

TA's Name & Section # _____

Sign the Honor Pledge Here: _____

Midterm Exam No. 1

Instructions:

- 1) On your blue answer sheet mark in the bubbles for your name, student PID number, and section number. The section number should be filled in like this: "000802" for Tsuyoshi's Wed 4:40 pm section in the area marked "sequence number." **Two points will be deducted if you incorrectly record your section number.**
- 2) Write your exam # (upper right hand corner of this page) on the **top left** corner of your blue answer sheet.
- 3) On your blue answer sheet, where it says "Page Number" bubble in either "1" or "2" depending on whether it says "Page 1" or "Page 2" at the top left corner of this page.
- 4) Go **RIGHT NOW** to page 6 of this exam and write your name, PID#, and TA's name.
- 5) Answer all questions. There are seven (7) pages on the exam.
- 6) Turn in your exam with your answer sheet. Interleave the answer sheet in the exam paper.
- 7) Sign the Honor Code on your blue answer sheet and on this page.

Section	Day	Start	Room	TA Name
801	Mo	4:40PM	Gardner 0007	Pyongsik Kim
802	We	4:40PM	Gardner 0007	Tsuyoshi Nakano
804	We	8:00AM	Gardner 0007	Boyuan Li
805	Mo	9:05AM	Gardner 0106	Jiadong Gu
806	We	9:05AM	Gardner 0106	Boyuan Li
807	Mo	10:10AM	Gardner 0106	Jiadong Gu
808	We	10:10AM	Gardner 0106	Lu Yi
810	We	11:15AM	Gardner 0106	Lu Yi
811	Mo	2:30PM	Gardner 0106	Muricio Salazar
812	We	2:30PM	Gardner 0106	Tsuyoshi Nakano
813	Mo	3:35PM	Gardner 0106	Pyongsik Kim

Multiple Choice (4 points each)

1. The slope of an indifference curve at all points reflects

- 1) the rate at which the market allows consumers to substitute one good for another.
- 2) consumer income relative to the price of a good.
- 3) the willingness of the consumer to substitute one good for another
- 4) the relative price ratio of the two goods

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2. The theory of consumer choice is based on the hypothesis that each consumer wants to

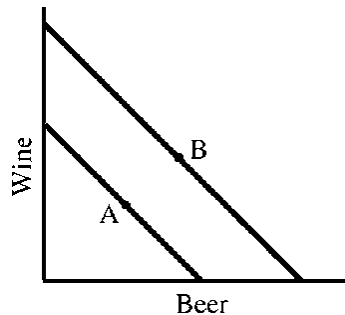
- 1) maximize her marginal utility.
- 2) minimize the percentage of her consumption diverted to inferior goods.
- 3) maximize her total utility.
- 4) all of the above are correct.

3. The stock market

- 1) guarantees that a seller of a stock will get the price at which the stock was purchased.
- 2) is used only to sell new stock issues from corporation and not to transfer existing stocks.
- 3) is used only to sell stocks, not to buy stocks.
- 4) gives an individual a chance to buy and sell stocks without necessarily committing funds for long periods of time.

4. An inferior good is one

- 1) Produced by American industries.
- 2) Whose quantity demanded falls when the purchaser's income rises.
- 3) Ordinarily bought by college students from college-town merchants.
- 4) Suitable for a garage sale.



5. In the figure above, the rightward shift in budget lines from A to B

- 1) Results in equal price reductions for beer and wine.
- 2) Results from an increase in the consumer's income.
- 3) Could have been caused by income or price changes.
- 4) All the above the answers above are correct.

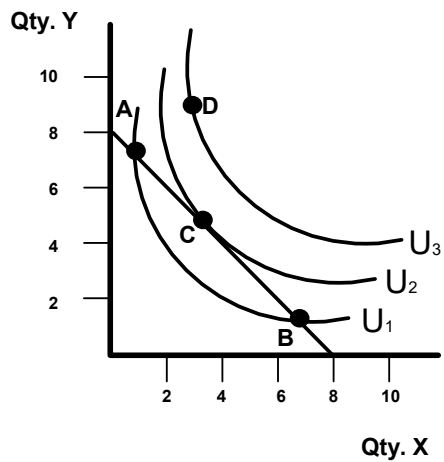
6. The demand curve for a typical good has

- 1) a negative slope because the good has less 'snob appeal' as its price falls.
- 2) a negative slope because consumers purchase less of the good as the price rises.
- 3) a positive slope because as the price goes up, the good has more profitability.
- 4) a positive slope because price is an indicator of need.

7. The demand for a good will tend to be more price elastic if the good

- 1) is a small part of the household budget.
- 2) has no close substitutes.
- 3) is a luxury good.
- 4) is a necessity.

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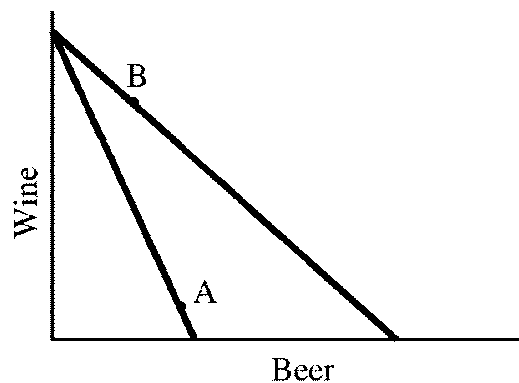


8. In the Figure above, the consumer's marginal rate of substitution at his optimum choice of X and Y is

- 1) 1.
- 2) 16.
- 3) 8.
- 4) 2.

9. Suppose the price elasticity of demand for automobile purchases is about 1.2. This implies that a price increase of \$1,000 on a \$10,000 automobile will

- 1) reduce the demand for automobiles by approximately 1.2 percent.
- 2) reduce the quantity of automobiles demanded approximately 1.2 percent.
- 3) reduce the quantity of automobiles demanded by approximately 12 percent.
- 4) reduce the demand for automobiles by approximately 12 percent.



10. In the Figure above, a consumer is initially at point A. There is a price change and she moves to B. It appears that

- 1) the demand for beer follows the law of demand.
- 2) The demand for beer does not follow the law of demand.
- 3) Wine is an inferior good.
- 4) The consumer's income is decreased.

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11. Use the following demand and supply equations:

$$Q^d = 50 - P$$

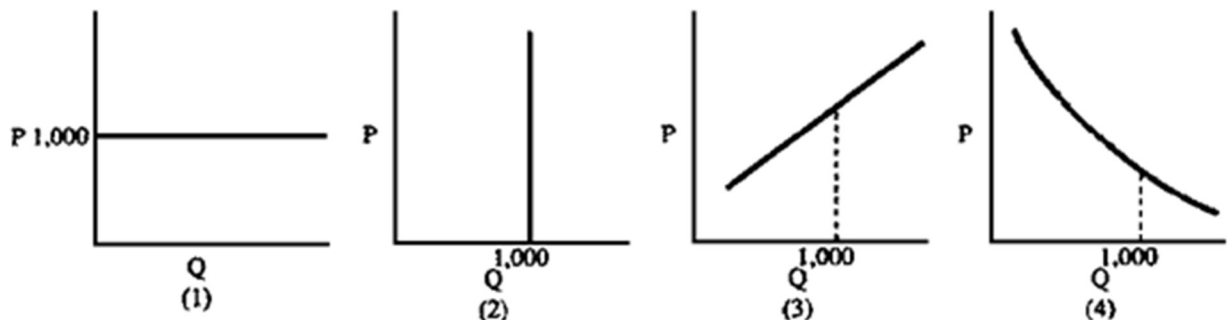
$$Q^s = 4P - 100$$

The equilibrium price is _____ and the equilibrium quantity is _____

- 1) 50, 100
- 2) 20, 30
- 3) 30, 20
- 4) 10, 40

12. A decrease in the price of laptop from 2,000 dollars to 1,000 dollars increases consumption from 15 to 20 a week in Chapel Hill and from 150 to 200 a week in the larger city of Raleigh. The price elasticity of demand for a laptop is

- 1) greater in Raleigh than in Chapel Hill regardless of market size.
- 2) greater in Chapel Hill than in Raleigh regardless of market size.
- 3) equal in Chapel Hill and Raleigh regardless of market size.
- 4) impossible to compare because of differences in market size.



13. If the government has stated that it will buy any amount of good X offered at \$1000, which of the above demand curves is appropriate?

- 1) 1
- 2) 2
- 3) 3
- 4) 4

14. Katy decides to spend two more hours sleeping instead of going to class. Her opportunity cost of sleeping two more hours is:

- 1) Her value of sleeping compared to her value of going to class.
- 2) The value of knowledge that she would acquire if she were in class.
- 3) Nothing, because she values sleeping more than anything else.
- 4) The wages that she would earn if she were working these two hours.

15. If the cross-price elasticity of demand for two goods is negative, what does that imply about the type of goods they are?

- 1) Normal goods.
- 2) Inferior goods
- 3) Substitute goods
- 4) Complementary goods

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16. If a new technology reduces the costs for orange production, and consumer income falls, then we can conclude that there will be:

- 1) an increase in the equilibrium quantity of oranges sold.
- 2) a decrease in the equilibrium quantity of oranges sold.
- 3) an increase in the equilibrium price.
- 4) decrease in the equilibrium price.

17. Lamb is a normal good. You observe that both the equilibrium price and quantity of lamb have fallen over time. Which of following explanations would be most consistent with this observation?

- 1) The price of pork has risen, and the price of lamb has fallen
- 2) A new medical report suggests that eating lamb reduces life expectancy
- 3) The demand curve for lamb must be positively sloped
- 4) Consumers have experienced an increase in income, and the lamb-production technology has improved

18. In an effective price ceiling,

- 1) Quantity demanded exceeds quantity supplied but price cannot rise to remove the shortage.
- 2) Quantity demanded exceeds quantity supplied but price cannot fall to remove the surplus.
- 3) Quantity supplied exceeds quantity demanded but price cannot rise to remove the shortage.
- 4) Quantity supplied exceeds quantity demanded but price cannot fall to remove the surplus.

Turn page for essay questions.

Answers to MC Questions: Mtm 1 F 2019 Econ 101-8

Page 1 Question #	Page 2 Question #	Answer
1	10	3
2	11	3
3	12	4
4	13	2
5	14	4
6	15	2
7	16	3
8	17	1
9	18	3
10	1	2
11	2	3
12	3	3
13	4	1
14	5	2
15	6	4
16	7	4
17	8	2
18	9	1