

Student: _____
Date: _____
Time: _____

Instructor: Nisha Malhotra
Course: Microeconomics - 2011
Book: Parkin, Microeconomics: Canada in the
Global Environment, Seventh Edition

Assignment: Final

1. Compared to the situation before international trade, after Canada imports a good, production in Canada _____ and consumption in Canada _____.

- A. decreases; increases
- B. increases; increases
- C. increases; decreases
- D. does not change; increases
- E. decreases; decreases

2. If the quantity demanded of pizza increases by 30 percent when the price of pizza falls by 100 percent, what is the price elasticity of demand for pizza?

The price elasticity of demand for pizza is .

>>> Answer to 2 decimal places.

3. When the price of a skateboard increases by 6 percent and the price of a scooter remains unchanged, the quantity of scooters demanded increases by 12 percent.

Calculate the cross elasticity of demand of scooters with respect to skateboards.

The cross elasticity of demand of scooters with respect to skateboards is .

>>> If your answer is negative, include a minus sign. If your answer is positive, do not include a plus sign.

4. When an effective production quota is applied in the market for rice, the quantity produced _____ and the price _____.

The marginal social benefit _____ marginal social cost.

- A. decreases; falls; is less than
- B. increases; falls; is less than
- C. increases; rises; exceeds
- D. decreases; rises; exceeds

5. The four – firm concentration ratio measures the share of the largest four firms in total industry

- A. sales.
- B. profit.
- C. cost.
- D. capital.
- E. loss.

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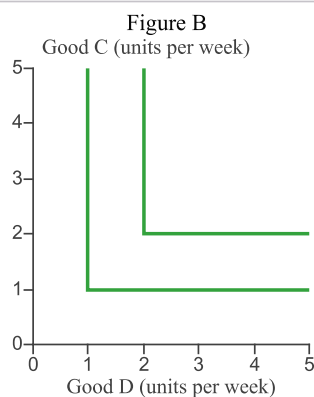
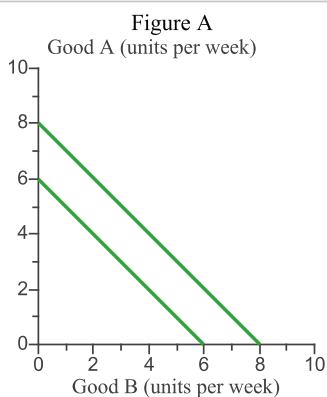
6. When a minimum wage is set above the equilibrium wage rate, _____.

- A. job search activity decreases
- B. unemployment increases
- C. the supply of workers decreases
- D. unemployment decreases

7. The figures below show two preference maps.

Figure A shows a preference map for _____ and Figure B shows a preference map for _____.

- A. perfect substitutes; ordinary goods
- B. ordinary goods; perfect complements
- C. perfect substitutes; perfect complements
- D. perfect complements; perfect substitutes



8. A demand curve passes through the point (0,700) and has slope equal to -4 .

The equation of the demand curve is _____.

- A. $Q_D = 700 - 4P$
- B. $P = 700 + 4Q_D$
- C. $P = 700 - 4Q_D$
- D. $P = 3 - 700Q_D$

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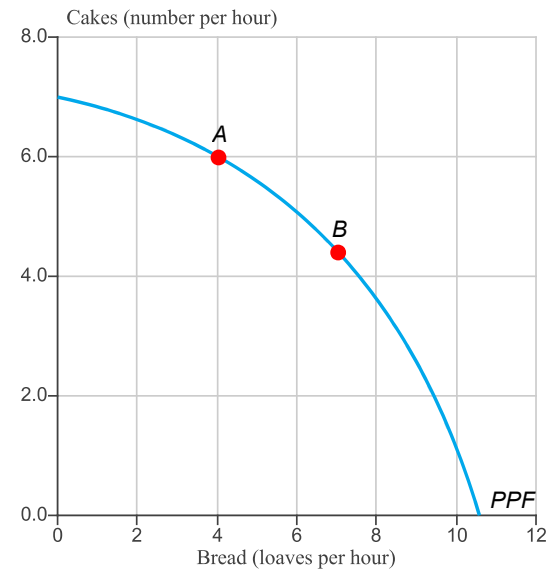
9. Sue's Surfboards rents the factory building in which it produces surfboards. The rent is increased by \$200 a week. If other things remain the same, the average fixed cost curve _____, the average variable cost curve _____, the average total cost curve _____, and the marginal cost curve _____.

- A. shifts upward; does not change; shifts upward; does not change
- B. shifts upward; does not change; does not change; shifts upward
- C. does not change; shifts upward; shifts upward; shifts upward
- D. shifts upward; does not change; shifts upward; shifts upward

10. The opportunity cost of a loaf of bread is _____ at point *A* than at point *B*.

The opportunity cost of a cake is _____ at point *B* than at point *A*.

- A. less; greater
- B. greater; less
- C. greater; greater
- D. less; less



11. Dan sells newspapers.

Dan says that a 6 percent increase in the price of a newspaper will decrease the quantity of newspapers demanded by 8 percent.

According to Dan, the demand for newspapers is _____.

- A. perfectly elastic
- B. unit elastic
- C. elastic
- D. inelastic

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12. Diminishing marginal utility means that
- A. the price of two hamburgers is less than twice the price of one.
 - B. the utility from one hamburger is greater than the utility from two hamburgers.
 - C. hamburgers seem smaller as you eat more of them.
 - D. the utility from eating two hamburgers will be more than twice the utility from eating the first one.
 - E. Ralph will enjoy his second hamburger less than the first one.

13. Suppose that in 2008, tomato growers in Ontario lobby the Canadian government to impose an import quota on Mexican tomatoes.

_____ gain and _____ lose.

- A. The people who live in Ontario; Canadian consumers of tomatoes
- B. Canadian tomato growers and Canadian consumers of tomatoes; all Canadian consumers
- C. Canadian consumers of tomatoes; Canadian tomato growers
- D. Canadian tomato growers and importers; Canadian consumers of tomatoes and society

14. The table shows the demand and supply schedules for on-campus housing.

If the college puts a rent ceiling on rooms of \$325 a month, what is the rent and how many rooms are rented? Is the on-campus housing market efficient?

If the college puts a rent ceiling on rooms of \$325 a month, rent is \$ and the number of rooms rented is .

The on-campus housing market is .

Rent (dollars per month)	Quantity demanded (rooms)	Quantity supplied
250	5,000	4,500
275	4,500	4,500
300	4,000	4,500
325	3,500	4,500
350	3,000	4,500
375	2,500	4,500

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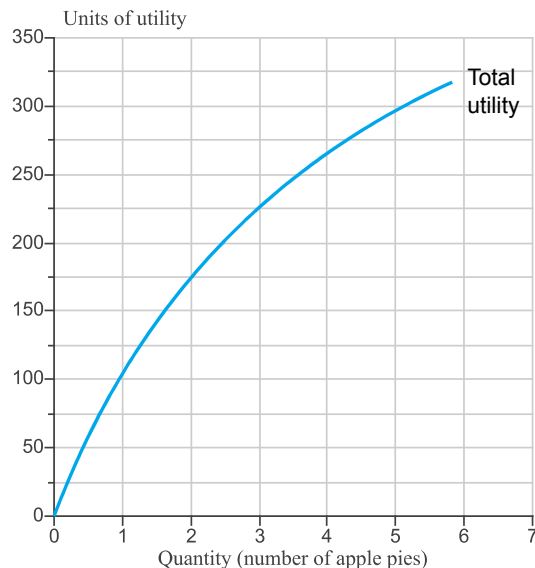
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15. The graph shows Marjorie's total utility curve for apple pies.

Which of the following statements is true?

- A. Marjorie's marginal utility from pies gets larger as she consumes more pies.
- B. Marjorie's marginal utility from pies gets smaller as she consumes more pies.
- C. The marginal utility that Marjorie receives from the 6th pie is negative.
- D. The marginal utility that Marjorie receives from the 5th pie is negative.



16. In the short run, a firm in monopolistic competition _____.

- A. will produce the quantity at which price equals average total cost
- B. can incur an economic loss
- C. cannot incur an economic loss because it will shut down at the point at which it breaks even
- D. faces a demand curve that must lie above the average total cost curve at the profit-maximizing quantity

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17. The market supply curve is the _____ sum of the individual supply curves. It is formed by adding the _____.
- A. horizontal; marginal cost of all producers at each quantity
 - B. horizontal; quantities supplied by all the producers at each price
 - C. vertical; quantities supplied by all the producers at each price
 - D. vertical; marginal cost of all producers at each quantity

Price (dollars per cheesecake)	Quantity supplied (cheesecakes per week)		
	Sarah	Kirk	Jean
5.00	6	3	2
7.50	4	2	1
10.00	2	1	0

Sarah, Kirk, and Jean are the only producers of cheesecakes in an isolated village. The table shows their weekly supply of cheesecakes.

When the price of a cheesecake is \$7.50, what is the quantity of cheesecakes supplied by the market in a week?

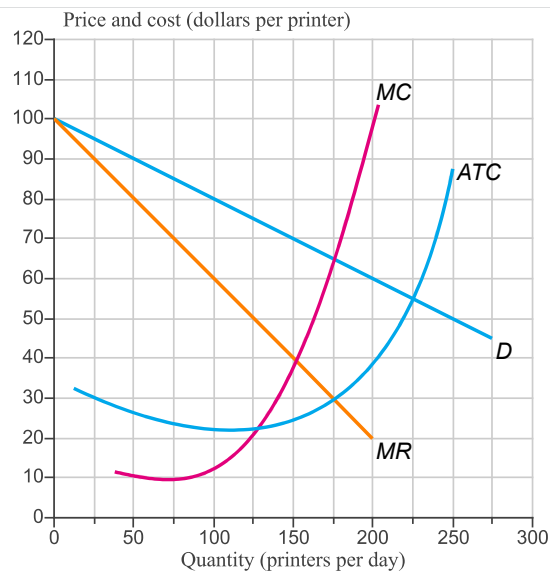
The quantity supplied by the market is cheesecakes a week.

18. The graph shows the cost curves, demand curve, and marginal revenue curve of a firm in **monopolistic competition in the short run**.

- a) This firm maximizes profit by producing _____ printers a day and setting the price at _____ a printer.
- b) Does this firm make economic profit or economic Loss? _____ Show this on the graph by shading the profit/loss region.

As a result of this profit/loss in the short run- In the long run the number of firms in the market would _____ (Increase/Decrease).

Thus, in the long run the price charged by this firm would _____ (increase/decrease), and the firm in the long run will make _____ profits (positive/ negative/ zero).



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19. The graph shows the market for pillows in which the government has imposed a sales tax of \$4 per pillow on buyers.

What is

1) the price of a pillow and the quantity of pillows bought and sold with no tax. _____; _____.

2) the price paid by buyers and the quantity of pillows bought with the tax. _____; _____.

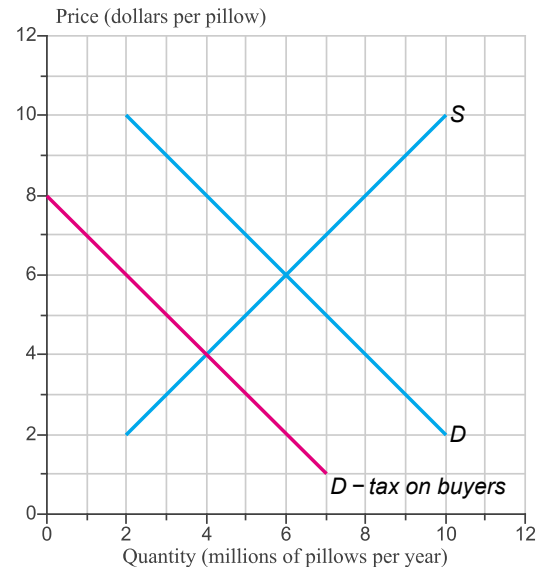
3) the price received by sellers and the quantity of pillows bought with the tax. _____; _____.

(6 points)

What is the Consumer's burden of the tax: _____

What is the Producer's burden of the tax: _____

Govt. Tax Revenue is _____ Million \$



20. Demand for a luxury is more _____ than demand for a necessity, because a luxury has _____ substitutes.

- A. elastic; fewer
- B. inelastic; more
- C. elastic; more
- D. inelastic; fewer

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1. A

2. 0.30

3. 2

4. D

5. A

6. B

7. C

8. C

9. A

10. D

11. C

12. E

13. D

14. 275
4,500
efficient

15. B

16. B

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17. B
 7

18.

19.

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20. C