

Econ 142 Principles of Microeconomics
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EXAM 1
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32

Multiple Choice. 32 Questions. Circle the letter next to the most correct answer or most appropriate response.

IF IN DOUBT, DRAW THE GRAPH!!

demand supply

1. The demand equation is $P = 100 - 2 \cdot Q$. The supply equation is $P = 16 + 4 \cdot Q$. The equilibrium price in this market is...

- a. \$40
- b. \$54
- c. \$72
- d. None of the above

$$\begin{aligned} 100 - 2 \cdot Q &= 16 + 4 \cdot Q \\ -2Q &= 16 + 4Q - 100 \\ -2Q - 4Q &= 16 - 100 \\ -6Q &= -84 \quad Q = 14 \end{aligned}$$

2. You are looking at the supply and demand for canned tuna fish. You open up the paper and read that the price of aluminum—used to make the cans—has increased significantly but at the same time the price of salmon—a substitute for canned tuna—has increased as well. What is likely to happen to the equilibrium price and quantity of canned tuna fish?

- 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

a

3. Which of the following statements is correct?

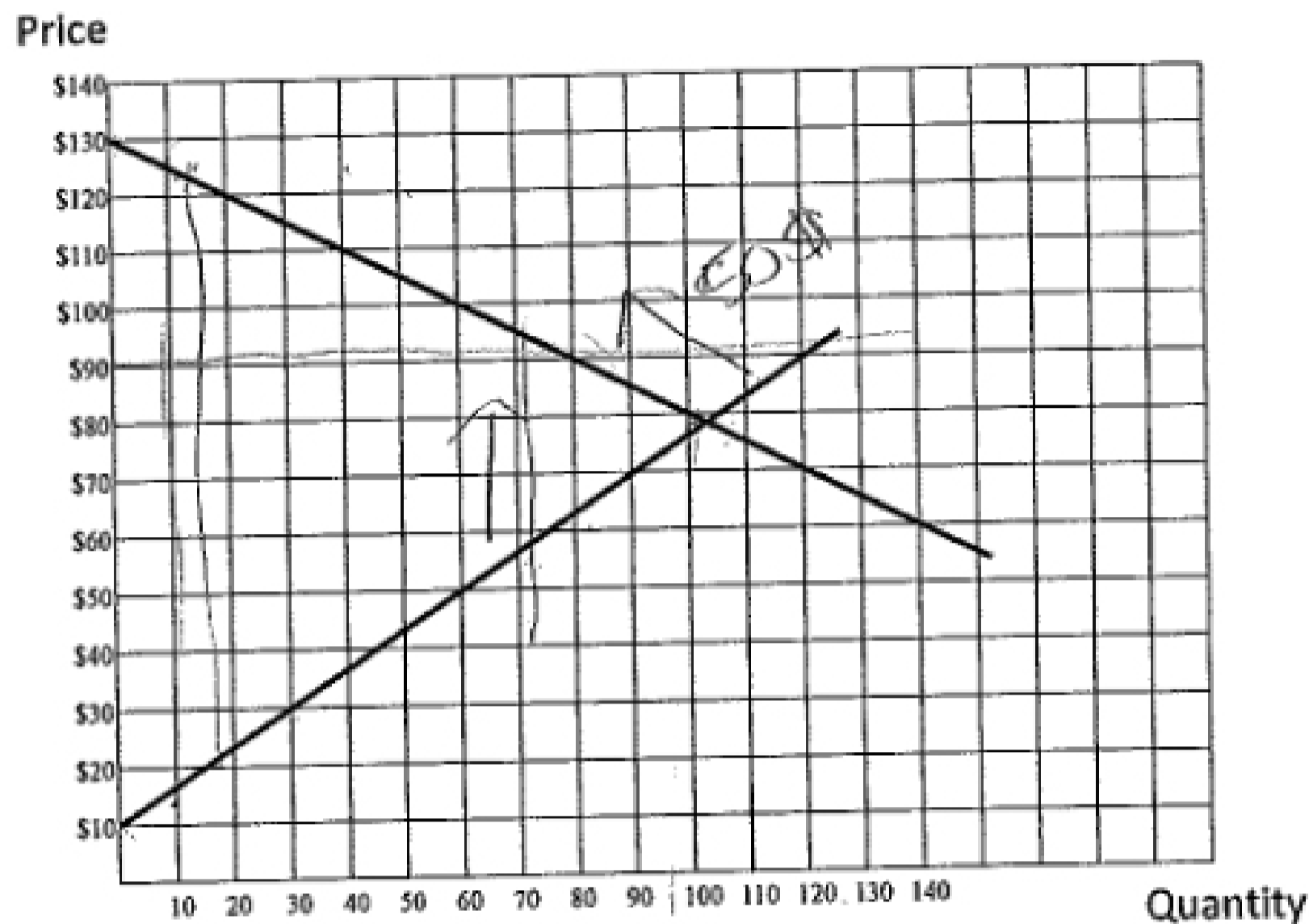
- a. If income increases, demand will shift left for an inferior good ✓
- b. If the price of an input decreases, supply will shift left ✓ ?
- c. If the number of sellers in the market increases, supply will shift left
- d. Actually, all of the above are correct

4. The price of beer decreases and, as a result, you purchase more pizza and more beer. From this we know what?

- a. Pizza and beer are complements
- b. Pizza and beer are substitutes
- c. Pizza and beer are inferior goods
- d. None of the above

demand supply

Use the information contained in the following to answer the following 4 questions.



5. The equation for the supply curve above is:

- a. $P = 130 + 1/2 * Q$
- b. $P = 10 - 2/3 * Q$
- c. $P = 10 + 2/3 * Q$
- d. $P = 10 + Q$

6. A price ceiling of \$90 imposed on this market will produce:

- a. a shortage of 40 units
- b. a surplus of 40 units
- c. a shortage of 4 units
- d. none of the above

$$P = 130 - 1/2 * Q = 10 + 2/3 Q$$

$$120 = 7/6 Q$$

$$Q = 102$$

7. Assume a \$50 tax is placed on the seller of this market. After the tax is imposed, the price the seller will receive is approximately _____.

- a. \$30
- b. \$80
- c. \$50
- d. None of the above

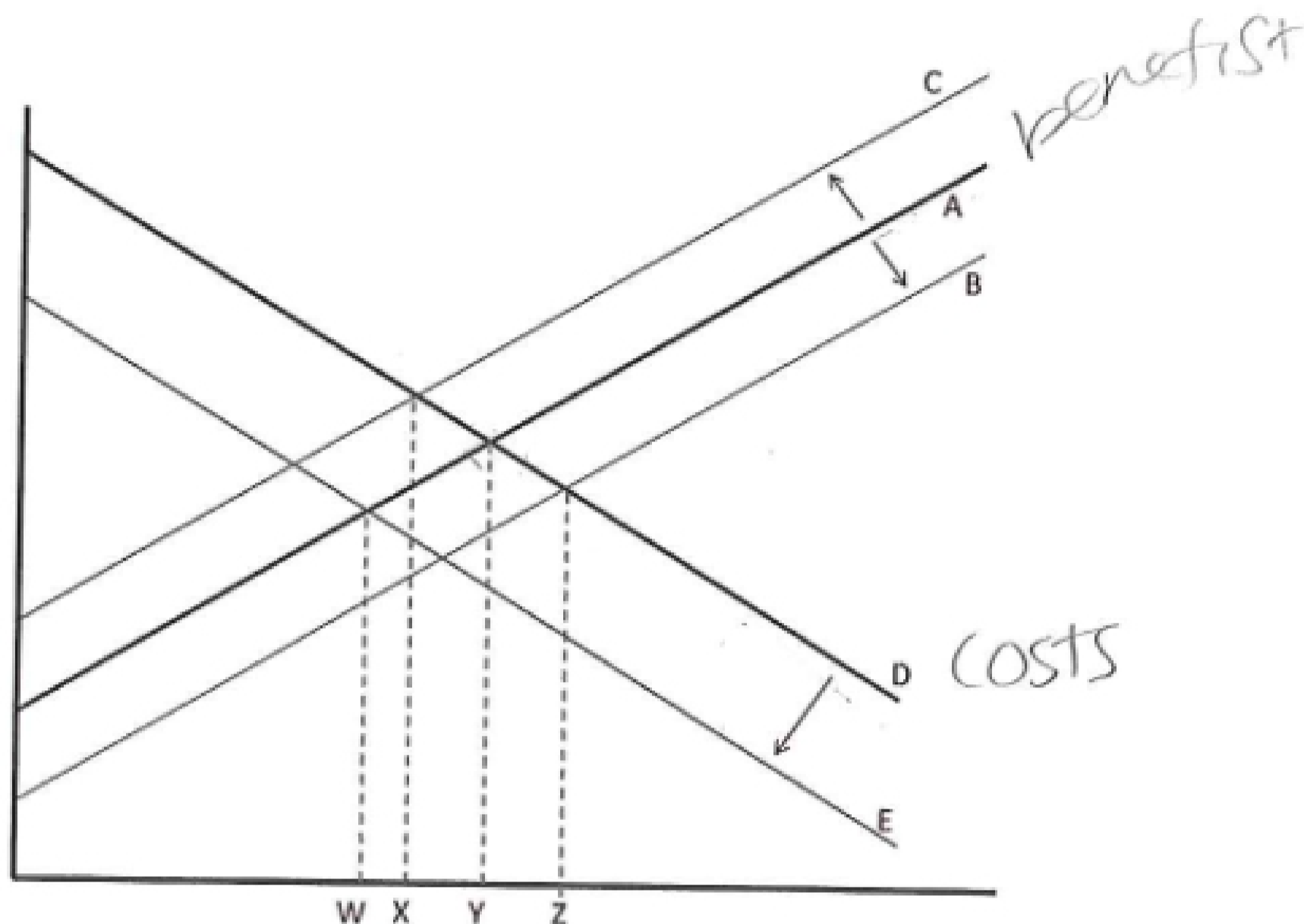
8. Assume the same \$50 tax is placed on the seller of this market. After the tax is imposed, the value of consumer surplus in this market will be approximately...

- a. \$450
- b. \$900
- c. \$1800
- d. None of the above

demand

supply

Use the following to answer the following 3 questions...



9. The market is originally in equilibrium based on Curve A and Curve D. It is discovered that this good exhibits a negative externality, such as pollution. As discussed in class, incorporating this negative externality into the analysis would be done by...

- a. A shift of Curve A to Curve B
- b. A shift of Curve D to Curve E
- c. A shift of Curve A to Curve C
- d. None of the above

10. The market is originally in equilibrium based on Curve A and Curve D. It is discovered that this good exhibits a positive externality. As discussed in class, incorporating this positive externality into the analysis would ultimately show...

- a. A change in quantity from Quantity Z to Quantity Y
- b. A change in quantity from Quantity Y to Quantity X
- c. A change in quantity from Quantity Y to Quantity W
- d. None of the above

11. Which of the following is NOT depicted on this graph?

- a. This is the supply and demand of Diet Coke and the price of Diet Pepsi increases
- b. This is the supply and demand of Big Macs and the price of beef increases
- c. This is the supply and demand of Tom Cruise movie tickets and Tom Cruise becomes very unpopular
- d. All of the above are depicted on this graph