

Unit 2 Quiz (2025)

1. The additional satisfaction received from consuming an additional unit of a good is called the
- (A) marginal utility
 - (B) marginal product
 - (C) average product
 - (D) average utility
 - (E) total utility
2. Carlos has a van with 20 seats and charges \$10 per person per ride to the airport from downtown. Carlos' cost of the trip is \$140 for any number of passengers. On one trip, Carlos has 19 seats filled when a person offers him \$5 for the last seat. Should Carlos accept the offer?
- (A) No, since the \$5 fare offered is below his average cost of \$7.
 - (B) No, since the average variable cost is greater than \$5.
 - (C) No, since it is illegal to charge different prices for the same service.
 - (D) Yes, since the marginal benefit exceeds the marginal cost.
 - (E) Yes, since his total revenue exceeds his total cost by \$5.
3. Suppose that a consumer purchases two goods X and Y and that the marginal utility of X is MU_x , the total utility of X is TU_x , the marginal utility of Y is MU_y , and the total utility of Y is TU_y . If the prices of X and Y are P_x and P_y , respectively, which of the following expressions defines consumer equilibrium?
- (A) $TU_x = TU_y$
 - (B) $MU_x = MU_y$
 - (C) $TU_x/P_x = TU_y/P_y$
 - (D) $MU_x/P_x = MU_y/P_y$
 - (E) $(MU_x)(P_x) + (MU_y)(P_y) = 1$

4.

Milkshake Cups	Total Utility (utils)
1	50
2	100
3	145
4	185
5	220

Which of the following is true based on Rosco's utility data given in the table provided?

- (A) Rosco's marginal utility from the fourth cup is 185 utils.
- (B) Rosco's marginal utility from the fifth cup is 35 utils.
- (C) Rosco's marginal utility from the third cup is greater than the marginal utility from the second cup.
- (D) Rosco's marginal utility from the fourth cup is greater than the marginal utility from the third cup.
- (E) Rosco's total utility and marginal utility both increase as he consumes more cups of milkshake.

5.

Quantity of Apples	Total Benefit (\$)
1	10
2	18
3	24
4	28
5	30
6	31

The table above shows the total benefit Tony gets from eating different quantities of apples. If apples cost \$3 each, how many should he buy to maximize his consumer surplus?

- (A) 1
- (B) 2
- (C) 3
- (D) 4
- (E) 5

6. If a 10 percent increase in the price of a good leads to a 25 percent decrease in the quantity demanded of the good demand is

- (A) relatively inelastic
- (B) relatively elastic
- (C) unit elastic
- (D) perfectly elastic
- (E) perfectly inelastic

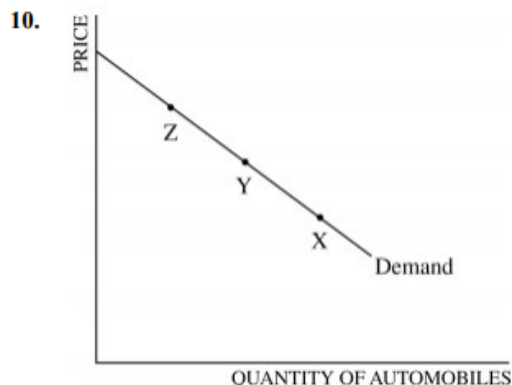
7. Moving from left to right along a downward- sloping linear demand curve, price elasticity varies in which of the following ways?

- (A) First unit elastic, then inelastic throughout
- (B) First unit elastic, then elastic throughout
- (C) First inelastic, then unit elastic throughout
- (D) First elastic, then unit elastic, and finally inelastic
- (E) First inelastic, then unit elastic, and finally elastic

8. Which of the following statements about the price elasticity of demand is true?

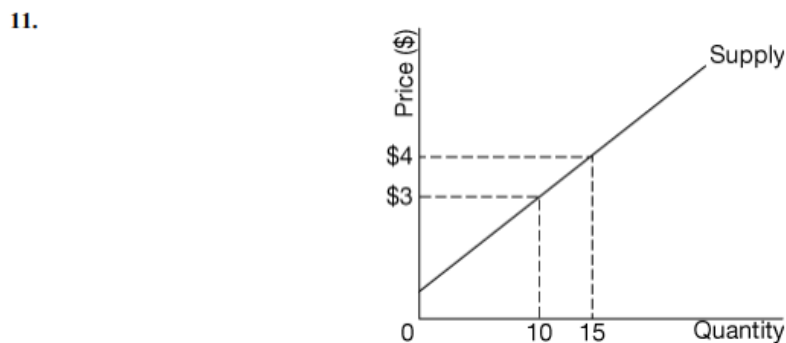
- (A) When demand is price inelastic, total revenue will decrease as price increases.
- (B) When demand is price elastic, an increase in price will increase total revenue.
- (C) Demand tends to be more elastic in the short run compared to the long run.
- (D) As more close substitutes become available, demand tends to be more price elastic.
- (E) As a good becomes viewed as a necessity, demand becomes more price elastic.

9. The price elasticity of demand for a product is 0.5. If the price of the product increases by 20 percent, which of the following will occur?
- (A) The quantity demanded of the good will increase by 10%.
 - (B) The quantity demanded of the good will increase by 20%.
 - (C) The quantity demanded of the good will increase by 40%.
 - (D) The quantity demanded of the good will decrease by 10%.
 - (E) The quantity demanded of the good will decrease by 40%.



In the figure above, at which of the given points is demand most elastic?

- (A) X
- (B) Y
- (C) Z
- (D) The elasticity is the same for all points.
- (E) The relative elasticity cannot be determined with the given information.



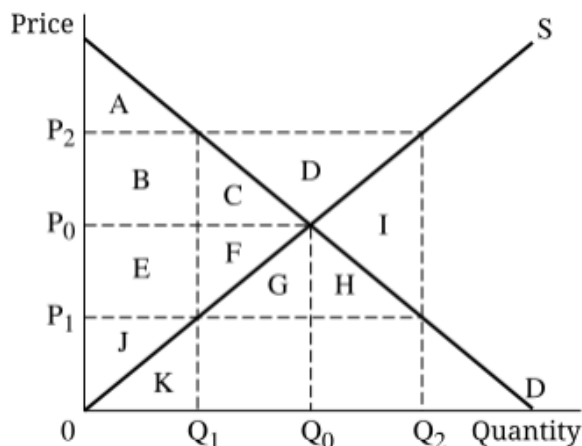
What is the price elasticity of supply between \$3 and \$4 in the graph above?

- (A) It is greater than 1, and the supply is relatively inelastic.
- (B) It is greater than 1, and the supply is relatively elastic.
- (C) It is equal to 1, and the supply is unit elastic.
- (D) It is less than 1, and the supply is relatively elastic.
- (E) It is less than 1, and the supply is relatively inelastic.

12. Assume that the price elasticity of supply for good Y is 0.5. If the price of good Y decreases by 30 percent, the quantity supplied of good Y will
- (A) decrease by 60 percent
 - (B) decrease by 30 percent
 - (C) decrease by 15 percent
 - (D) increase by 0.5 percent
 - (E) increase by 0.15 percent
13. Assume that a 2 percent increase in the price of bologna causes a 5 percent decrease in the demand for cheese. What is the cross-price elasticity of demand between the two goods, and how are these goods related?
- (A) Cross-price elasticity of demand equals -0.4 , and these goods are complements.
 - (B) Cross-price elasticity of demand equals $+0.4$, and these goods are substitutes.
 - (C) Cross-price elasticity of demand equals -2.5 , and these goods are complements.
 - (D) Cross-price elasticity of demand equals $+2.5$, and these goods are substitutes.
 - (E) Cross-price elasticity of demand equals -0.4 , and these goods are substitutes.
14. In relation to tacos, the cross-price elasticity of demand for Good X is negative. What would be the result if the price of tacos increases?
- (A) There will be a movement up the demand curve for Good X because it is a complement to tacos.
 - (B) There will be a movement down the demand curve for Good X because it is a complement to tacos.
 - (C) The demand for Good X will increase because it is a substitute for tacos.
 - (D) The demand for Good X will decrease because it is a complement to tacos.
 - (E) The demand for Good X will increase because tacos and Good X are normal goods.

15. Assume the income elasticity of demand for good Z equals -5.0 . Which of the following is true?
- (A) Good Z is a normal good.
 - (B) Good Z must have an inelastic demand.
 - (C) An increase in income will lead to a decrease in demand.
 - (D) An increase in income will lead to an increase in demand.
 - (E) The income effect of a price increase will be a decrease in quantity demanded at every price.

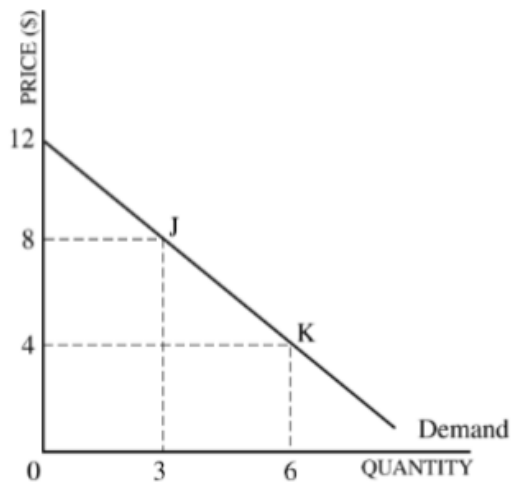
16.



The efficient market outcome shown in the graph provided is

- (A) at price P_1 , quantity Q_1 , and total economic surplus is $J + K$
 - (B) at price P_2 , quantity Q_2 , and total economic surplus is $B + C + D + E + F + G + H + I$
 - (C) at price P_0 , quantity Q_0 , and total economic surplus is $B + C + E + F$
 - (D) at price P_0 , quantity Q_0 , and total economic surplus is $A + B + C + E + F$
 - (E) at price P_0 , quantity Q_0 , and total economic surplus is $A + B + C + E + F + J$
17. Consumer surplus is defined as
- (A) opportunity cost minus total revenue
 - (B) total revenue minus opportunity cost
 - (C) the difference between the resource costs and the price that consumers pay
 - (D) the difference between the value that consumers place on a good and the price they pay
 - (E) the sum of external costs and benefits

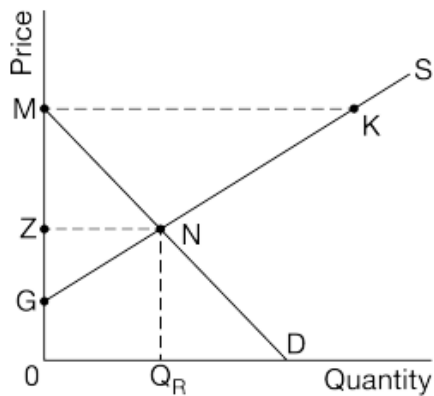
18.



Given the demand curve above, if price decreases from \$8 to \$4 per unit, total consumer surplus will

- (A) increase by \$4
- (B) increase by \$8
- (C) increase by \$12
- (D) increase by \$18
- (E) remain constant at \$24

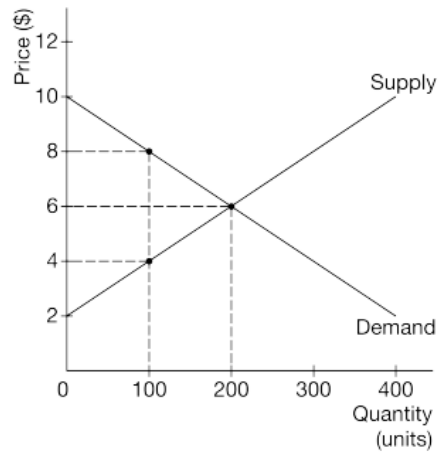
19.



Based on the graph above, the consumer surplus at the market equilibrium price and quantity is shown by which area?

- (A) GMK
- (B) GMN
- (C) GZN
- (D) ZMN
- (E) MNK

20.



Assume that the government imposes a \$4 per-unit tax on sellers of a good in the market described by the graph above. What are the price paid by buyers, the after-tax price received by sellers, and the deadweight loss?

(A)

Price Paid by Buyers	Price Received by Sellers	Deadweight Loss
\$8	\$6	\$100

(B)

Price Paid by Buyers	Price Received by Sellers	Deadweight Loss
\$8	\$4	\$200

(C)

Price Paid by Buyers	Price Received by Sellers	Deadweight Loss
\$6	\$6	\$0

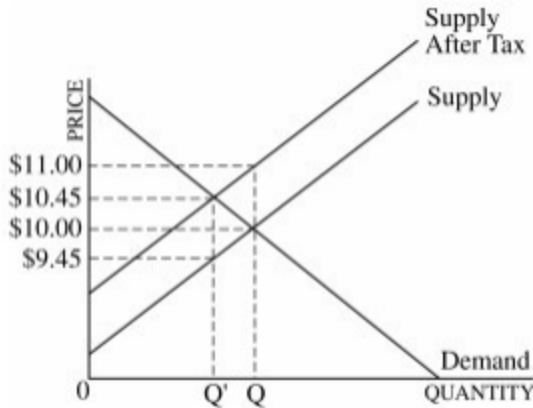
(D)

Price Paid by Buyers	Price Received by Sellers	Deadweight Loss
\$4	\$8	\$100

(E)

Price Paid by Buyers	Price Received by Sellers	Deadweight Loss
\$4	\$8	\$200

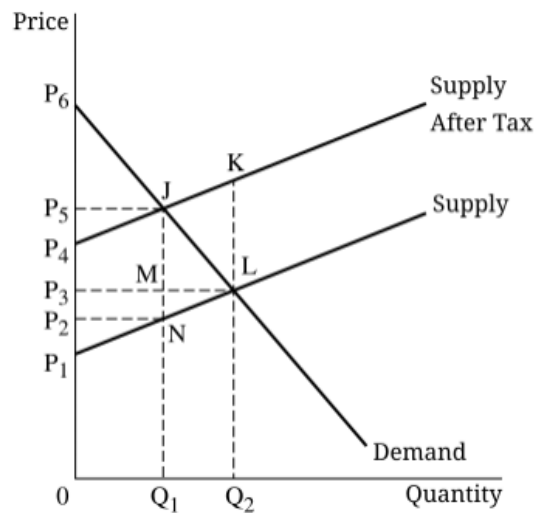
The following questions are based on the diagram below, which shows the effect of a unit tax placed on a good.



21. According to the diagram, what is the dollar amount of the unit tax?

- (A) \$0.00
- (B) \$0.45
- (C) \$0.55
- (D) \$1.00
- (E) \$1.45

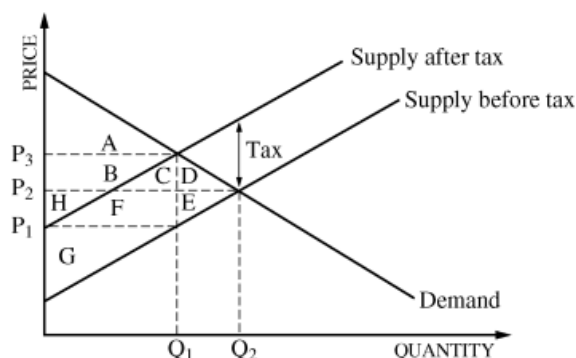
22.



The graph provided shows the imposition of a per-unit tax on producers. Which areas represent government tax revenue, producer surplus, and deadweight loss after the imposition of the tax?

- (A) The government tax revenue is P_5P_3MJ ; The producer surplus is P_3P_1L ; The deadweight loss is JNL .
- (B) The government tax revenue is P_5P_2NJ ; The producer surplus is P_6P_5J ; The deadweight loss is P_4P_5J .
- (C) The government tax revenue is JNL ; The producer surplus is P_3P_1NM ; The deadweight loss is MLN .
- (D) The government tax revenue is P_5P_2NJ ; The producer surplus is P_2P_1N ; The deadweight loss is JNL .
- (E) The government tax revenue is P_5P_3MJ ; The producer surplus is P_3P_1L ; The deadweight loss is JML .

23.



The graph above shows the market for good X. The letters in the graph denote the enclosed areas. If the government imposes an excise tax of t dollars on each unit of good X, which of the following represents the consumer surplus, producer surplus, and deadweight loss after the imposition of the tax?

- Consumer Surplus: A
 (A) Producer Surplus: G
 Deadweight Loss: D+E
- Consumer Surplus: A
 (B) Producer Surplus: F+E
 Deadweight Loss: D+E
- Consumer Surplus: A+B
 (C) Producer Surplus: G+F+E
 Deadweight Loss: C+D
- Consumer Surplus: A+B+H
 (D) Producer Surplus: G+F
 Deadweight Loss: D+E
- Consumer Surplus: A+B+H
 (E) Producer Surplus: G+F+C
 Deadweight Loss: E

24. A city transit authority increases the price of subway and bus tickets from \$1.25 to \$1.50. If the demand for these tickets is price inelastic, the number of people riding buses and subways and the city's revenues will most likely change in which of the following ways?

(A)	Number of People Riding	City's Revenues
	Increase	Increase
(B)	Number of People Riding	City's Revenues
	Decrease	Increase
(C)	Number of People Riding	City's Revenues
	Decrease	Decrease
(D)	Number of People Riding	City's Revenues
	Decrease	Remain constant
(E)	Number of People Riding	City's Revenues
	Remain constant	Increase

25. Assume that the price of good X decreases from \$10 to \$9 per unit and that the quantity demanded of good X increases from 25 to 30 units. In this price range, the demand for good X is
- (A) inelastic
 - (B) elastic
 - (C) unit elastic
 - (D) perfectly inelastic
 - (E) perfectly elastic