

Please answer all questions

	1	2	3	4	5	6	7
Answer Grid:	8	9	10	11	12	13	14

Multiple Choice Questions (use the answer grid).

- The price elasticity of demand indicates:
 - the extent to which consumers respond to a change in price
 - the extent to which a demand curve shifts as income changes
 - the slope of the demand curve
 - the extent to which changes in a product's price affect consumers' incomes
 - the absolute change in price is bigger than the absolute change in quantity demanded
 - a given percentage change in price causes a smaller percentage change in quantity demanded
- A perfectly inelastic demand curve:
 - rises upward and to the right, but has a constant slope
 - can be represented by a line parallel to the vertical axis
 - can be represented by a line parallel to the horizontal axis
 - is downward sloping and has a constant slope
 - decreases the quantity demanded of X by more than 4 percent
 - decreases the quantity demanded of X by less than 4 percent
 - increases the quantity demanded of X by more than 4 percent
 - increases the quantity demanded of X by less than 4 percent
 - does not affect the quantity demanded of X
- A perfectly elastic demand curve:
 - can be represented by a line parallel to the horizontal axis
 - slopes downward, reflecting the law of demand
 - can be represented by a line parallel to the vertical axis
 - slopes upward and to the right, breaking the law of demand
 - price falls and demand is unit-elastic
 - price rises and demand is inelastic
 - price rises and demand is elastic
 - price falls and demand is perfectly inelastic
- An elastic demand curve is one for which:
 - the absolute change in price is smaller than the absolute change in quantity demanded
 - a given percentage change in price causes a larger percentage change in quantity demanded
 - price falls and demand is unit-elastic
 - price rises and demand is inelastic
 - price rises and demand is elastic
 - price falls and demand is perfectly inelastic
- In which of the following instances does total revenue increase?
 - price falls and demand is unit-elastic
 - price rises and demand is inelastic
 - price rises and demand is elastic
 - price falls and demand is perfectly inelastic
- If the demand for farm products is inelastic, a good harvest will cause farm revenues to:
 - increase
 - decrease
 - be unchanged
 - disappear
- As you move down a straight-line-downward-sloping demand curve, the price elasticity of demand:
 - becomes less elastic

Quiz 3

- (b) remains constant because the slope is constant
- (c) may become more or less elastic depending on the slope of the demand curve
- (d) becomes more elastic
9. If the income elasticity of a demand for a good is negative, then the good is:
- (a) a luxury good
- (b) an income-neutral good
- (c) an inferior good
- (d) a normal good
10. If the University Chamber Music Society decides to raise ticket prices to acquire more funds to finance concerts, the Society is assuming that the demand for tickets is:
- (a) parallel to the horizontal axis
- (b) unit-elastic
- (c) elastic
- (d) inelastic