

DO NOT WRITE ON THIS TEST!

AP Unit 9 Practice

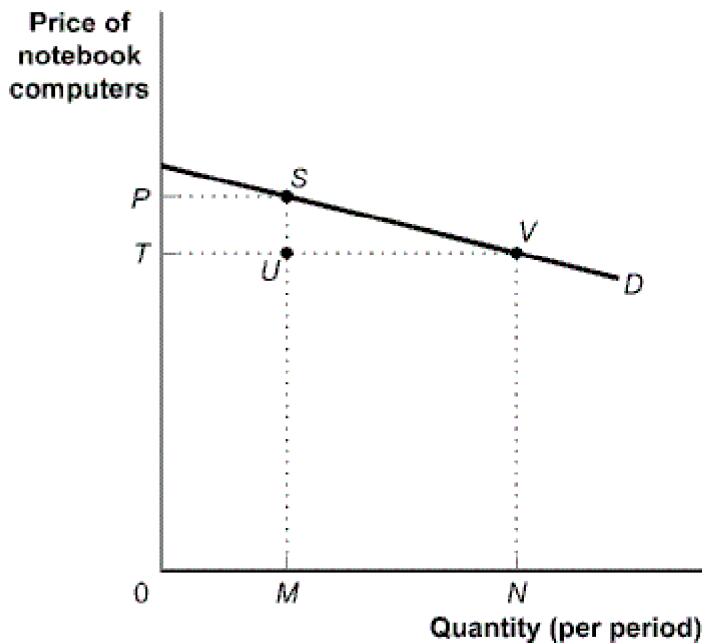
Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. When price goes down, the quantity demanded goes up. Price elasticity measures how:
- much the price goes down.
 - much the quantity goes up.
 - responsive the price change is in relation to the quantity change.
 - responsive the quantity change is in relation to the price change.
 - responsive the consumer income change is in relation to the price change.
- _____ 2. Using the midpoint method of elasticity to calculate the price elasticity of demand eliminates the problem of computing:
- different elasticities, depending on whether price decreases or increases.
 - different elasticities because price and quantity are inversely related on the demand curve.
 - total revenue when price falls and demand is inelastic.
 - total revenue when price falls and demand is elastic.
 - different elasticities, depending on whether the demand curve is vertical or horizontal.
- _____ 3. If the demand curve is downward sloping, as calculated the price elasticity of demand is:
- always positive.
 - always greater than 1.
 - usually equal to 1.
 - always negative.
 - always equal to zero.
- _____ 4. A men's tie store sold an average of 30 ties per day when the price was \$6 per tie. The same store sold 60 of the same ties per day when the price was \$3 per tie. In this case, the absolute value of the price elasticity of demand, is:
- greater than zero but less than 1.
 - equal to 1.
 - greater than 1 but less than 3.
 - greater than 3.
 - equal to zero.
- _____ 5. When a consumer consumes more of a good that has become cheaper in place of a good that has become relatively more expensive, this is known as the:
- substitution effect.
 - income effect.
 - budget constraint.
 - inferior effect.
 - normal effect.
- _____ 6. Each month Jessica buys exactly 4 Big Macs regardless of the price. Jessica's price elasticity of demand for Big Macs is:
- 0.
 - 1.
 - greater than 1, but less than 4.
 - less than 1, but greater than 0.
 - greater than 4.

- _____ 7. Suppose the price elasticity of demand for cheeseburgers equals 0.37. This means the overall demand for cheeseburgers is:
- price elastic.
 - price inelastic.
 - price unit-elastic.
 - perfectly price inelastic.
 - perfectly price elastic.
- _____ 8. The university president believes that increasing student tuition by 5% will increase revenues. If the president is correct that revenues will increase, then the tuition increase will:
- reduce the number of students enrolling by less than 5%.
 - reduce the number of students enrolling by more than 5%.
 - reduce the number of students enrolling by exactly 5%.
 - increase the number of students enrolling by exactly 5%.
 - increase the number of students enrolling by less than 5%.

Figure 47-2: Demand for Notebook Computers

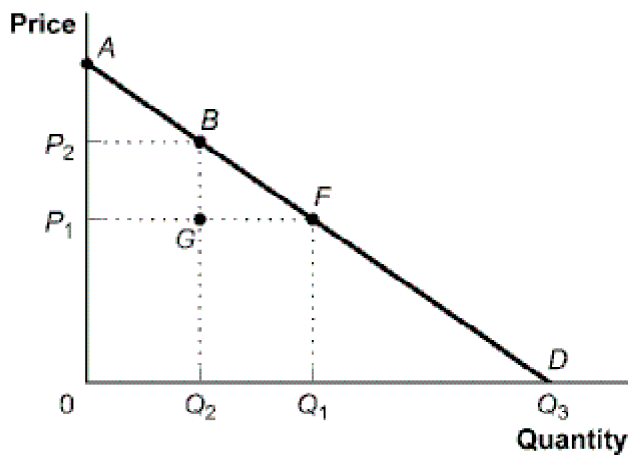


- _____ 9. (Figure 47-2: Demand for Notebook Computers) The change in the firm's total revenue resulting from a change in price from P to T suggests that demand is:
- perfectly price-inelastic.
 - perfectly price-elastic
 - price-inelastic.
 - price unit-elastic.
 - price-elastic.

- _____ 10. (Figure 47-2: Demand for Notebook Computers) The seller's total revenue at point S equals the:
- distance OP .
 - distance MS .
 - area $OTUM$.
 - area $OPSM$.
 - area $PSUT$.
- _____ 11. Along the lower half of a downward sloping linear demand curve, the price elasticity of demand will be:
- price-inelastic.
 - price-elastic.
 - price unit-elastic.
 - perfectly price-elastic.
 - perfectly price-inelastic.
- _____ 12. If total revenue goes down when price falls, the price elasticity of demand is said to be:
- price-inelastic.
 - price unit-elastic.
 - price-elastic.
 - perfectly price-elastic.
 - equal to one.
- _____ 13. When Joe's income is \$100 per week, he spends \$20 per week on pizza. When his income rises to \$110 per week, he spends \$25 per week on pizza. If the price of pizza remains constant, this information implies that for Joe:
- pizza is a normal good and a luxury.
 - pizza is a normal good and a necessity.
 - pizza is an inferior good.
 - demand for pizza is price-elastic.
 - demand for pizza is price-inelastic.
- _____ 14. To say that two goods are substitutes, their cross-price elasticities of demand should be:
- less than 0, but not less than -1.
 - negative, yet almost equal to 0.
 - equal to 0.
 - greater than 0.
 - less than -1.
- _____ 15. If the income elasticity of demand for a good is positive, the good is said to be a(n):
- inferior good.
 - substitute good.
 - normal good.
 - positive good.
 - unrelated good.
- _____ 16. Which of the following is likely to make supply more inelastic?
- The time period under consideration is quite long.
 - The inputs necessary for production cannot readily be increased.
 - The good is necessary for survival (e.g., a life-saving drug).
 - Consumer income is rising.
 - Production technology is easily adjusted to changes in price.

- _____ 17. The supply curve for a good will be more elastic if:
- spending on the good accounts for a large share of a consumer's income.
 - the good is a luxury item.
 - production inputs are readily available at a relatively low cost.
 - there is very little time for producers to respond to a price change.
 - there are few substitute goods available for purchase.
- _____ 18. Which of the following is true?
- If the price elasticity of supply is greater than 1, supply is price-elastic.
 - If the price elasticity of supply is greater than 1, supply is price-inelastic.
 - If the price elasticity of supply is zero, supply is price unit-elastic.
 - If the price elasticity of supply is greater than 1, quantity supplied is relatively unresponsive to price changes.
 - If the price elasticity is zero, the supply curve is horizontal.

Figure 49-2: Consumer Surplus II



- _____ 19. (Figure 49-2: Consumer Surplus II) At a price of P_2 , consumer surplus equals the area:
- ABP_2 .
 - AFP_1 .
 - AQ_30 .
 - P_1P_2BF .
 - $0P_1FQ_1$.

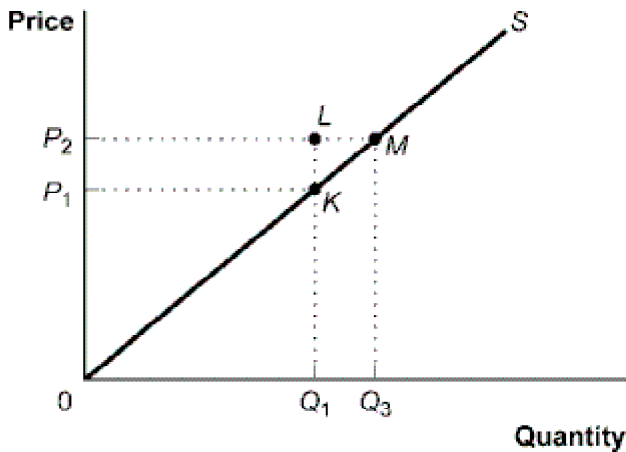
The table below shows the willingness to sell *The Nutty Nutcracker* tickets by five students who have those tickets as part of their student activity fees.

Student	Willingness to Sell
Caitlin	\$1
Dudley	25
Evan	60
Francisco	90
Grace	100

Table 49-6: Producer Surplus

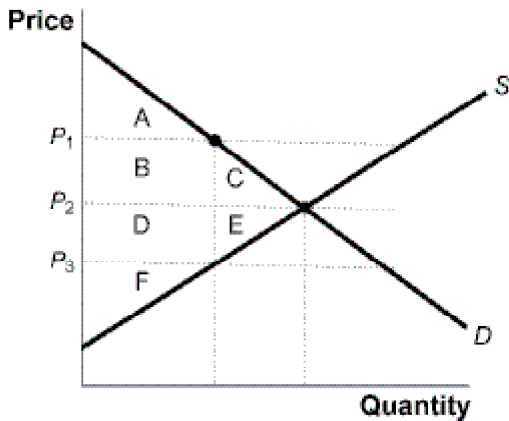
- _____ 20. (Table 49-6: Producer Surplus) If the price of a ticket to see *The Nutty Nutcracker* is \$50 and there is no other market for tickets, then total producer surplus for the five students is:
- \$50.
 - \$74.
 - \$100.
 - \$276.
 - \$86.

Figure 49-8: Producer Surplus II



- _____ 21. (Figure 49-8: Producer Surplus II) At a price of P_1 , producer surplus equals the area:
- LMK .
 - P_1K0 .
 - P_2M0 .
 - P_2P_1KM .
 - $0P_1KQ_1$.

Figure 49-15: Gain in Consumer Surplus



- _____ 22. (Figure 49-15: Gain in Consumer Surplus) Identify the area(s) that represent the gain in consumer surplus to those consumers already participating in the market when the price falls from P_1 to P_2 . Which of the following is correct?
- A and B
 - B
 - B and C
 - C
 - E
- _____ 23. Suppose the government imposes a \$10 excise tax on the sale of sweaters by charging suppliers \$10 for each sweater sold. If the demand curve for sweaters is downward sloping, we would predict that:
- the price of sweaters will increase by \$10.
 - consumers of sweaters will bear the entire burden of the tax.
 - the quantity of sweaters purchased will increase.
 - the price of sweaters will decrease by \$10.
 - the price of sweaters will increase by less than \$10.
- _____ 24. Recently, the government considered adding an excise tax on CDs that can be used to record music. If this tax is enacted, how would it affect the price consumers pay, the price producers receive, and the quantity of CDs exchanged?

	Price consumers pay	Price producers receive	Quantity of CDs Exchanged
(A)	Higher	Lower	Fewer
(B)	Higher	Higher	Fewer
(C)	Lower	Lower	Fewer
(D)	Higher	Lower	More
(E)	Lower	Higher	More

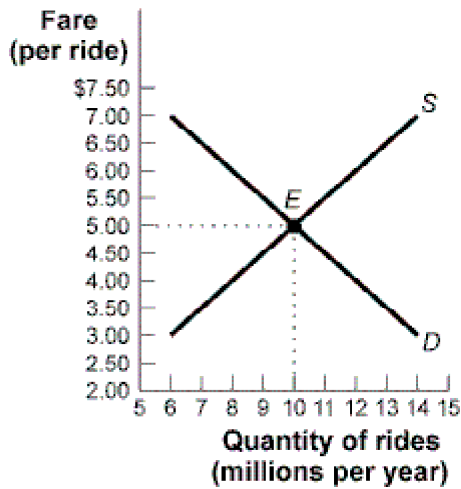
- A
- B
- C
- D
- E

Name: _____

ID: A

- _____ 25. If an excise tax is imposed on automobiles and collected from consumers,:
- a. the demand curve will shift downward by the amount of the tax.
 - b. the supply curve will shift upward by the amount of the tax.
 - c. the equilibrium quantity supplied will increase relative to the pre-tax level.
 - d. the equilibrium quantity demanded will increase relative to the pre-tax level.
 - e. the after-tax price paid by consumers will decrease.
- _____ 26. The incidence of a tax:
- a. is a measure of the revenue the government receives from the tax.
 - b. refers to who writes the check to the government.
 - c. refers to the share of the tax paid by consumers and the share paid by sellers.
 - d. is a measure of the deadweight loss from the tax.
 - e. is the price elasticity of demand after the tax is paid.

Scenario 50-1: Market for Taxi Rides



Fare (per ride)	Quantity Demanded (millions of rides per year)	Quantity Supplied (millions of rides per year)
\$7.00	6	14
6.50	7	13
6.00	8	12
5.50	9	11
5.00	10	10
4.50	11	9
4.00	12	8
3.50	13	7
3.00	14	6

- ____ 27. (Scenario 50-1: Market for Taxi Rides) The figure represents a competitive market for taxi rides. If the government now imposes an excise tax of \$4 per ride (causing the supply curve to shift upward by that amount), then the government will collect tax revenues of _____, which might be used for worthwhile purposes. However, there will be a deadweight loss to society of _____ caused by this tax.
- \$9 million; \$1 million
 - \$16 million; \$2 million
 - \$21 million; \$6 million
 - \$24 million; \$8 million
 - \$12 million; \$4 million
- ____ 28. (Scenario 50-1: Market for Taxi Rides) The figure represents a competitive market for taxi rides. If the government now imposes an excise tax of \$3 per ride (causing the supply curve to shift upward by that amount), then the government will collect tax revenues of _____, which might be used for worthwhile purposes, *but* there will be a deadweight loss to society of _____ caused by this tax.
- \$9 million; \$1 million
 - \$16 million; \$2 million
 - \$21 million; \$4.5 million
 - \$24 million; \$6 million
 - \$12 million; \$4 million

- _____ 29. (Scenario 50-1: Market for Taxi Rides) The figure represents a competitive market for taxi rides. If the government now imposes an excise tax of \$1 per ride (causing the supply curve to shift upward by that amount), then the government will collect tax revenues of _____, which might be used for worthwhile purposes, *but* there will be a deadweight loss to society of _____ caused by this tax.
- \$9 million; \$0.5 million
 - \$16 million; \$2 million
 - \$21 million; \$3 million
 - \$24 million; \$4 million
 - \$12 million; \$4 million
- _____ 30. Suppose the government imposes a \$4 excise tax on Good Y. If the demand for Good Y is perfectly inelastic and the supply curve is elastic, then the price of Good Y will:
- increase by more than \$4.
 - increase by exactly \$4.
 - increase, but by less than \$4.
 - remain constant.
 - decrease, but by less than \$4.
- _____ 31. If the demand curve is downward-sloping and supply is perfectly elastic, then the burden of an excise tax is:
- borne entirely by consumers.
 - borne entirely by producers.
 - shared by consumers and producers, with the burden falling mainly on consumers.
 - shared by consumers and producers, with the burden falling mainly on producers.
 - shared by consumers and producers, with the burden split equally.
- _____ 32. An excise tax is a tax charged on:
- imports
 - earnings.
 - the ownership of real estate.
 - the inheritance of assets.
 - each unit of a good or service that is sold.
- _____ 33. Prior to any taxes, suppose the equilibrium price of gasoline is \$3 per gallon. A \$1 tax is levied on each gallon of gas that is supplied. As a result, the price of gasoline rises to \$3.75 per gallon. The incidence of the \$1 tax is:
- \$0.25 paid by consumers, \$0.75 paid by producers.
 - \$0.50 paid by consumers, \$0.50 paid by producers.
 - \$1.00 paid by producers, \$0 paid by consumers.
 - \$0.75 paid by consumers, \$0.25 paid by producers.
 - \$0 paid by producers, \$1.00 paid by consumers.
- _____ 34. Xavier notices that the marginal utility of working with a tutor seems to fall with each hour the tutor helps him study. If Xavier keeps the tutor until his grade actually begins to fall, his marginal utility will be:
- diminishing and negative.
 - positive, but rising more slowly.
 - zero.
 - positive, but rising more quickly.
 - negative, but beginning to rise.

- _____ 35. The utility of a good is determined by how much _____ a particular consumer obtains from it.
- satisfaction
 - usefulness
 - cost
 - need fulfillment
 - loss
- _____ 36. At the point where total utility is at a maximum, marginal utility is:
- rising.
 - at its average value.
 - at a maximum.
 - zero.
 - negative.
- _____ 37. The law of diminishing marginal utility indicates that the slope of the marginal utility curve eventually becomes:
- negative.
 - vertical.
 - horizontal.
 - positive.
 - equal to zero.
- _____ 38. Economists describe the satisfaction consumers receive from consuming goods and services as:
- utility.
 - income effects.
 - budget constraints.
 - substitution effects.
 - elasticity.
- _____ 39. Chuck spends all his income on two goods: tacos and milkshakes. His income is \$100, the price of tacos is \$10, and the price of milkshakes is \$2. Put tacos on the horizontal axis and milkshakes on the vertical axis. The horizontal intercept for Chuck's budget line is equal to _____ units of tacos.
- 50
 - 10
 - 5
 - 100
 - 25
- _____ 40. Chuck spends all his income on two goods: tacos and milkshakes. His income is \$100, the price of tacos is \$10, and the price of milkshakes is \$2. Put tacos on the horizontal axis and milkshakes on the vertical axis. The opportunity cost of one taco equals _____ units of milkshakes.
- 2
 - 10
 - 5
 - 1/5
 - 4
- _____ 41. A consumer's spending is restricted because of:
- marginal utility.
 - total utility.
 - a budget constraint.
 - utility maximization.
 - a production function.

- _____ 42. Which of the following statements is *true*?
- A budget constraint limits what a poor consumer can spend, but there is no similar constraint on rich people.
 - Utility maximization requires seeking the greatest utility from a given budget.
 - In consumer choice theory, we assume all goods and services are inferior.
 - The slope of the budget constraint depends on how much of each good is consumed.
 - The slope of the budget constraint gets steeper if the price of the good on the vertical axis increases.

_____ 43.

Pounds of Oranges	Total Utility from Oranges	Pounds of Starfruit	Total Utility from Starfruit
0	0	0	0
1	24	1	70
2	44	2	130
3	60	3	180
4	72	4	220
5	80	5	250
6	84	6	270
7	84	7	280

Table: Utility from Oranges and Starfruit

Oranges costs \$2 per pound and starfruit cost \$5 per pound. The table shows Ned's total utility from eating various amounts of oranges and starfruits. How many pounds of oranges and starfruit should Ned eat, if Ned has \$26?

- 0 pound of oranges, 5 pounds of starfruit, \$1 left over
 - 8 pounds of oranges and 2 pounds of starfruit
 - 3 pounds of oranges and 4 pounds of starfruit
 - 4 pounds of oranges and 5 pounds of starfruit
 - 3 pounds of oranges and 3 pounds of starfruit
- _____ 44. Benny spends all his money buying wine and cheese. The marginal utility of the last bottle of wine is 60, and the marginal utility of the last block of cheese is 30. The price of wine is \$3, and the price of cheese is \$2. Benny:
- is buying wine and cheese in the utility-maximizing amounts.
 - should buy more wine and less cheese.
 - should buy more cheese and less wine.
 - is spending too much money on wine and cheese.
 - should buy more cheese and more wine.

AP Unit 9 Practice Answer Section

MULTIPLE CHOICE

1. ANS: D	PTS: 1	MSC: Definitional
2. ANS: A	PTS: 1	MSC: Concept-Based
3. ANS: D	PTS: 1	MSC: Concept-Based
4. ANS: C	PTS: 1	MSC: Analytical Thinking
5. ANS: A	PTS: 1	MSC: Critical Thinking
6. ANS: A	PTS: 1	MSC: Critical Thinking
7. ANS: B	PTS: 1	MSC: Concept-Based
8. ANS: A	PTS: 1	MSC: Concept-Based
9. ANS: E	PTS: 1	MSC: Critical Thinking
10. ANS: D	PTS: 1	MSC: Concept-Based
11. ANS: A	PTS: 1	MSC: Fact-Based
12. ANS: A	PTS: 1	MSC: Concept-Based
13. ANS: A	PTS: 1	MSC: Analytical Thinking
14. ANS: D	PTS: 1	MSC: Fact-Based
15. ANS: C	PTS: 1	MSC: Concept-Based
16. ANS: B	PTS: 1	MSC: Fact-Based
17. ANS: C	PTS: 1	MSC: Concept-Based
18. ANS: A	PTS: 1	MSC: Definitional
19. ANS: A	PTS: 1	MSC: Critical Thinking
20. ANS: B	PTS: 1	MSC: Critical Thinking
21. ANS: B	PTS: 1	MSC: Critical Thinking
22. ANS: B	PTS: 1	MSC: Analytical Thinking
23. ANS: E	PTS: 1	MSC: Critical Thinking
24. ANS: A	PTS: 1	MSC: Critical Thinking
25. ANS: A	PTS: 1	MSC: Critical Thinking
26. ANS: C	PTS: 1	MSC: Definitional
27. ANS: D	PTS: 1	MSC: Analytical Thinking
28. ANS: C	PTS: 1	MSC: Analytical Thinking
29. ANS: A	PTS: 1	MSC: Analytical Thinking
30. ANS: B	PTS: 1	MSC: Critical Thinking
31. ANS: A	PTS: 1	MSC: Critical Thinking
32. ANS: E	PTS: 1	MSC: Definitional
33. ANS: D	PTS: 1	MSC: Analytical Thinking
34. ANS: A	PTS: 1	MSC: Concept-Based
35. ANS: A	PTS: 1	MSC: Fact-Based
36. ANS: D	PTS: 1	MSC: Concept-Based
37. ANS: A	PTS: 1	MSC: Concept-Based
38. ANS: A	PTS: 1	MSC: Definitional
39. ANS: B	PTS: 1	MSC: Critical Thinking

- | | | |
|------------|--------|--------------------------|
| 40. ANS: C | PTS: 1 | MSC: Critical Thinking |
| 41. ANS: C | PTS: 1 | MSC: Fact-Based |
| 42. ANS: B | PTS: 1 | MSC: Fact-Based |
| 43. ANS: C | PTS: 1 | MSC: Analytical Thinking |
| 44. ANS: B | PTS: 1 | MSC: Critical Thinking |