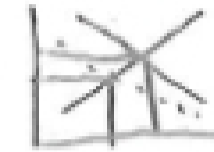


Econ 142 Principles of Microeconomic
Dr. Staihr
EXAM 1
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Multiple Choice. 30 Questions. Choose the letter next to the most correct answer or most appropriate response.



1. You are looking at a graph of the supply and demand for Bud Lite beer. A commercial comes on television telling you that Miller Light beer is having a huge sale everywhere beer is sold; \$0.99 for a case! You would expect to see...

- a. The demand for Bud Lite beer shifting left, producing a higher equilibrium price and higher equilibrium quantity
- b. The supply of Bud Lite beer shifting right, producing a lower equilibrium price and a higher equilibrium quantity
- c. The demand for Bud Light beer shifting left, producing a higher equilibrium price and a lower equilibrium quantity
- d. None of the above

2. Brian is sitting at the bar drinking vodka tonics. They cost \$2.00 each (it is happy hour). Using economic reasoning Brian should continue drinking vodka tonics...

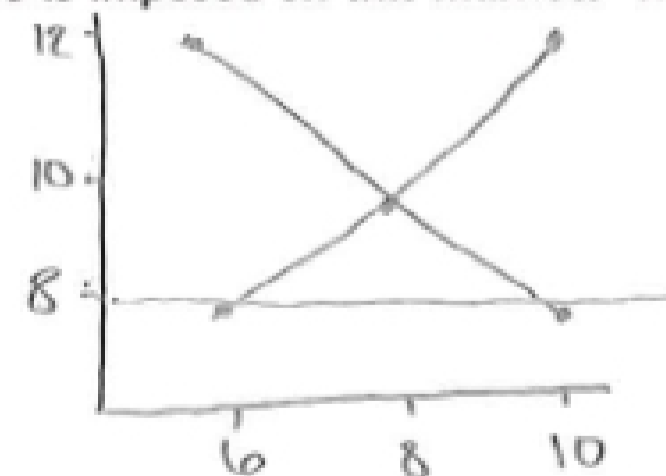
- a. as long as the benefit of each vodka tonic is exactly \$2
- b. as long as the benefit of each vodka tonic is at least \$2
- c. as long as the benefit of each vodka tonic is less than \$2
- d. as long as the marginal cost of each vodka tonic is greater than \$2

3. A decrease in the demand for Diet Coke, while leaving supply unchanged, would result in...

- a. an increase in the equilibrium price of Diet Coke and a decrease in the equilibrium quantity
- b. a decrease in both the equilibrium price and equilibrium quantity
- c. a decrease in the equilibrium price and an increase in equilibrium quantity
- d. none of the above

4. When the price is \$8 the quantity demanded is 10. When the price is \$10 the quantity demanded is 8. When the price is \$12 the quantity demanded is 6. When the price is \$8 the quantity supplied is 6. When the price is \$10 the quantity supplied is 8. When the price is \$12 the quantity supplied is 10. A price floor of \$8 is imposed on this market. We will see...

- a. A shortage of 4 units in this market
- b. The equilibrium quantity in this market
- c. A surplus of 4 units in this market
- d. None of the above



8. Which of the following is correct regarding externalities?

- a. Private Costs + Social Costs = External Costs
- b. Private Costs + External Costs = Social Costs
- c. External Costs - Social Costs = Private Costs
- d. None of the above

9. Assume that as the price of product X decreases, the demand for product Y decreases. It can be concluded that...

- a. X and Y are substitutes
- b. X and Y are complements
- c. X is an inferior good
- d. Y is a normal good

10. When we discussed it in class "economics" was defined as...

- I. The study of things like unemployment and inflation
- II. The study of the choices people make
- III. The study of how firms maximize their profits
- IV. The study of how scarce (or limited) resources are allocated

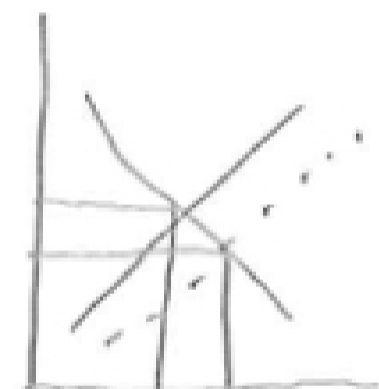
- a. I and III
- b. II and IV
- c. I and IV
- d. Only III

11. You are looking at the supply and demand for blue jeans. You open up the paper and read that Levis, Lee, Gap and other jeans-makers have introduced new technological advances in their factories that should have a positive effect on productivity and output. What is likely to happen to the equilibrium price and quantity of blue jeans?

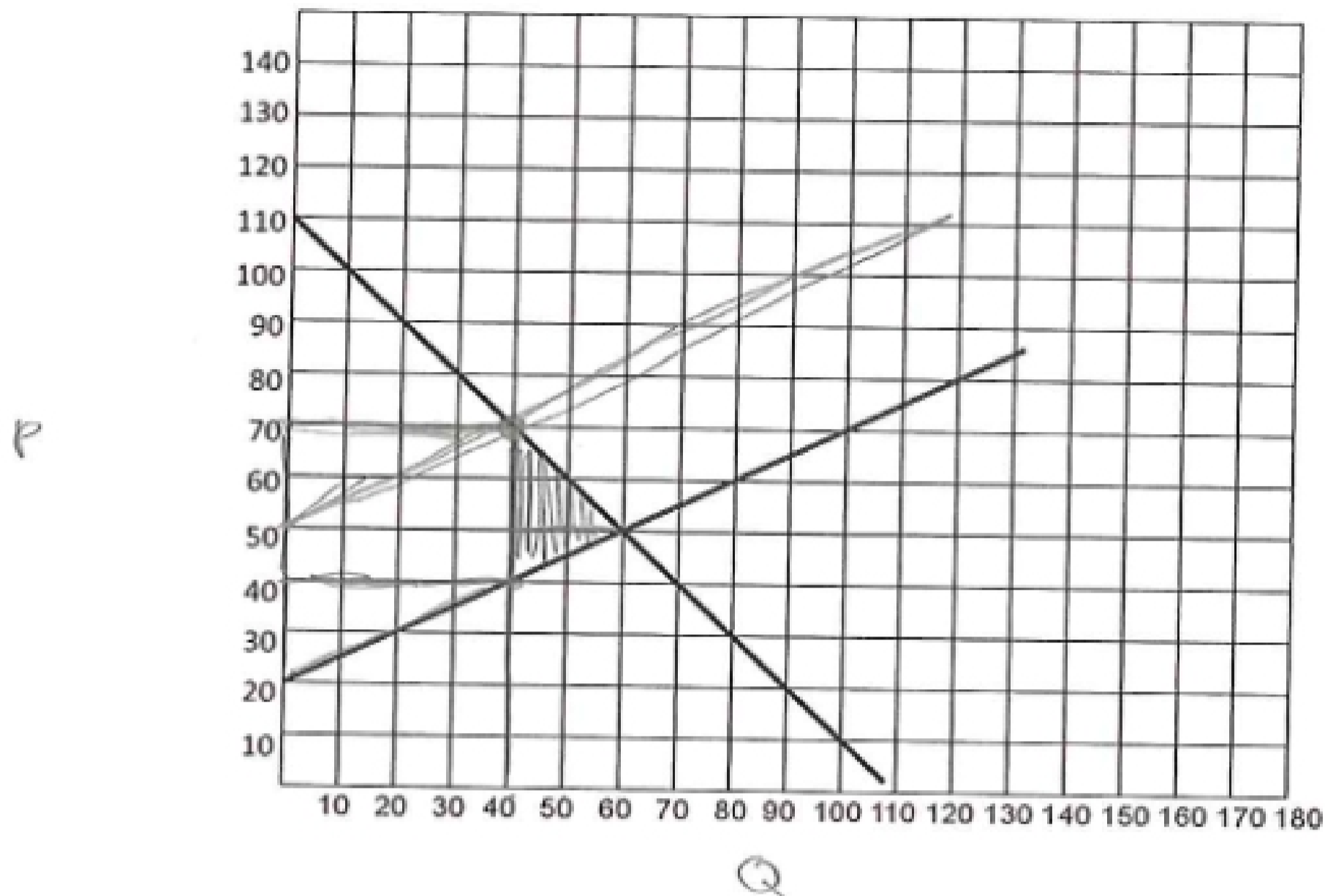
- a. Equilibrium price will increase, we cannot say about equilibrium quantity
- b. Equilibrium quantity will decrease, we cannot say about equilibrium price
- c. Equilibrium price will increase, and equilibrium quantity will also increase
- d. Equilibrium quantity will increase, and equilibrium price will decrease

12. Which of the following will not cause the supply curve for strawberry ice cream to shift?

- a. a change in price of strawberries
- b. a change the technology used to produce strawberry ice cream
- c. a change in the price of strawberry ice cream
- d. a change in expectations about the price of strawberry ice cream



Use the information contained in the following to answer the following 3 questions.



19. Assume a \$30 tax is imposed on the seller of this good. The new price the customer will pay is _____ and the new price the seller will receive is _____.

- A. \$70; \$40
- B. \$80; \$50
- C. \$60; \$30
- D. None of the above

$$\frac{1}{2} \times 20 \times 40$$

20. What will consumer surplus be after the imposition of the tax?

- A. \$600
- B. \$1800
- C. \$1000
- D. None of the above

$$\frac{1}{2} \times 20 \times 40$$

21. What is the amount of deadweight loss caused by the tax?

- A. \$200
- B. \$300
- C. \$500
- D. We cannot tell from the information given

$$\frac{1}{2} \times 10 \times 20 + \frac{1}{2} \times 20 \times 20$$

$$100 + 200$$

$$300$$