Sample Exam Questions/Chapter 4

1. Which of the following is true when a market is in equilibrium and there is no outside intervention to change the equilibrium price?
   A) Total surplus is minimized.
   B) Inefficiency is maximized.
   C) No mutually beneficial trades are missed.
   D) Some mutually beneficial trades may be missed.

2. If a frost destroys much of the grapefruit crop, total surplus:
   A) will increase.
   B) will decrease.
   C) will not change.
   D) may change, but we cannot determine the change without more information.

Use the following to answer question 3:

**Figure: Gain in Consumer Surplus**

![Graph showing consumer surplus gain](image)

3. (Figure: Gain in Consumer Surplus) Look at the figure Gain in Consumer Surplus. Identify the area or areas that represent the total change in consumer surplus when the price falls from $P_1$ to $P_2$.
   A) A and B
   B) B and C
   C) D and E
   D) A, B, and C
4. Luis is willing to sell his pool table for $600, but if he gets $840, the producer surplus Luis receives is ________.
   A) $600
   B) $840
   C) $240
   D) $1,440

5. Maria wants to get rid of her bookshelf. She is willing to give it away for free but her neighbor offers to pay $30 for it. Maria experiences a:
   A) consumer surplus gain.
   B) consumer surplus loss.
   C) producer surplus gain.
   D) producer surplus loss.

6. Total surplus is:
   A) the difference between price and the cost to the seller.
   B) the sum of consumer and producer surplus.
   C) equal to the area below the demand curve.
   D) determined by the costs for each producer and the benefits for each consumer.

7. Along a given supply curve, an increase in the price of a good will:
   A) increase producer surplus.
   B) decrease producer surplus.
   C) increase consumer surplus.
   D) decrease producer surplus and increase consumer surplus.
8. (Figure: Consumer Surplus III) Look at the figure Consumer Surplus III. In the figure, when the price falls from $30 to $25, consumer surplus ________ for a total consumer surplus of ________.
A) increases by $25; $74
B) decreases by $15; $34
C) increases by $15; $64
D) increases by $5; $54

Use the following to answer question 9:

Table: Producer Surplus
The table below shows the willingness to sell The Nutty Nutcracker tickets by five students who have those tickets as part of their student activity fees.

<table>
<thead>
<tr>
<th>Student</th>
<th>Willingness to Sell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caitlin</td>
<td>$1</td>
</tr>
<tr>
<td>Dudley</td>
<td>25</td>
</tr>
<tr>
<td>Evan</td>
<td>60</td>
</tr>
<tr>
<td>Francisco</td>
<td>90</td>
</tr>
<tr>
<td>Grace</td>
<td>100</td>
</tr>
</tbody>
</table>
9. (Table: Producer Surplus) Look at the table Producer Surplus. If the price of a ticket to see *The Nutty Nutcracker* is $50, then Francisco's producer surplus is:
   A) $0.
   B) $40.
   C) $90.
   D) $240.

10. A consumer's willingness to pay reflects
   A) the maximum price at which he or she would buy the good or service.
   B) the minimum price at which he or she would buy the good or service.
   C) the cost of producing the good or service.
   D) the equilibrium price of the good or service.

Use the following to answer question 11:

**Table: Firm's Willingness**

The table below explains the relationship between the number of reports a firm is willing to prepare and the lowest price in dollars it would be willing to accept to prepare the respective number of reports.

<table>
<thead>
<tr>
<th>Reports</th>
<th>Lowest Price Firm Is Willing to Accept</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>$2</td>
</tr>
<tr>
<td>2nd</td>
<td>6</td>
</tr>
<tr>
<td>3rd</td>
<td>8</td>
</tr>
<tr>
<td>4th</td>
<td>11</td>
</tr>
<tr>
<td>5th</td>
<td>15</td>
</tr>
</tbody>
</table>

11. (Table: Firm's Willingness) Look at the table Firm's Willingness. If the price of reports is $15, how many reports will the firm produce, and what will the producer surplus be?
   A) one; $0
   B) three; $23
   C) 5; $0
   D) five; $33
12. (Figure: Consumer Surplus II) Look at the figure Consumer Surplus II. If the price of the good is $2, consumer surplus will equal:
A) $30.
B) $45.
C) $60.
D) $90.

Use the following to answer question 13:

Figure: Producer Surplus II
13. (Figure: Producer Surplus II) Look at the figure Producer Surplus II. At a price of $P_2$, producer surplus equals the area:
   A) $LMK$.
   B) $0P_1K$.
   C) $0P_2M$.
   D) $P_1P_2MK$.

Use the following to answer question 14:

**Figure: Consumer Surplus II**

14. (Figure: Consumer Surplus II) Look at the figure Consumer Surplus II. If the price of the good decreases from $2 to $1, consumer surplus will increase by:
   A) $5$.
   B) $10$.
   C) $25$.
   D) $35$. 

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Use the following to answer question 15:

Figure: The Market for Sandwiches

15. (Figure: The Market for Sandwiches) Look at the figure The Market for Sandwiches. At the competitive price of $5, 10 sandwiches are sold. At this competitive price, consumer surplus equals ________ and producer surplus equals ________.
   A) $50; $50
   B) $100; $50
   C) $50; $25
   D) $100; $25

16. Well-defined property rights:
   A) can allow for mutually beneficial trades.
   B) will result in government regulation.
   C) often result in more market failures.
   D) lead to more centralized decision making.

Use the following to answer question 17:

Table: Producer Surplus and Phantom Tickets

<table>
<thead>
<tr>
<th>Student</th>
<th>Willingness to Sell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tim</td>
<td>$1</td>
</tr>
<tr>
<td>Laura</td>
<td>30</td>
</tr>
<tr>
<td>Whitney</td>
<td>50</td>
</tr>
<tr>
<td>Ralph</td>
<td>100</td>
</tr>
<tr>
<td>Rick</td>
<td>150</td>
</tr>
</tbody>
</table>
17. (Table: Producer Surplus and Phantom Tickets) Look at the table Producer Surplus and Phantom Tickets. Given the information in the table, if these students can sell their Phantom tickets for only $5, then:

A) Tim will be the only student not to sell his ticket.
B) Laura, Whitney, Ralph, and Rick will sell their tickets.
C) the total producer surplus for the five students will be $4.
D) the total producer surplus for the five students will be $330.

18. Along a given supply curve, a decrease in price will cause producer surplus to:

A) increase.
B) decrease.
C) stay the same.
D) We cannot determine what producer surplus will do without information about the demand curve.

19. Which of the following is true if there is a decrease in the demand for ice cream?

A) There is an increase in producer surplus.
B) There is a decrease in producer surplus.
C) There is no change in producer surplus.
D) It's impossible to tell what will happen to producer surplus.

Use the following to answer question 20:

**Table: Consumer Surplus**

This table shows some Atlanta college students’ willingness to pay to see *The Nutty Nutcracker*, by the Atlanta Ballet.

<table>
<thead>
<tr>
<th>Student</th>
<th>Willingness to Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lois</td>
<td>$100</td>
</tr>
<tr>
<td>Miguel</td>
<td>90</td>
</tr>
<tr>
<td>Narum</td>
<td>65</td>
</tr>
<tr>
<td>Oscar</td>
<td>50</td>
</tr>
<tr>
<td>Pat</td>
<td>15</td>
</tr>
</tbody>
</table>

20. (Table: Consumer Surplus) Look at the table Consumer Surplus. If the price of a ticket to see *The Nutty Nutcracker* is $50, Lois's consumer surplus is:

A) $60.
B) $50.
C) $15.
D) $240.
21. Alex is willing to buy the last ticket to the Billy Bragg concert for $15, while Jake is willing to pay $25. Alex is first in line and buys a ticket for $15. He then resells his ticket to Jake for $20. By reselling the ticket instead of going to the concert himself, Alex caused:
   A) the sum of the consumer and producer surplus to increase.
   B) the sum of the consumer and producer surplus to decrease.
   C) a deadweight loss of $5.
   D) consumer surplus to decrease and producer surplus to increase.

Use the following to answer question 22:

**Figure: Consumer Surplus II**

22. (Figure: Consumer Surplus II) Look at the figure Consumer Surplus II. If the price of the good increases from $3 to $4, consumer surplus will decrease by:
   A) $5.
   B) $10.
   C) $15.
   D) $20.
Use the following to answer question 23:

<table>
<thead>
<tr>
<th>Consumer</th>
<th>Willingness to Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamichael</td>
<td>$150</td>
</tr>
<tr>
<td>Corey</td>
<td>140</td>
</tr>
<tr>
<td>Rudy</td>
<td>120</td>
</tr>
<tr>
<td>Ray</td>
<td>100</td>
</tr>
<tr>
<td>Javon</td>
<td>80</td>
</tr>
</tbody>
</table>

23. (Table: Willingness to Pay for Basketball Sneakers) If the price of basketball sneakers is $100, how many pairs will be purchased?
   A) 1
   B) 2
   C) 3
   D) 4
Answer Key

1. C
2. B
3. B
4. C
5. C
6. B
7. A
8. C
9. A
10. A
11. D
12. B
13. C
14. D
15. C
16. A
17. C
18. B
19. B
20. B
21. A
22. C
23. D