1. (Figure: The Demand for e-Books) Look at the figure The Demand for e-Books. What is the price elasticity of demand (using the midpoint method) when the price decreases from $6 to $4?  
A) 5/9  
B) 1/2  
C) 1  
D) 2/3
Use the following to answer question 2:

**Table: Price Elasticity**

<table>
<thead>
<tr>
<th>Demand and Price Elasticity</th>
<th>Quantity Demanded per Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td></td>
</tr>
<tr>
<td>$2.50</td>
<td>0</td>
</tr>
<tr>
<td>2.25</td>
<td>25</td>
</tr>
<tr>
<td>2.00</td>
<td>50</td>
</tr>
<tr>
<td>1.75</td>
<td>75</td>
</tr>
<tr>
<td>1.50</td>
<td>100</td>
</tr>
<tr>
<td>1.25</td>
<td>125</td>
</tr>
<tr>
<td>1.00</td>
<td>150</td>
</tr>
<tr>
<td>0.75</td>
<td>175</td>
</tr>
<tr>
<td>0.50</td>
<td>200</td>
</tr>
</tbody>
</table>

2. (Table: Price Elasticity) Look again at the table Price Elasticity. What is the price elasticity of demand between $0.75 and $0.50?
   A) 0.25
   B) 0.33
   C) 0.43
   D) 0.52

3. Suppose the price of e-books is initially $20 but then decreases to $15. The absolute value of the percentage change in price (using the midpoint method) is:
   A) 28%.
   B) 10%.
   C) 5%.
   D) 15%.

4. If the price of burritos increases from $4 to $6 and customers decrease their consumption from 20 to 10 burritos, what is the price elasticity of demand (using the midpoint method)?
   A) 5/3
   B) 2/3
   C) 3
   D) 2
5. (Figure: The Demand Curve) Look again at the figure The Demand Curve. Using the midpoint method the price elasticity of demand between $3 and $4 is approximately:
   A) 0.19.
   B) 0.54.
   C) 1.
   D) 1.86.

6. A men's tie store sold an average of 30 ties per day when the price was $5 per tie. The same store sold 60 of the same ties per day when the price was $3 per tie. In this case, the price elasticity of demand (using the midpoint method) is:
   A) greater than zero but less than 1.
   B) equal to 1.
   C) greater than 1 but less than 3.
   D) greater than 3.

7. Each month Jessica buys exactly 15 Big Macs regardless of the price. Jessica's price elasticity of demand for Big Macs is:
   A) 0.
   B) 1.
   C) greater than 1.
   D) less than 1 but greater than 0.
8. The demand for strawberry ice cream tends to be relatively price-elastic because:
   A) for most people there are many close substitutes for strawberry ice cream.
   B) it costs so little.
   C) it has to be consumed very quickly.
   D) for most people there are many close substitutes for strawberry ice cream and
      because it costs so little.

9. If a good is a luxury item that looms large in the household budget, then demand will
   tend to:
   A) be more price-elastic.
   B) be less price-elastic.
   C) have price elasticity equal to 1.
   D) be the same as that of a good that is a necessity.

Use the following to answer question 10:

**Figure: The Linear Demand Curve**

![Linear Demand Curve](image)

10. (Figure: The Linear Demand Curve) Look at the figure The Linear Demand Curve. If
    the price is initially $10, then falls to $9, this will result in a(n):
    A) decrease in quantity demanded and a decrease in total revenue.
    B) decrease in quantity demanded and an increase in total revenue.
    C) increase in quantity demanded and a decrease in total revenue.
    D) increase in quantity demanded and an increase in total revenue.
11. Which of the following is true about the price elasticity of demand?
   A) When demand is perfectly inelastic, a rise in the price leads to a decrease in total revenue.
   B) When demand is perfectly elastic, a rise in the price leads to an increase in total revenue.
   C) When demand is inelastic, a rise in the price leads to an increase in total revenue.
   D) When demand is elastic, a decrease in the price leads to a decrease in total revenue.

12. When a public transit system (such as a subway or bus line) raises its fares, it may experience an increase in total revenue. This suggests that demand is:
   A) unstable.
   B) price-inelastic.
   C) price-elastic.
   D) price unit-elastic.

Use the following to answer question 13:

**Figure: The Demand for Shirts**

13. (Figure: The Demand for Shirts) Look at the figure. Total revenue is maximized if the price is:
   A) $30
   B) $40
   C) $50
   D) $60
14. (Table: Market for Pizza) Look at the table Market for Pizza. In the table, when income changes from $1,000 to $1,400 per month, the income elasticity of demand for pizza at a price of $14 per pizza is:
   A) –1.
   B) 1.
   C) 1.25.
   D) 1.5.

15. If two goods are substitutes, their cross-price elasticity of demand should be:
   A) less than 0.
   B) negative yet almost equal to 0.
   C) equal to 0.
   D) greater than 0.

16. The cross-price elasticity of demand for Coke with respect to the price of Pepsi has been estimated to be 0.61. If the price of Pepsi falls by 10% in a period, how will that affect the demand for Coke in that period, all other things unchanged?
   A) The demand for Coke will decrease but by less than 6.1%.
   B) The demand for Coke will decrease by 6.1%.
   C) The demand for Coke will not change because many people prefer Coke to Pepsi.
   D) The demand for Coke will rise.
17. It is very difficult for Julia to find inexpensive and available inputs for her business. Because of this, we predict that Julia's price elasticity of supply is:

A) elastic.
B) inelastic.
C) unit-elastic.
D) perfectly elastic.

18. If the price elasticity of supply is greater than 1, then:

A) supply is price-elastic.
B) supply is price-inelastic.
C) supply is price unit-elastic.
D) the quantity supplied is relatively unresponsive to price changes.

19. Tomas produces 100 cartons of free range eggs when the price is $5 and 150 cartons of free range eggs when the price is $7. What is the value of Tomas's price elasticity of supply?

A) 1.2
B) 2.0
C) 1.0
D) 3.2

Use the following to answer question 20:

**Figure: Supply Curves**

![Supply Curves Diagram]

20. (Figure: Supply Curves) Look at the figure Supply Curves. Which graph shows a perfectly elastic supply curve?

A) A
B) B
C) C
D) D
Answer Key

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