Economics 14th edition Parkin Test Bank

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

Real GDP per Capita Across Time

1) If real GDP per capita in a small country is $8000, what will real GDP per capita in that country be after 10 years if real GDP per capita grows at an annual rate of 2.8%?(Round to the nearest dollar.)

A) $8028
B) $37,620
C) $28,571
D) $10,544

Answer: D

2) If real GDP per capita in a small country in year 1 is $8000, and 2 years later real GDP per capita is $11,500, what is the approximate average annual percent change in the growth rate of real GDP per capita between those 2 years? (Round to the nearest tenth.)

A) 17.5%
B) 21.9
C) 71.9%
D) %

Answer: B

3) If real GDP per capita in a small country was $25,000 in year 1 and $45,000 in year 10, we would say that in year 10, the average person in that country could buy ________ times as many goods and services as the average person could in year 1. (Round to the nearest tenth.)

A) 200.0
B) 0.6
C) 1.8
D) 8.0

Answer: C

4) According to the "Rule of 70", how many years will it take for real GDP per capita to double when the growth rate of real GDP per capita is 27.0%? (Round to the nearest tenth when appropriate .)

A) 27.0
B) 18.9
C) 2.6
D) 43.0

Answer: C

5) According to the "Rule of 70", it will take approximately 2 years for real GDP per capita to double when the growth rate of real GDP per capita is ________ percent. (Round to the nearest tenth when appropriate.)

A) 1.4
B) 2
C) 68.0
D) 35.0

Answer: D

Growth Rates and Their Effects

6) GDP in a small country grew from $15 billion to $36 billion over the span of 5 years. The percent change in GDP was ________ percent over those 5 years. (Round to the nearest tenth.)

A)
B) 240.0
C) 140.0
D) 41.7

Answer: C

7) If real GDP doubles in a 8 year time span, what is the average annual growth rate of real GDP? (Round to the nearest tenth when appropriate.)

A) 8.8%
B) 8.0
C) 62.0%
D) 5.6%

Answer: A

8) If the growth rate of real GDP rises from 2.5% per year to 6.0% per year, then the number of years required for real GDP to double will decrease by ________ years. (Round to the nearest tenth when appropriate.)

A) 3.5
B) 6.0
C) 16.3
D) 2.5

Answer: C

9) If the growth rate of real GDP falls from 7.5% per year to 3.0% per year, then the number of years required for real GDP to double will increase by ________ years. (Round to the nearest tenth when appropriate.)

A) 7.5
B) 14.0
C) 4.5
D) 3.0

Answer: B

10)

Year	Real GDP (billions)
1	$9140
2	9490
3	9855
4	10,135

Refer to the table. Using the data in the table, what is the approximate growth rate of real GDP from Year 1 to Year 2? (Round to the nearest tenth.)

A) 3.5%
B) 10.4%
C) 3.8
D) 3.7%

Answer: C

11)

Year	Real GDP (billions)
1	$9115
2	9395
3	9725
4	10,110

Refer to the table. Using the data in the table, what is the approximate growth rate of real GDP from Year 3 to Year 4? (Round to the nearest tenth.)

A) 3.9%
B) 3.8%
C) 4.0
D) 10.4%

Answer: C

12)

Year	Real GDP (billions)
1	$9010
2	9380
3	9885
4	10,150

Refer to the table. Using the data in the table, what is the approximate total growth rate of real GDP from Year 1 to Year 4? (Round to the nearest tenth.)

A) 11.3%
B) 11.2%
C) 11.4%
D) 12.7

Answer: D

13) If real GDP grows by 2.7% in year 1, 2.5% in year 2, and 2.9% in year 3, what is the average annual growth rate of real GDP for those three years? (Round to the nearest tenth when appropriate.)

A) 3.2%
B) 8.1%
C) 2.7
D) 2.5%

Answer: C

The Aggregate Production Function

14) It is estimated that a $14,000 increase in capital per hour worked in a small country will increase real GDP per hour worked by $1300. Based on this information, what is the slope of the per- worker production function in this range? (Round to the nearest hundredth when appropriate.)

A) 7650.00
B) 0.09
C) 10.77
D) 14.0

Answer: B

15) It is estimated that increasing the level of capital by $6 million in a small country will increase real GDP by $2 million. If the number of hours worked in the labor force does not change, what should the slope of the per- worker production function be in this range? (Round to the nearest hundredth when appropriate.)
A) 3.00
B) 0.20
C) 4.00
D) 0.33
Answer: D

16) If the slope of the per- worker production function is 0.3 in a given range, then a $7000 increase in capital per hour worked will result in a change in real GDP per hour worked of ________ in the same given range. (Round to the nearest dollar..)
A) $23,333
B) $7000
C) $2100
D) $1050
Answer: C

The Savings- Investment Spending Identity In Closed and Open Markets

17)

GDP (*Y*)	**$12.5**
Consumption (*C*)	**9.0**
Investment (*I*)	**1.5**
Government purchases (*G*)	**2.0**
Transfer payments (*TR*)	**2.5**
Taxes (*T*)	**3.0**

All figures in the table are in trillions of dollars.

Refer to the data for a closed economy in the table. What is the level of private saving in this closed economy?
A) $3.0 trillion
B) $0.5 trillion
C) - $1.5 trillion
D) - $2.0 trillion
Answer: A

18)

GDP (*Y*)	**$14**
Consumption (*C*)	**9.0**
Investment (*I*)	**3.0**
Government purchases (*G*)	**2.0**
Transfer payments (*TR*)	**1.5**
Taxes (*T*)	**4.0**

All figures in the table are in trillions of dollars.

Refer to the data for a closed economy in the table. What is the level of public saving in this closed economy?
A) $2.0 trillion
B) trillion
C) $2.5 trillion
D) $3.0 trillion
Answer: B

19)

GDP (*Y*)	**$9.5**
Consumption (*C*)	**6.5**
Investment (*I*)	**2.0**
Government purchases (*G*)	**1.0**
Transfer payments (*TR*)	**1.5**
Taxes (*T*)	**2.0**

All figures in the table are in trillions of dollars.

Refer to the data for a closed economy in the table. What is the level of total saving in this closed economy?

A) - $0.5 trillion
B) $8.0 trillion
C) $2.0 trillion
D) $2.5 trillion

Answer: C

20) If, in a closed economy, real GDP is $80 billion, consumption is $35 billion, and government purchases are $25 billion, what is investment in this economy?

A) $140 billion
B) $70 billion
C) $60 billion
D) $20 billion

Answer: D

21) If, in a closed economy, real GDP is $70 billion, consumption is $25 billion, and government purchases are $25 billion, what is total saving in this economy?

A) $50 billion
B) $120 billion
C) $70 billion
D) $20 billion

Answer: D

22)

GDP (*Y*)	**$10.3**
Consumption (*C*)	**6.0**
Domestic investment (*I*)	**3.0**
Government purchases (*G*)	**2.0**
Net exports (NX)	**-0.7**
Transfer payments (*TR*)	**2.5**
Taxes (*T*)	**3.0**

All figures in the table are in trillions of dollars.

Refer to the data for an open economy in the table. What is the level of national saving in this open economy?

A) $3.7 trillion
B) $2.3 trillion
C) $3.2 trillion
D) $3.0 trillion

Answer: B

23)

GDP (*Y*)	**$13.3**
Consumption (*C*)	**9.0**
Domestic investment (*I*)	**1.0**
Government purchases (*G*)	**3.0**
Net exports (NX)	**0.3**
Transfer payments (*TR*)	**1.5**
Taxes (*T*)	**3.0**

All figures in the table are in trillions of dollars.

Refer to the data for an open economy in the table. What is the level of net foreign investment in this open economy?

A) trillion
B) $1.3 trillion
C) $0.7 trillion
D) $1.0 trillion

Answer: A

The Bond Market

24) If you invest $40,000 in a bond that earns 2% interest per year, how many years will it take to double your money? (Round to the nearest tenth when appropriate.)

A) 35.0
B) 50.0
C) 8.0
D) 1.4

Answer: A

25) If a corporate bond with a face value of $3000 has an interest rate of 6% paid once a year for a term of 10 years, what is the size of the coupon payment? (Round to the nearest hundredth.)

A) $180.00
B) $50.00
C) $500.00
D) $18.00

Answer: A

26) If a corporate bond with a face value of $3000 has an interest rate of 2% paid once a year for a term of 10 years, at the end of the tenth year, the corporation would pay the bondholder ________.

A) only the final coupon payment of $60.00
B) $3000 minus the annual coupon payment
C) $3000 plus the annual coupon payment.
D) only the final coupon payment of $1500.00

Answer: C

27) If a corporate bond with a face value of $20,000 pays yearly coupon payments of $1000, what is the coupon rate? (Round to the nearest tenth.)

A) %
B) 5.0
C) 20.0%
D) 0.2%

Answer: B

28) If you own a $1,000 face value bond with one year remaining to maturity and a coupon rate of 6% and new bonds are paying 7%, what is the most you can get for your old bond today? (Round to the nearest hundredth.)
A) $132.50
B) $930.00
C) $133.75
D) $152.86
Answer: A

29) If you own a $100 face value bond with one year remaining to maturity and a coupon rate of 10% and new bonds are paying 4%, what is the value of your old bond today? (Round to the nearest hundredth.)
A) $20.80
B) $9.45
C) $96.00
D) $22.00
Answer: D

30) You received a $100 savings bond for your birthday. The bond pays $100 at maturity, which is in 6 years. If the interest rate is 3.5%, what is the present value of the bond? (Round to the nearest hundredth when appropriate.)
A) $22.22
B) $100
C) $81.35
D) $3.70
Answer: C

The Stock Market

31) If a company pays a dividend of $20 to be received one year from now, dividends are expected to grow at a rate of 7% per year for the indefinite future, and the interest rate is 10%, the price of the company's stock should be ________ per share.
A) $666.67
B) $60.00
C) $14.00
D) $340.00
Answer: A

32) If a company's stock price is $170 per share, the stock's dividends are expected to grow at a rate of 6% per year for the indefinite future, and the interest rate is 9%, the stock's dividend to be received one year from now should be ________ per share.
A) $25.50
B) $5.10
C) $56.67
D) $11.33
Answer: B

33) If a company's stock price is $200 per share, the company pays a dividend of $10 to be received one year from now, and the stock's dividends are expected to grow at a constant annual rate of 5% for the indefinite future, then the interest rate should be approximately ________ percent. (Round to the nearest tenth when appropriate.)
A) 15.0
B) 10.0
C) 5.20
D) 7.5
Answer: B

34) If a company's stock price is $100 per share, the company pays a dividend of $9 to be received one year from now, the interest rate is 2%, and the stock's dividends are expected to grow at a constant annual rate for the indefinite future, then the dividend growth rate should be approximately ________ percent. (Round to the nearest tenth when appropriate.)

A) - 7.0
B) 5.5
C) 11.0
D) 2.1

Answer: A

Answer Key
Testname: UNTITLED2

1) D
ID: POE01US 1.2.1.1-1
Diff: 3
AACSB: Analytical Skill

2) B
ID: POE01US 1.2.1.1-2
Diff: 3
AACSB: Analytical Skill

3) C
ID: POE01US 1.2.1.1-3
Diff: 1
AACSB: Knowledge

4) C
ID: POE01US 1.2.1.1-4
Diff: 1
AACSB: Knowledge

5) D
ID: POE01US 1.2.1.1-5
Diff: 1
AACSB: Knowledge

6) C
ID: POE01US 1.2.1.1-6
Diff: 2
AACSB: Analytical Skill

7) A
ID: POE01US 1.2.1.1-7
Diff: 1
AACSB: Knowledge

8) C
ID: POE01US 1.2.1.1-8
Diff: 3
AACSB: Analytical Skill

9) B
ID: POE01US 1.2.1.1-9
Diff: 3
AACSB: Analytical Skill

10) C
ID: POE01US 1.2.1.1-10
Diff: 3
AACSB: Analytical Skill

11) C
ID: POE01US 1.2.1.1-11
Diff: 2
AACSB: Analytical Skill

12) D
ID: POE01US 1.2.1.1-12
Diff: 2
AACSB: Analytical Skill

Answer Key
Testname: UNTITLED2

13) C
ID: POE01US 1.2.1.1-13
Diff: 1
AACSB: Knowledge

14) B
ID: POE01US 1.2.1.2-1
Diff: 2
AACSB: Knowledge

15) D
ID: POE01US 1.2.1.2-2
Diff: 2
AACSB: Knowledge

16) C
ID: POE01US 1.2.1.2-3
Diff: 2
AACSB: Knowledge

17) A
ID: POE01US 1.2.2.1-1
Diff: 2
AACSB: Knowledge

18) B
ID: POE01US 1.2.2.1-2
Diff: 2
AACSB: Knowledge

19) C
ID: POE01US 1.2.2.1-3
Diff: 2
AACSB: Knowledge

20) D
ID: POE01US 1.2.2.1-4
Diff: 1
AACSB: Knowledge

21) D
ID: POE01US 1.2.2.1-5
Diff: 1
AACSB: Knowledge

22) B
ID: POE01US 1.2.2.1-6
Diff: 2
AACSB: Knowledge

23) A
ID: POE01US 1.2.2.1-7
Diff: 2
AACSB: Knowledge

24) A
ID: POE01US 1.2.2.2-1
Diff: 1
AACSB: Knowledge

Answer Key
Testname: UNTITLED2

25) A
ID: POE01US 1.2.2.2-2
Diff: 2
AACSB: Analytical Skill

26) C
ID: POE01US 1.2.2.2-3
Diff: 2
AACSB: Knowledge

27) B
ID: POE01US 1.2.2.2-4
Diff: 2
AACSB: Analytical Skill

28) A
ID: POE01US 1.2.2.2-5
Diff: 3
AACSB: Analytical Skill

29) D
ID: POE01US 1.2.2.2-6
Diff: 3
AACSB: Analytical Skill

30) C
ID: POE01US 1.2.2.2-7
Diff: 2
AACSB: Analytical Skill

31) A
ID: POE01US 1.2.2.2-8
Diff: 2
AACSB: Analytical Skill

32) B
ID: POE01US 1.2.2.2-9
Diff: 2
AACSB: Analytical Skill

33) B
ID: POE01US 1.2.2.2-10
Diff: 2
AACSB: Analytical Skill

34) A
ID: POE01US 1.2.2.2-11
Diff: 2
AACSB: Analytical Skill

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

The Demand Curve

1) The table shows the demand schedule for blackberries.

Price	Quantity Demanded
1	130
2	120
3	110
4	100
5	90

Assuming that the demand for blackberries is linear, what quantity is demanded at a price of $1.50?

A) 155
B) 125
C) 170
D) 110

Answer: B

2) The table shows the individual demand schedules in the market for wrenches.

Price	Quantity Demanded by Antoinette	Quantity Demanded by Raphael	Quantity Demanded by Mathilde
1	12	40	16
2	8	30	12
3	4	30	8
4	0	10	4

Assuming Antoinette, Raphael, and Mathilde make up the entire market for wrenches, determine the market demand for wrenches.
At what price is the market demand 46 wrenches?

A) 2.22
B) - 823.22
C) 7.33
D) 827.94

Answer: A

Shifts in the Demand Curve

3) The table shows the quantity of chocolate bars that is demanded and supplied at various prices.

Price	Quantity Demanded	Quantity Supplied
1	25	23
2	20	29
3	15	35
4	10	41

Assume that at each price, quantity demanded increases by 11. What is the new equilibrium price and quantity? Round your final answer to two decimal places.

A) Price = 2.18, Quantity = 3.92
B) Price = 2.18, Quantity = 30.08
C) Price = 5.27, Quantity = 3.92
D) Price = 5.27, Quantity = 30.08

Answer: B

4) Which of the following shifts the demand curve?

A) An increase in the federal minimum wage increases the costs of workers.
B) Hinrik believes there will soon be a shortage of toilet paper, so he stocks up and buys four packages the next time he goes grocery shopping,
C) The price of jet fuel, an input for air travel, rises.
D) The market for electricity is deregulated so now any company can sell electricity.

Answer: B

Movement Along a Demand Curve

5) Which statement results in a change in quantity demanded?

A) After the price of cycling shoes decreases, people buy more bicycles.
B) After several articles are released about the nutritional benefits of kale, kale sales increase by 15%.
C) Chips- N- More experiences a significant decline in sales after it raises the price of their products.
D) Toyota opens a new factory in Dallas and millions of workers relocate to the area.

Answer: C

The Supply Curve

6) The table shows the supply schedule for socks.

Price	Quantity Supplied
1	0
2	15
3	30
4	45
5	60

Assuming that the supply of socks is linear, at what price is a quantity of 39 supplied? Round your final answer to two decimal places.

A) - $585.00
B) $12.40
C) $3.60
D) $585.00

Answer: C

Shifts in the Supply Curve

7) The table shows the quantity of tablets that is demanded and supplied at various prices.

Price	Quantity Demanded	Quantity Supplied
50	120,000	100,000
75	112,500	102,500
100	105,000	105,000
125	97,500	107,500

Assume that the new equilibrium price is $50. How much would quantity supplied need to increase at each price to reach this equilibrium?

A) 5050
B) 2550
C) 20,000
D) 112,499

Answer: C

Movement Along a Supply Curve

8) Which statement results in a change in quantity supplied?

A) After a hurricane hit Houston, the production of oil declined by 25%.
B) The market for electricity is deregulated so now any company can sell electricity.
C) To take advantage of the increased price of roses around Valentine's day, Flirty Flowers decides to plant more roses.
D) Sharp Points, a scissors manufacturer, switches to producing knives because the price of knives increased.

Answer: C

Using the Supply and Demand Curves to Find Equilibrium

9) The table shows the quantity of lilies that are demanded and supplied at various prices.

Price	Quantity Demanded	Quantity Supplied
1.5	210	105
2.5	175	140
3.5	140	175
4.5	105	210

What is the equilibrium price? What is the equilibrium quantity? Round your final answer to two decimal places.

A) $4.5, 105
B) $3, 105
C) $4.5, 157.5
D) $3, 157.5

Answer: D

10) Suppose the equation for the demand curve is $P = 8 - 3Qd$ and the equation for the supply curve is $P = 1 + 0.5Qs$. What is the equilibrium price and quantity? Round your final answer to two decimal places.

A) $0.29, 2.57
B) $0.29, 2
C) $2.00, 2.57
D) $2.00,2

Answer: D

11) The table shows the quantity of mystery books that is demanded and supplied at various prices.

Price	Quantity Demanded	Quantity Supplied
5.00	60	39
5.25	52	41.5
5.50	44	44
5.75	36	46.5
6.00	28	49

Assume that at each price, quantity demanded decreases by 2.5 and quantity supplied increases by 8. What is the new equilibrium price and quantity?

A) $5.75, 49.5
B) $5.25, 49.5
C) $5.25, 54.5
D) $5.75, 54.5

Answer: B

Effects of Surplus

12) The table shows the quantity of stuffed animals that are demanded and supplied at various prices:

Price	Quantity Demanded	Quantity Supplied
1	96	21
2	84	34
3	72	47
4	60	60
5	48	73
6	36	86

Suppose the market price is set to $3. This market has a ________ (shortage/surplus) of stuffed animals equal to ________.
Suppose the market price is set to $6. This market has a ________ (shortage/surplus) of stuffed animals equal to ________.

A) surplus, 25, surplus, 50
B) surplus, 25, shortage, 50
C) shortage, 25, surplus, 50
D) shortage, 25, shortage, 50

Answer: C

13) The table shows the quantity of video games that are demanded and supplied at various prices.

Price	Quantity Demanded	Quantity Supplied
10	220	160
20	200	240
30	180	320
40	160	400
50	140	480
60	120	560

At what price is there a surplus of 440 video games?
A) $20
B) $60
C) $30
D) $50

Answer: B

Effects of Shortage

14) The table shows the quantity of video games that are demanded and supplied at various prices.

Price	Quantity Demanded	Quantity Supplied
10	880	60
20	800	80
30	720	100
40	640	120
50	560	140
60	480	160

At what price is there a shortage of 720 video games?
A) $60
B) $50
C) $20
D) $30

Answer: C

15) Suppose the equation for the demand curve is P = 7 – 2Qd and the equation for the supply curve is P = 3 + 3Qs. What is the quantity demanded when P = $4.40? What is the quantity supplied when P = $4.40? The market is currently experiencing a ________ (surplus/shortage). Round your final answer to two decimal places.
A) 0.47, 1.3, shortage
B) 1.3, 0.47, surplus
C) 0.47, 1.3, surplus
D) 1.3, 0.47, shortage

Answer: D

Price Ceilings and their Consequences

16) The table shows the quantity of bread that is demanded and supplied at various prices.

Price	Quantity Demanded	Quantity Supplied
1.50	540	190
2.50	450	275
3.50	360	360
4.50	270	445

The government sets a price ceiling at $2.50. The price ceiling causes a ________ (shortage/surplus) of ________.

A) surplus, 175
B) shortage, 175
C) shortage, 350
D) surplus, 350

Answer: B

17) The table shows the quantity of office space that is demanded and supplied at various prices.

Price	Quantity Demanded	Quantity Supplied
1000	235.714286	172.222222
1250	200	200
1500	164.285714	227.777778
1750	128.571429	255.555556

The government sets a price ceiling at $1500. The price causes a ________ (shortage/surplus) of ________.

A) surplus, 164.285714
B) shortage, 63.4920635
C) surplus, 63.4920635
D) shortage, 0

Answer: D

Price Floors and their Consequences

18) The table shows the quantity of workers that are demanded and supplied at various wages.

Wages	Quantity Demanded	Quantity Supplied
9	1505	1190
12	1295	1295
15	1085	1400
18	875	1505

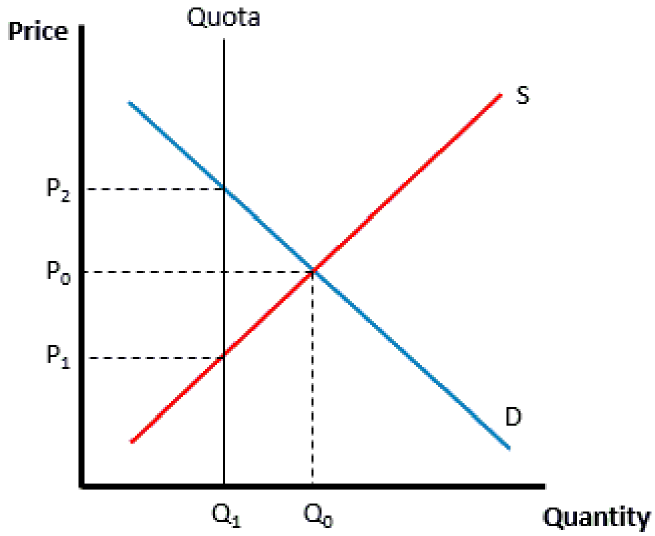
The government sets a price floor at $15. The price floor causes a ________ of ________.
How many people would be employed if the price floor was not in place?

A) surplus, 315, 1295
B) shortage, 875, 1085
C) shortage, 875, 1295
D) surplus, 315, 1085

Answer: A

Quotas

19) The graph shows the effect of imposing a production quota on the market for hops.



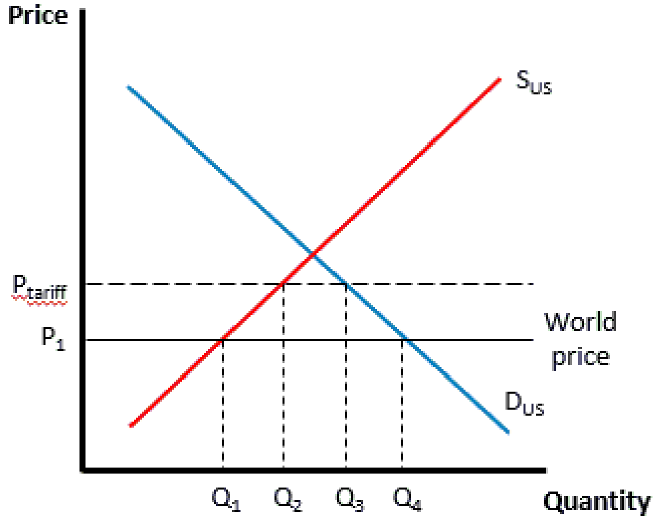
If P0=$10, P1=$7, P2=$21, Q0=1564, and Q1=959, how much have prices increased after the quota has been implemented?

A) $14
B) $3
C) $11
D) $21

Answer: C

Import Quotas vs. Tariffs

20) The graph shows the effect of imposing a tariff on the market for oil.

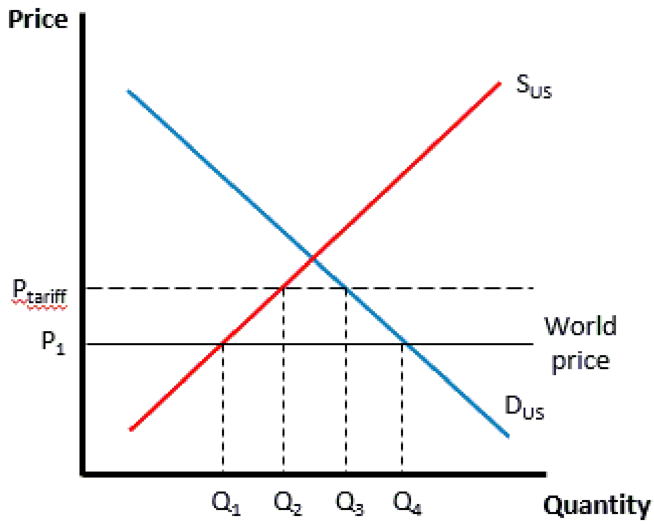


If P1=$77, Ptariff=$82, Q1=37, Q2=38, Q3=39, and Q4=44, how much is imported from abroad before the tariff is implemented and after the tariff is in place?

A) 1, 2
B) 7, 1
C) 7, 6
D) 6 , 1

Answer: B

21) The graph shows the effect of imposing a tariff on the market for oil.



If P1 = $95, Ptariff = $121, Q1 = 41, Q2 = 42, Q3 = 46, and Q4 = 48, how much does the government earn from the tariff? Round your final answer to two decimal places.

A) $484.00
B) $847.00
C) $104.00
D) $182.00

Answer: C

Mathematical Calculation of Price Elasticity of Demand

22) If the percent change in quantity demanded is 73% and the price elasticity of demand is 0.6 what is the percent change in price? Round your final answer to two decimal places.

A) 43.8%
B) 73.00%
C) 121.67%
D) 0.01%

Answer: C

23) If the slope = - 9, P=$3.25 and Qd=65, what is the point elasticity of demand? Round your final answer to two decimal places.

A) - 0.01
B) - 0.45
C) - 180
D) - 2.22

Answer: A

Interpretation of Price Elasticity of Demand

24) The table shows the quantity demanded for bouncy balls at various prices.

Point	Price	Quantity Demanded
A	1	1040
B	2	1000
C	3	960
D	4	920
E	5	880

Using the midpoint formula, the price elasticity of demand between A and B is ________. At this point, the demand curve is ________ (elastic/inelastic). Round your final answer to two decimal places.

A) - 208, inelastic
B) - 0.06, inelastic
C) - 208, elastic
D) - 0.06, elastic

Answer: B

25) The table shows the quantity demanded for hockey pucks at various prices.

Point	Price	Quantity Demanded
A	1	45
B	2	40
C	3	35
D	4	30
E	5	25

Using the midpoint formula, the price elasticity of demand between D and E is ________. At this point, the demand curve is ________ (elastic/inelastic). Round your final answer to two decimal places.

A) - 0.82, inelastic
B) - 0.82, elastic
C) - 0.67, inelastic
D) - 0.67, elastic

Answer: A

Other Demand Elasticities

26) When Aasir gets a 53% raise, he increases his purchase of donuts by 23%. Aasir's income elasticity of demand for donuts is ________. For Aasir, donuts are a ________ (normal/inferior) good. Round your final answer to two decimal places.

A) 2.3, normal
B) 0, inferior
C) 0.43, normal
D) 0.43, inferior

Answer: C

27) When the price of bananas increases by 36%, Nyawira reduces her purchase of peanut butter by 50%. Nyawira's cross- price elasticity of demand for peanut butter is ________. For Nyawira, peanut butter and bananas are ________ (substitute/compliments). Round your final answer to two decimal places.
A) - 0.72, substitutes
B) - 0.72, complements
C) - 1.39, complements
D) - 1.39, substitutes
Answer: C

Mathematical Calculation of Price Elasticity of Supply

28) The table shows the quantity supplied of video games at various prices.

Point	Price	Quantity Supplied
A	51	675
B	52	720
C	53	765
D	54	810
E	55	855

Using the midpoint formula, the price elasticity of supply between B and C is ________. The supply of the good is ________. Round your final answer to two decimal places.
A) 3.18, elastic
B) 3.25, inelastic
C) 3.18, inelastic
D) 3.25, elastic
Answer: A

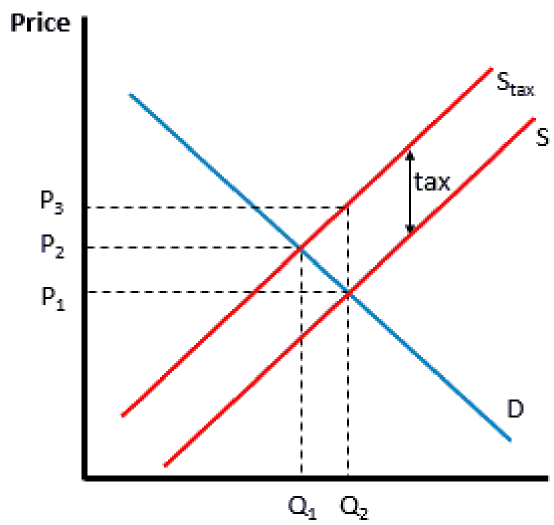
29) If the price elasticity of supply = 1.75, P=$68 and Qs = 74, what is the slope of the supply curve? Round your final answer to two decimal places.
A) 0.53
B) 1.60810811
C) 0.62
D) 0.91891892
Answer: A

Interpretation of Price Elasticity of Supply

30) Suppose that in the short run, the price elasticity of supply is 0.6 and in the long run the price elasticity of supply is 2.2. The price increases by 85%, the change in quantity supplied in the short run is ________ and the change in quantity supplied in the long run is ________. Round your final answer to one decimal place.
A) 51, 187
B) 187, 51
C) 141.7, 38.6
D) 38.6, 141.7
Answer: A

Excise Taxation

31) The graph shows the effect of imposing an excise tax on the market for Campy Cereal.



If the tax is \$3.75, P1 = \$1, P2 = \$4.00, P3 = \$4.75, Q1 = 62, and Q2 = 167, how much does the government receive in revenue from the tax? Round your final answer to two decimal places.

A) \$626.25
B) \$393.75
C) \$46.50
D) \$232.50

Answer: D

Answer Key
Testname: UNTITLED9

1) B
ID: POE01US 2.2.1.1-1
Diff: 2
AACSB: Analytical Skill

2) A
ID: POE01US 2.2.1.1-2
Diff: 2
AACSB: Analytical Skill

3) B
ID: POE01US 2.2.1.1-3
Diff: 3
AACSB: Analytical Skill

4) B
ID: POE01US 2.2.1.1-4
Diff: 2
AACSB: Application of Knowledge

5) C
ID: POE01US 2.2.1.1-5
Diff: 2
AACSB: Application of Knowledge

6) C
ID: POE01US 2.2.1.2-1
Diff: 2
AACSB: Analytical Skill

7) C
ID: POE01US 2.2.1.2-2
Diff: 2
AACSB: Analytical Skill

8) C
ID: POE01US 2.2.1.2-3
Diff: 2
AACSB: Application of Knowledge

9) D
ID: POE01US 2.2.1.3-1
Diff: 2
AACSB: Analytical Skill

10) D
ID: POE01US 2.2.1.3-2
Diff: 3
AACSB: Analytical Skill

11) B
ID: POE01US 2.2.1.3-3
Diff: 3
AACSB: Analytical Skill

12) C
ID: POE01US 2.2.1.3-4
Diff: 2
AACSB: Analytical Thinking

Answer Key
Testname: UNTITLED9

13) B
ID: POE01US 2.2.1.3-5
Diff: 2
AACSB: Analytical Thinking

14) C
ID: POE01US 2.2.1.3-6
Diff: 2
AACSB: Analytical Thinking

15) D
ID: POE01US 2.2.1.3-7
Diff: 2
AACSB: Analytical Skill

16) B
ID: POE01US 2.2.2.1-1
Diff: 2
AACSB: Analytical Thinking

17) D
ID: POE01US 2.2.2.1-2
Diff: 2
AACSB: Analytical Thinking

18) A
ID: POE01US 2.2.2.1-3
Diff: 2
AACSB: Analytical Thinking

19) C
ID: POE01US 2.2.2.2-1
Diff: 2
AACSB: Analytical Thinking

20) B
ID: POE01US 2.2.2.2-2
Diff: 2
AACSB: Analytical Thinking

21) C
ID: POE01US 2.2.2.2-3
Diff: 2
AACSB: Analytical Skill

22) C
ID: POE01US 2.2.3.1-1
Diff: 2
AACSB: Analytical Skill

23) A
ID: POE01US 2.2.3.1-2
Diff: 3
AACSB: Analytical Skill

24) B
ID: POE01US 2.2.3.1-3
Diff: 3
AACSB: Analytical Skill

Answer Key
Testname: UNTITLED9

25) A
ID: POE01US 2.2.3.1-4
Diff: 3
AACSB: Analytical Skill

26) C
ID: POE01US 2.2.3.1-5
Diff: 2
AACSB: Analytical Skill

27) C
ID: POE01US 2.2.3.1-6
Diff: 2
AACSB: Analytical Skill

28) A
ID: POE01US 2.2.3.2-1
Diff: 3
AACSB: Analytical Skill

29) A
ID: POE01US 2.2.3.2-2
Diff: 2
AACSB: Analytical Skill

30) A
ID: POE01US 2.2.3.2-3
Diff: 2
AACSB: Analytical Skill

31) D
ID: POE01US 2.2.3.3-1
Diff: 2
AACSB: Analytical Skill