

## Ch 1-5 MGE Quiz

### Question 1

1.

If the absolute value of the own-price elasticity of steak is 0.4, a decrease in price will lead to:

Answer

- a reduction in total revenue.
- an increase in total revenue.
- no change in total revenue.
- none of the statements associated with this question are correct.

1 points

### Question 2

1.

Assume that the price elasticity of demand is -2 for a certain firm's product. If the firm raises price, the firm's managers can expect total revenue to:

Answer

- Decrease
- Increase
- Remain constant
- Either increase or remain constant depending upon the size of the price increase.

1 points

### Question 3

1.

When marginal revenue is zero, total revenue

Answer

- will increase when price increases.
- is maximized.
- will decrease when price decreases.
- will decrease as quantity decreases.

1 points

#### Question 4

1.

The price elasticity of demand is -2.0 for a certain firm's product. If the firm raises price, the firm manager can expect total revenue to

Answer

- decrease.
- increase.
- remain constant.
- either increase or remain constant, depending upon the size of the price increase.

1 points

#### Question 5

1.

A price increase causes a consumer's "real" income to:

Answer

- decrease.
- increase.
- remain unchanged.
- vary along the budget line.

1 points

#### Question 6

1.

If income increases, then the

Answer

- budget line rotates counter-clockwise.
- budget line rotates clockwise.
- budget line shifts to the right.
- opportunity set contracts.

1 points

### Question 7

1.

If the price of good X increases, what will happen to the budget line?

Answer

- It will shift outward.
- It will become steeper.
- It will become flatter.
- It will shift inward.

1 points

### Question 8

1.

The budget set defines the combinations of good X and Y that

Answer

- are desirable to the consumer.
- are affordable to the consumer.
- maximizes consumer's utility.
- maximizes supplier's profit.

1 points