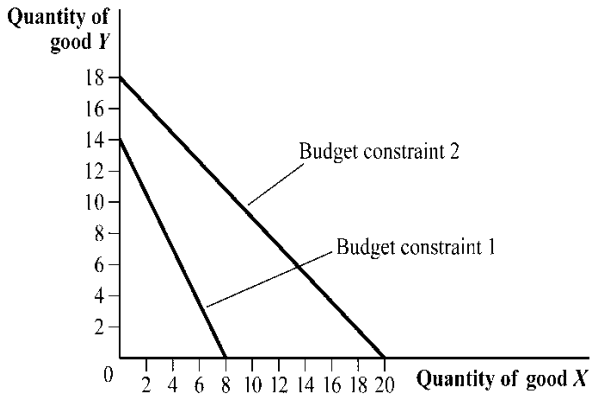
Figure 4.9



5. (Figure 4.9) Suppose that the consumer moves from point A to point B along her indifference curve. If the marginal utility of winter coats is 25, the marginal utility of wool sweaters is:
- A) 12.5.
 B) 2.
 C) 16.
 D) 50.

Use the following to answer question 6.

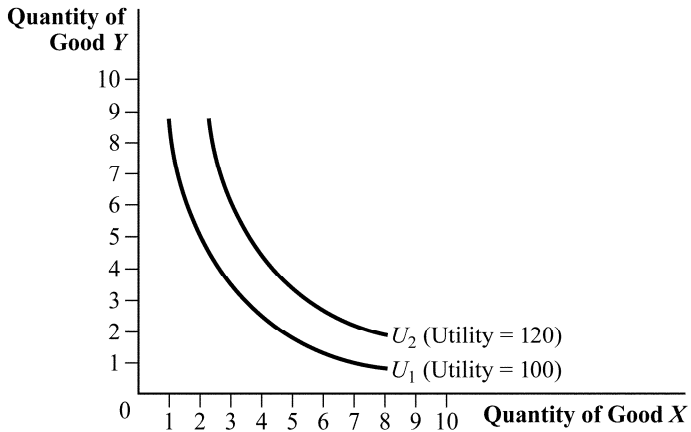
Figure 4.14



6. (Figure 4.14) For budget constraint 2, suppose that the price of good Y is \$90 per unit. What is the price of good X?
- A) \$92
 - B) \$88
 - C) \$81
 - D) \$102.24
7. The deadweight loss (owing to a price ceiling) increases as demand becomes more _____ and supply becomes more _____.
- A) inelastic; inelastic
 - B) elastic; inelastic
 - C) elastic; elastic
 - D) inelastic; elastic

Use the following to answer question 8.

Figure 4.5



8. (Figure 4.5) Which of the following statements is TRUE?

- I. The consumer prefers any point on indifference curve U_2 to any point on indifference curve U_1 .
- II. The consumer receives 20% more satisfaction from consuming along indifference curve U_2 than along indifference curve U_1 .
- III. This consumer is not willing to give up units of good X for more units of good Y .

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

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 MRS_{GM} when $M = 10$ and $G = 4$?

- A) 2.5
- B) 14
- C) 0.4
- D) 6

10. Sonia says she prefers two theater tickets and two bottles of French wine to two theater tickets and one bottle of French wine. In this example, Sonia is demonstrating which assumptions of consumer behavior?

- I. More is better than less.
 - II. Completeness or rankability
 - III. Transitivity
- A) I only.
 - B) I and II.
 - C) I, II, and III.
 - D) II only.

Answer Key - S21-2

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