

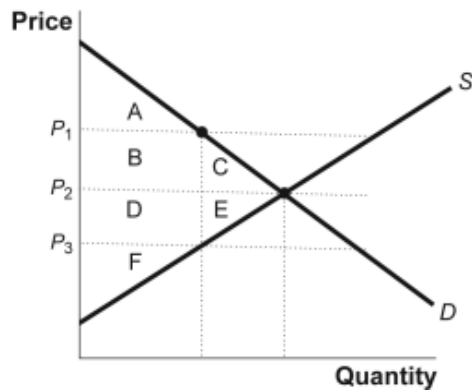
Sample Exam Questions/Chapter 4

1. Which of the following is *true* when a market is in equilibrium and there is no outside intervention to change the equilibrium price?
 - A) Total surplus is minimized.
 - B) Inefficiency is maximized.
 - C) No mutually beneficial trades are missed.
 - D) Some mutually beneficial trades may be missed.

2. If a frost destroys much of the grapefruit crop, total surplus:
 - A) will increase.
 - B) will decrease.
 - C) will not change.
 - D) may change, but we cannot determine the change without more information.

Use the following to answer question 3:

Figure: Gain in Consumer Surplus

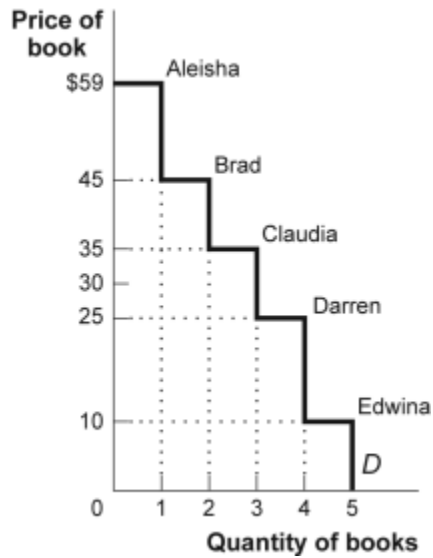


3. (Figure: Gain in Consumer Surplus) Look at the figure Gain in Consumer Surplus. Identify the area or areas that represent the total change in consumer surplus when the price falls from P_1 to P_2 .
 - A) A and B
 - B) B and C
 - C) D and E
 - D) A, B, and C

4. Luis is willing to sell his pool table for \$600, but if he gets \$840, the producer surplus Luis receives is _____.
- A) \$600
 - B) \$840
 - C) \$240
 - D) \$1,440
5. Maria wants to get rid of her bookshelf. She is willing to give it away for free but her neighbor offers to pay \$30 for it. Maria experiences a:
- A) consumer surplus gain.
 - B) consumer surplus loss.
 - C) producer surplus gain.
 - D) producer surplus loss.
6. Total surplus is:
- A) the difference between price and the cost to the seller.
 - B) the sum of consumer and producer surplus.
 - C) equal to the area below the demand curve.
 - D) determined by the costs for each producer and the benefits for each consumer.
7. Along a given supply curve, an increase in the price of a good will:
- A) increase producer surplus.
 - B) decrease producer surplus.
 - C) increase consumer surplus.
 - D) decrease producer surplus and increase consumer surplus.

Use the following to answer question 8:

Figure: Consumer Surplus III



8. (Figure: Consumer Surplus III) Look at the figure Consumer Surplus III. In the figure, when the price falls from \$30 to \$25, consumer surplus _____ for a total consumer surplus of _____.
- A) increases by \$25; \$74
 - B) decreases by \$15; \$34
 - C) increases by \$15; \$64
 - D) increases by \$5; \$54

Use the following to answer question 9:

Table: Producer Surplus

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

9. (Table: Producer Surplus) Look at the table Producer Surplus. If the price of a ticket to see *The Nutty Nutcracker* is \$50, then Francisco's producer surplus is:
- A) \$0.
 - B) \$40.
 - C) \$90.
 - D) \$240.
10. A consumer's willingness to pay reflects
- A) the maximum price at which he or she would buy the good or service.
 - B) the minimum price at which he or she would buy the good or service.
 - C) the cost of producing the good or service.
 - D) the equilibrium price of the good or service.

Use the following to answer question 11:

Table: Firm's Willingness

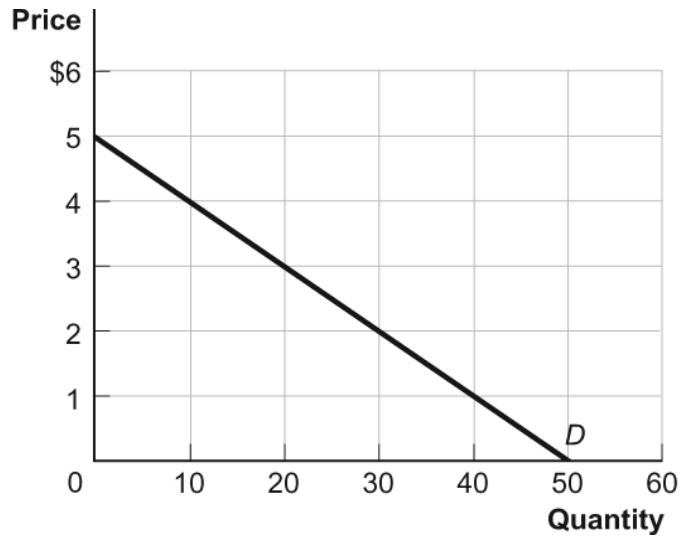
The table below explains the relationship between the number of reports a firm is willing to prepare and the lowest price in dollars it would be willing to accept to prepare the respective number of reports.

Reports	Lowest Price Firm Is Willing to Accept
1st	\$2
2nd	6
3rd	8
4th	11
5th	15

11. (Table: Firm's Willingness) Look at the table Firm's Willingness. If the price of reports is \$15, how many reports will the firm produce, and what will the producer surplus be?
- A) one; \$0
 - B) three; \$23
 - C) 5; \$0
 - D) five; \$33

Use the following to answer question 12:

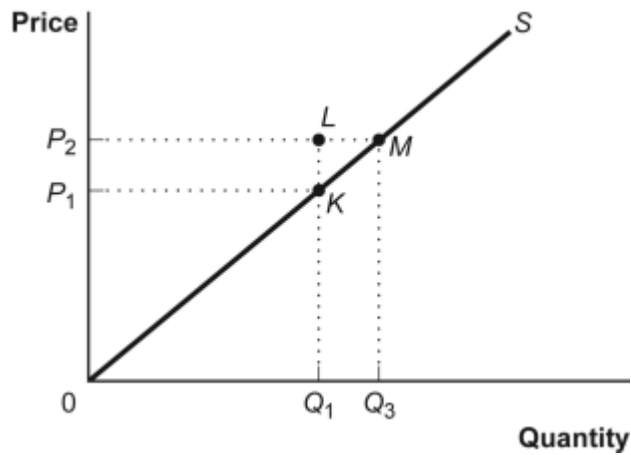
Figure: Consumer Surplus II



12. (Figure: Consumer Surplus II) Look at the figure Consumer Surplus II. If the price of the good is \$2, consumer surplus will equal:
- A) \$30.
 - B) \$45.
 - C) \$60.
 - D) \$90.

Use the following to answer question 13:

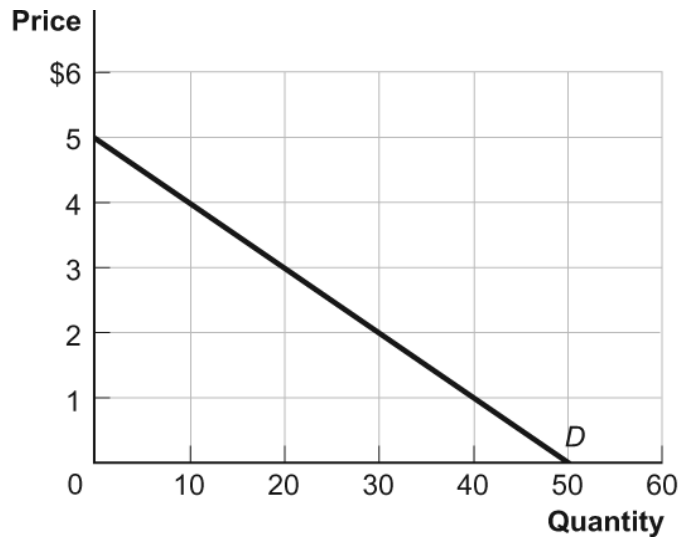
Figure: Producer Surplus II



13. (Figure: Producer Surplus II) Look at the figure Producer Surplus II. At a price of P_2 , producer surplus equals the area:
- A) LMK .
 - B) OP_1K .
 - C) OP_2M .
 - D) P_1P_2MK .

Use the following to answer question 14:

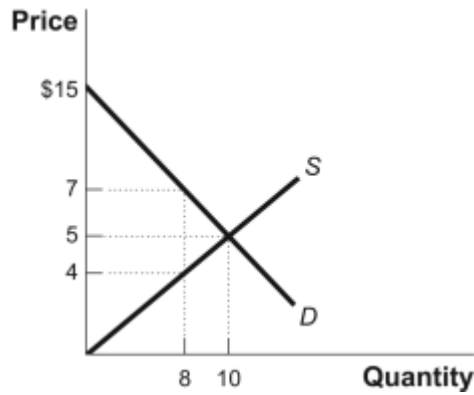
Figure: Consumer Surplus II



14. (Figure: Consumer Surplus II) Look at the figure Consumer Surplus II. If the price of the good decreases from \$2 to \$1, consumer surplus will increase by:
- A) \$5.
 - B) \$10.
 - C) \$25.
 - D) \$35.

Use the following to answer question 15:

Figure: The Market for Sandwiches



15. (Figure: The Market for Sandwiches) Look at the figure The Market for Sandwiches. At the competitive price of \$5, 10 sandwiches are sold. At this competitive price, consumer surplus equals _____ and producer surplus equals _____.
- A) \$50; \$50
 - B) \$100; \$50
 - C) \$50; \$25
 - D) \$100; \$25
16. Well-defined property rights:
- A) can allow for mutually beneficial trades.
 - B) will result in government regulation.
 - C) often result in more market failures.
 - D) lead to more centralized decision making.

Use the following to answer question 17:

Table: Producer Surplus and Phantom Tickets

Student	Willingness to Sell
Tim	\$ 1
Laura	30
Whitney	50
Ralph	100
Rick	150

17. (Table: Producer Surplus and *Phantom Tickets*) Look at the table Producer Surplus and *Phantom Tickets*. Given the information in the table, if these students can sell their *Phantom* tickets for only \$5, then:
- A) Tim will be the only student not to sell his ticket.
 - B) Laura, Whitney, Ralph, and Rick will sell their tickets.
 - C) the total producer surplus for the five students will be \$4.
 - D) the total producer surplus for the five students will be \$330.
18. Along a given supply curve, a decrease in price will cause producer surplus to:
- A) increase.
 - B) decrease.
 - C) stay the same.
 - D) We cannot determine what producer surplus will do without information about the demand curve.
19. Which of the following is *true* if there is a decrease in the demand for ice cream?
- A) There is an increase in producer surplus.
 - B) There is a decrease in producer surplus.
 - C) There is no change in producer surplus.
 - D) It's impossible to tell what will happen to producer surplus.

Use the following to answer question 20:

Table: Consumer Surplus

This table shows some Atlanta college students' willingness to pay to see *The Nutty Nutcracker*, by the Atlanta Ballet.

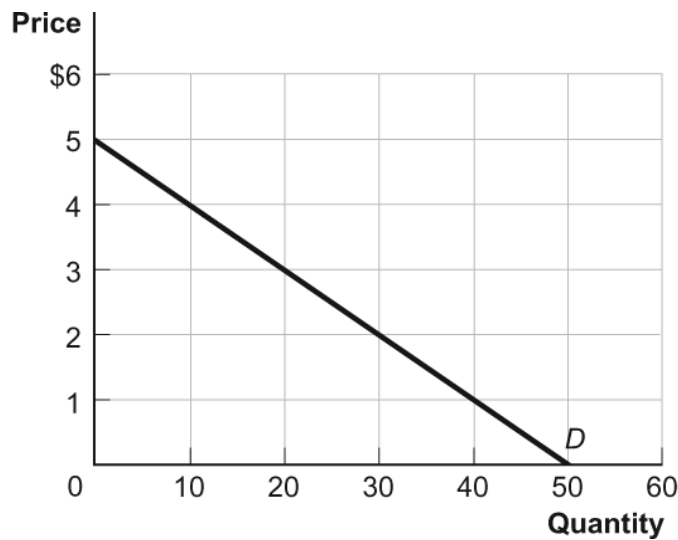
Student	Willingness to Pay
Lois	\$100
Miguel	90
Narum	65
Oscar	50
Pat	15

20. (Table: Consumer Surplus) Look at the table Consumer Surplus. If the price of a ticket to see *The Nutty Nutcracker* is \$50, Lois's consumer surplus is:
- A) \$60.
 - B) \$50.
 - C) \$15.
 - D) \$240.

21. Alex is willing to buy the last ticket to the Billy Bragg concert for \$15, while Jake is willing to pay \$25. Alex is first in line and buys a ticket for \$15. He then resells his ticket to Jake for \$20. By reselling the ticket instead of going to the concert himself, Alex caused:
- A) the sum of the consumer and producer surplus to increase.
 - B) the sum of the consumer and producer surplus to decrease.
 - C) a deadweight loss of \$5.
 - D) consumer surplus to decrease and producer surplus to increase.

Use the following to answer question 22:

Figure: Consumer Surplus II



22. (Figure: Consumer Surplus II) Look at the figure Consumer Surplus II. If the price of the good increases from \$3 to \$4, consumer surplus will decrease by:
- A) \$5.
 - B) \$10.
 - C) \$15.
 - D) \$20.

Use the following to answer question 23:

Table: Willingness to Pay for Basketball Sneakers

Consumer	Willingness to Pay
Jamichael	\$150
Corey	140
Rudy	120
Ray	100
Javon	80

23. (Table: Willingness to Pay for Basketball Sneakers) If the price of basketball sneakers is \$100, how many pairs will be purchased?
- A) 1
 - B) 2
 - C) 3
 - D) 4

Answer Key

1. C
2. B
3. B
4. C
5. C
6. B
7. A
8. C
9. A
10. A
11. D
12. B
13. C
14. D
15. C
16. A
17. C
18. B
19. B
20. B
21. A
22. C
23. D