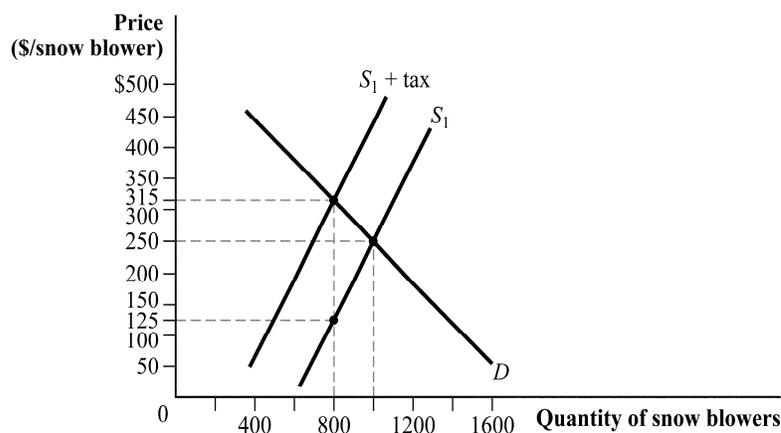


Quiz #2 -- February 10, 2022

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.

Use the following to answer question 1.

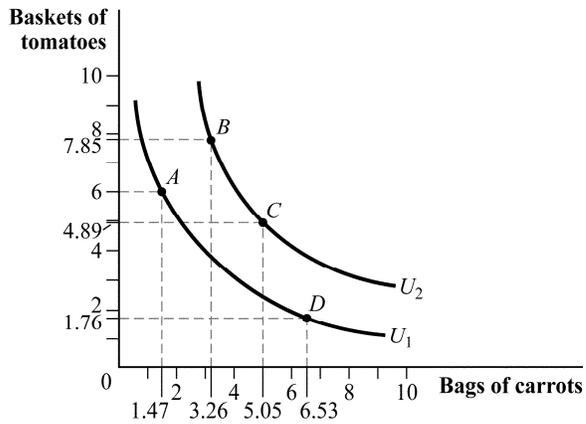
Figure 3.14



- (Figure 3.14) The size of the tax is:
A) \$190. B) \$65. C) \$200. D) \$125.
- Billy is maximizing utility subject to his limited income. As a result, which of the following statements is TRUE?
A) The slope of the indifference curve is twice the slope of the budget constraint.
B) The indifference curve intersects the budget constraint at precisely two points.
C) The $MRS_{XY} = P_X P_Y$.
D) The budget constraint is tangent to the indifference curve.
- If the legal burden of a tax is passed from sellers to buyers:
A) deadweight loss is unchanged. C) the equilibrium quantity falls.
B) the price paid by sellers will fall. D) the price paid by buyers will rise.

Use the following to answer question 4.

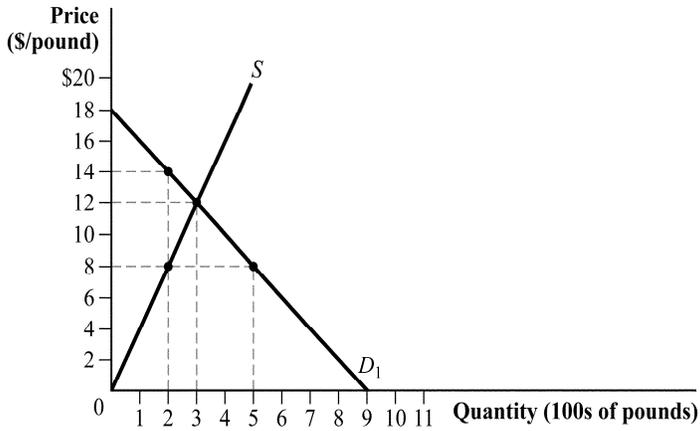
Figure 4.3



4. (Figure 4.3) Which of the following statements is FALSE?
- A) Indifference curve U_2 provides a higher level of utility than indifference curve U_1 .
 - B) Bundle C is preferred to bundle D .
 - C) The consumer is indifferent between bundle A and bundle D .
 - D) Bundle A is preferred to bundle C .

Use the following to answer question 5.

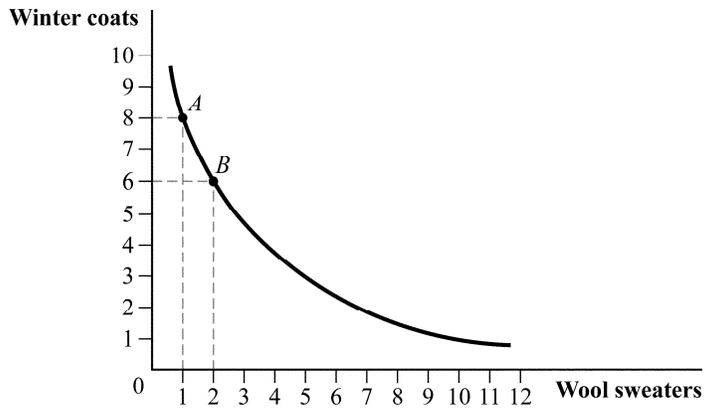
Figure 3.7



5. (Figure 3.7) Suppose the government mandates a price ceiling of \$8 per pound. Consumer surplus:
- A) decreases from \$600 to \$450.
 - B) increases from \$900 to \$1,600.
 - C) increases from \$400 to \$1,200.
 - D) increases from \$1,800 to \$2,100.

Use the following to answer question 6.

Figure 4.9



6. (Figure 4.9) What is the marginal rate of substitution between points *A* and *B*?

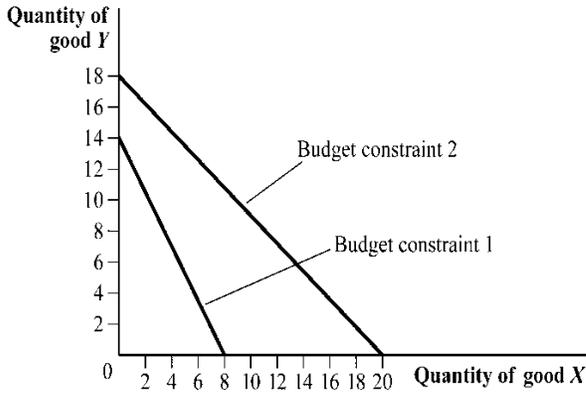
- A) 8 B) 6 C) 2 D) 4

7. The additional utility obtained from consuming an extra unit of a good is called:

- A) marginal rate of substitution. C) population-averaged utility.
B) marginal utility. D) disutility.

Use the following to answer question 8.

Figure 4.14



8. (Figure 4.14) Suppose the budget constraint shifted from constraint 2 to constraint 1. What could have caused this change?
- A) a decrease in the price of good X
 - B) a decrease in income and an increase in the price of good X relative to that of good Y
 - C) a decrease in income
 - D) an increase in the relative price of good X to that of good Y
9. The market for plywood is characterized by the following demand and supply equations: $Q^D = 800 - 10P$ and $Q^S = 50P - 1,000$, where P is the price per sheet of plywood and Q measures the quantity of plywood. What is the size of the deadweight loss if the government imposes a price ceiling of \$25 per sheet of plywood?
- A) \$8,900
 - B) \$6,000
 - C) \$3,750
 - D) \$4,418
10. Monroe consumes crab cakes and tuna. Monroe's utility increases with the consumption of crab cakes, but his utility neither increases nor decreases with the consumption of tuna. Assuming tuna is on the x -axis and crab cake is on the y -axis, what do Monroe's indifference curves look like?
- A) vertical lines
 - B) horizontal lines
 - C) upward-sloping lines from the origin
 - D) downward-sloping lines

Answer Key - S22-2

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