Exam: Principles Micro  
ECO 2023.U07  
Fall 2009

Name___________________________________  
Panther ID______________________________

Instructions:  
1. Please write in your name and Panther ID on the question paper.  
2. Please Bubble in your name and Panther ID on the Scantron Sheet.  
3. Use a pencil for Scantron Sheet.  
4. There are 50 Multiple Choice Questions, Choose the best option.

Good Luck!!

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) If the percentage change in price is 20 percent and the elasticity of demand value is minus 5, then quantity demanded:  
   A) will increase by 5 percent.  
   B) will decrease by 100 percent.  
   C) will increase 100 percent.  
   D) Impossible to determine without additional information.

2) Price elasticity of demand measures:  
   A) how responsive to price changes suppliers are.  
   B) how responsive quantity demanded is to a change in price.  
   C) how responsive sales are to a change in buyers' incomes.  
   D) how responsive sales are to changes in the price of a related good.

3) The elasticity of demand is always negative because:  
   A) it depends on whether or not demand shifts or not when price changes.  
   B) of the law of demand.  
   C) it depends on percentages.  
   D) of the law of supply.

4) A vertical demand curve is:  
   A) perfectly elastic.  
   B) unit elastic.  
   C) perfectly inelastic.  
   D) relatively elastic.

Refer to 6.1 for the questions below.
5) In figure 6.1, the demand curve that is perfectly inelastic is:  
   A) graph a.       B) graph b.  
   C) graph c.       D) none of the above.  

6) In figure 6.1, the demand curve on which elasticity changes at every point is:  
   A) graph a.       B) graph b.  
   C) graph c.       D) none of the above.  

7) If 20 units are sold at a price of $50 and 30 units are sold at a price of $40, then the elasticity of demand calculated using the midpoint formula is:  
   A) minus 1.       B) minus 0.56.  
   C) minus 1.8.     D) none of the above.  

8) Which of the following types of goods has the most inelastic demand?  
   A) Luxuries       B) Goods whose price is high relative to consumers' budgets  
   C) Goods with many substitutes  
   D) Necessities  

9) If the demand for a lifesaving drug were perfectly inelastic and the price doubled, the quantity demanded would:  
   A) decrease by 50 percent.       B) be cut in half.  
   C) double also.       D) remain constant.
10) A demand curve that is horizontal indicates that the commodity:
   A) has a large number of substitutes.
   B) has few substitutes.
   C) must be very cheap.
   D) is a necessity.

11) If at a price of $50, 20 units are sold and at a price of $60, 0 units are sold, the price elasticity of demand of the good is:
   A) unit elastic.  B) perfectly inelastic.
   C) perfectly elastic.  D) elastic.

12) If at a price of $10, five units are sold while at a price of $80, five units are sold, then the elasticity of demand for this good is:
   A) unit elastic.  B) inelastic.
   C) perfectly inelastic.  D) perfectly elastic.

13) Cross-price elasticity of demand is calculated as the:
   A) percentage change in quantity demanded divided by percentage change in price of a good.
   B) percentage change in quantity demanded of one good divided by percentage change in price of a different good.
   C) percentage change in quantity supplied divided by percentage change in price of a good.
   D) percentage change in quantity sold divided by percentage change in buyers' incomes.

14) If at a price of $50, 20 units are sold while at a price of $40, 25 units are sold, then the elasticity of demand for this good is:
   A) unit elastic.  B) inelastic.
   C) elastic.  D) perfectly inelastic.

15) If the cross-price elasticity of demand for goods A and B is zero, this means the two goods are:
   A) unrelated.  B) substitutes.
   C) inferior.  D) complements.

16) Income elasticity measures:
   A) how a good's quantity demanded responds to change in the price of another good.
   B) how a good's quantity demanded responds to change in the goods price.
   C) how a good's sales responds to change in buyers' incomes.
   D) how a good's sales respond to producers' incomes.

17) If a good has a negative income elasticity of demand, this indicates the good is:
   A) a substitute with another good.
   B) inferior.
   C) normal.
   D) a complement with another good.

18) The income elasticity for inferior goods is always:
A) negative in value.  B) impossible to determine.
C) equal to one.  D) positive in value.

19) If a consumer receives 22 units of marginal utility for consuming the first unit of a good, 20 units from consuming the second, and 15 from the third, the total utility of consuming the three units is:
A) 15 utility units.  
B) 35 utility units.  
C) 57 utility units.  
D) unknown as more information is needed to determine the answer.

20) Suppose Joe is maximizing total utility within his budget constraint and the price of jeans is $25 and yielded 100 units of extra satisfaction. If the price of a shirt is $20, then the extra satisfaction received for the last shirt must be:
A) 2000 units of utility.  B) 80 units of utility.  
C) 500 units of utility.  D) 100 units of utility.
1) B
2) B
3) B
4) C
5) A
6) C
7) C
8) D
9) D
10) A
11) C
12) C
13) B
14) A
15) A
16) C
17) B
18) A
19) C
20) B