Place all answers in the space provided at the end of the quiz.

1) A fall in the price of lemons from $10.50 to $9.50 per bushel increases the quantity demanded from 19,200 to 20,800 bushels. The price elasticity of demand is
   A) 1.20.
   B) 0.80.
   C) 8.00.
   D) 1.25.

2) For which of the following pairs of goods is the cross elasticity of demand positive?
   A) beef and chicken
   B) airline trips and textbooks
   C) videotapes and laundry detergent
   D) tennis balls and tennis rackets

3) Suppose the price elasticity of teenager’s demand for cigarettes is 2.0. If the government imposes a tax on cigarettes that raises the price by 10 percent, by how much will it reduce teenage smoking?
   A) by 15 percent
   B) by 5 percent
   C) by 10 percent
   D) by 20 percent

4) Perfectly elastic demand is represented by a demand curve that
   A) is a rectangular hyperbola.
   B) has a 45° slope.
   C) is vertical.
   D) is horizontal.

5) The table above gives the demand schedule for snow peas. If the price of snow peas falls from $4.00 to $3.00 a bushel, total revenue will
   A) decrease because demand is elastic in this range.
   B) increase because demand is inelastic in this range.
   C) increase because demand is elastic in this range.
   D) decrease because demand is inelastic in this range.
6) Of the following, demand is likely to be the least elastic for
   A) diamonds.
   B) insulin for diabetics.
   C) pink grapefruit.
   D) iceberg lettuce.

7) Sara’s Strawberry Market maximizes its total revenue by selling strawberries for $1.25 a basket. At a price of $1.25, you predict that ________
   A) the demand for strawberries is inelastic
   B) the demand for strawberries is unit elastic
   C) the demand for strawberries is elastic
   D) Sara sells most of the strawberries that she grows

8) If a rightward shift of the supply curve leads to a 6 percent decrease in the price and a 5 percent increase in the quantity demanded, the price elasticity of demand is
   A) 0.83.
   B) 0.60.
   C) 1.20.
   D) 0.30.

9) The figure above illustrates a linear demand curve. In the price range from $8 to $6, demand is ________ and in the price range $4 to $2, demand is ________.
   A) elastic; inelastic
   B) inelastic; elastic
   C) inelastic; inelastic
   D) elastic; elastic

10) The demand for a good is more price inelastic if
    A) its price is higher.
    B) the percentage of income spent on it is larger.
    C) it has no close substitutes.
    D) it is a luxury good.
11) The elasticity of supply for paintings by Monet is
A) perfectly inelastic.
B) perfectly elastic.
C) inelastic.
D) unit elastic.

12) The price elasticity of demand for oil is estimated at 0.05. This value means a 10 percent increase in the
A) quantity of oil demanded will result from a 0.5 percent increase in the price of oil.
B) price of oil will increase the quantity of oil demanded by 0.5 percent.
C) price of oil will decrease the quantity of oil demanded by 0.5 percent.
D) quantity of oil demanded will result from a 0.5 percent decrease in the price of oil.

13) If a good is produced using inputs for which there are no substitutes, the good’s
A) elasticity of demand will be small.
B) elasticity of demand will be large.
C) elasticity of supply is likely to be small.
D) elasticity of supply is likely to be large.

14) Goods whose income elasticities are negative are called
A) superior goods.
B) normal goods.
C) complements.
D) inferior goods.

15) The figure above represents the behavior of total revenue as price falls along a straight-line demand curve. What is the price elasticity of demand if total revenue is given by point f?
A) Demand is elastic.
B) Demand is inelastic.
C) Demand is unit elastic.
D) It is impossible to determine.
16) A given change in demand will yield a larger change in the quantity supplied
   A) the more elastic is supply.
   B) the longer the time frame under consideration.
   C) the more plentiful are the resources necessary to produce the good.
   D) All of the above answers are correct.

Place all answers in the table below.

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Answer Key
Testname: Q4F2F07

1) B
2) A
3) D
4) D
5) D
6) B
7) B
8) A
9) A
10) C
11) A
12) C
13) C
14) D
15) A
16) D