

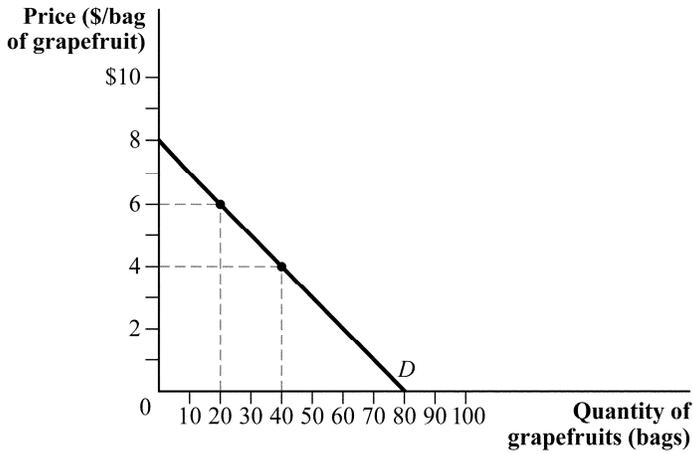
Quiz #1, January 27, 2022

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.

- When demand and supply are linear, consumer surplus is equal to:
 - the entire area between the supply curve and the price.
 - the area between the demand curve and the price, out to the quantity that is exchanged.
 - the entire area between the demand curve and the supply curve.
 - the area between the supply curve and the price, out to the quantity that is exchanged.
- If a 5% increase in income increases quantity demanded by 4%, the income elasticity of demand is:
 - 2.0.
 - 1.25.
 - 0.80.
 - 0.02.
- If the supply curve is $Q_S = 4P - 4$, then the highest price at which no producer is willing to sell the good (i.e., the supply choke price) is:
 - 4
 - 1
 - 3
 - 2
- Electric guitars and amplifiers are complement goods, and electric guitars and acoustic guitars are substitute goods. An increase in the price of amplifiers _____ the number of electric guitars consumers want to buy, while an increase in the price of acoustic guitars _____ the number of electric guitars consumers want to buy.
 - increases; increases
 - decreases; increases
 - decreases; decreases
 - increases; decreases
- Which of the following will *not* cause demand for apples to increase or decrease?
 - a reduction in the price of apples.
 - a decrease in the number of consumers in the market.
 - a reduction in the price of a complement for apples.
 - an increase in income.

Use the following to answer question 6.

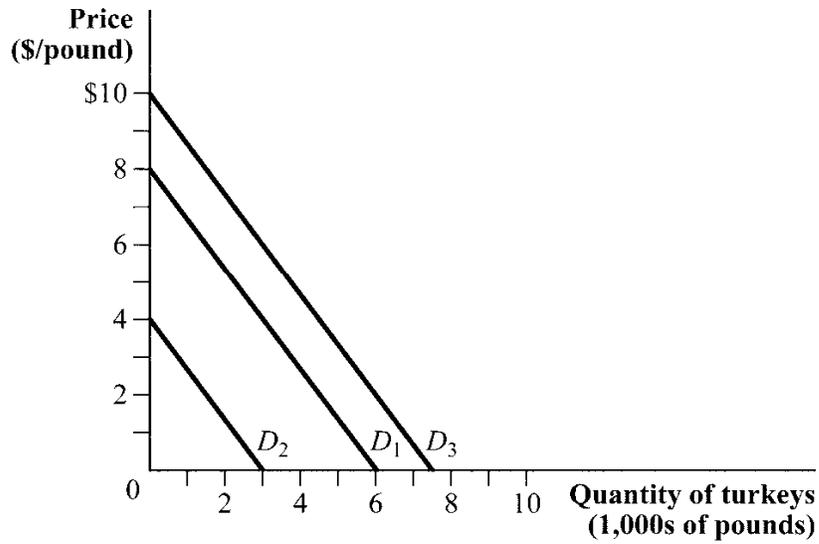
Figure 3.1



6. (Figure 3.1) At a market price of \$6, what is total consumer surplus?
A) \$10 B) \$40 C) \$20 D) \$60
7. If the inverse demand curve for a good is given by $P = 100 - 4Q$, the price elasticity of demand is elastic at a price of _____ and inelastic at a price of _____.
A) \$55; \$35 B) \$35; \$30 C) \$40; \$60 D) \$60; \$50

Use the following to answer question 8.

Figure 2.1



8. (Figure 2.1) Mathematically, the demand curve D_3 is described by this equation:

A) $Q = 7.5 - 1.33P$.

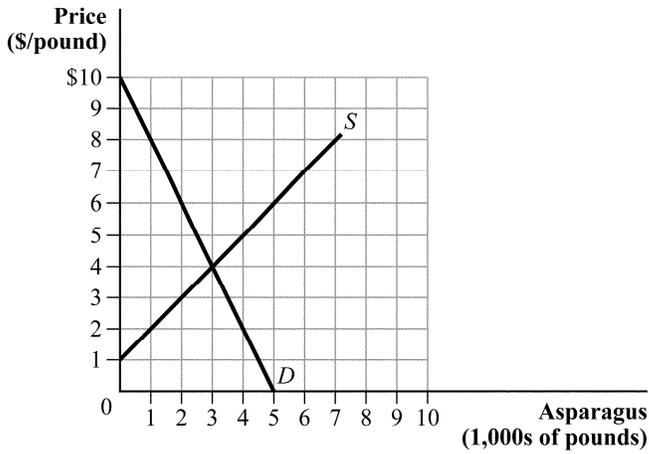
C) $Q = 10 - 0.75P$.

B) $P = 10 - 0.75Q$.

D) $Q = 7.5 - 0.75P$.

Use the following to answer question 9.

Figure 2.4



9. (Figure 2.4) An excess supply of 3,000 pounds occurs at a price of:
A) \$5. B) \$6. C) \$2. D) \$8.
10. A decrease in both demand and supply will cause a(n) _____ equilibrium price and a(n) _____ equilibrium quantity.
A) increase in; decrease in C) increase in; uncertain effect on
B) uncertain effect on; decrease in D) decrease in; uncertain effect on

Answer Key - S22-1

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