

iClicker Pop Quiz 2

Modules 5 – 6

Instructor: Joseph Navelski
Teaching Assistant: Nabittun Nahar

WSU

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Question 1

According to the law of demand,

- (a) an increase in income decreases demand for a normal good.
- (b) an increase in its own price increases quantity demanded.
- (c) a decrease in its own price increases quantity demanded.

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- (a) an increase in income decreases demand for a normal good.
- (b) an increase in its own price increases quantity demanded.
- (c) **a decrease in its own price increases quantity demanded.** - As the price of a good rises, the quantity demanded falls.

Question 2

The supply curve is upward-sloping (positively sloped) because higher prices...

- (a) make customers willing to pay more for a good.
- (b) are needed to reflect higher marginal utility.
- (c) imply that producers are willing to sell more of that good.
- (d) encourage customers to switch to substitute goods.

Question 2

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- (b) are needed to reflect higher marginal utility.
- (c) **imply that producers are willing to sell more of that good.** - See page 72 in the text.
- (d) encourage customers to switch to substitute goods.

Question 3

College students often buy cheap pizza because it is more affordable. Suppose after graduating, college students find high-paying jobs and develop a pension for higher quality pizza. The demand for cheap pizza, which is considered an inferior good in this case, will likely:

- (a) increase because consumers like to consume more of an inferior good when their income rises.
- (b) decrease because consumers like to consume less of an inferior good when their income rises.
- (c) will always increase because college students no matter what love cheap pizza.
- (d) decrease because high quality pizza is a substitute good, and when a substitute good's price changes, we like to eat more

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- (a) increase because consumers like to consume more of an inferior good when their income rises.
- (b) **decrease because consumers like to consume less of an inferior good when their income rises.** – since we are focusing on an income change, and we know that for an inferior good that as income rises consumers consume less of that good, we know that demand will decrease.
- (c) will always increase because college students no matter what love cheap pizza.

Question 4

Which of the items is most likely to be a complement to coffee?

- (a) tea
- (b) creamer
- (c) butter
- (d) decaf coffee

Question 4

Which of the items is most likely to be a complement to coffee?

- (a) tea
- (b) **creamers** - Tea and decaf coffee can be substitutes of coffee.
- (c) butter
- (d) decaf coffee

Question 5

The table contains information on the price per month and the monthly demand and supply of online music streaming subscriptions. What are the equilibrium price and quantity?

Price	Quantity demanded (thousands)	Quantity supplied (thousands)
\$10.70	320	170
\$10.90	260	190
\$11.10	220	220
\$11.30	170	290

- (a) 11.30, 170
- (b) 10.90, 290
- (c) 11.10, 220
- (d) 11.30, 320

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- (a) 11.30, 170
- (b) 10.90, 290
- (c) **11.10, 220** - At price 11.10 dollars, quantity demanded=quantity supplied
- (d) 11.30, 320

Question 6

If the government offers a tax deduction to companies producing solar panels, what will happen in the market for solar panels?

- (a) The supply curve will shift right, increasing market supply.
- (b) The supply curve will shift left, increasing market supply.
- (c) The supply curve will shift left, decreasing market supply.
- (d) The supply curve will shift right, decreasing market supply.

Question 6

If the government offers a tax deduction to companies producing solar panels, what will happen in the market for solar panels?

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- (b) The supply curve will shift left, increasing market supply.
- (c) The supply curve will shift left, decreasing market supply
- (d) The supply curve will shift right, decreasing market supply.

Question 7

What happens at a price of 12 dollars per movie?
Please consider the table below to answer this question.

Price per movie	Quantity of movies demanded	Quantity of movies supplied
\$15	40	80
\$12	50	70
\$10	60	60
\$7	70	50
\$5	80	40

- (a) A shortage of 20 movies.
- (b) An equilibrium in the market is achieved.
- (c) A surplus of 50 movies.
- (d) A surplus of 20 movies.

Question 7

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- (a) A shortage of 20 movies.
- (b) An equilibrium in the market achieved.
- (c) A surplus of 50 movies.
- (d) **A surplus of 20 movies.** - The difference between Quantity demanded and quantity supplied is 20 movies which is a surplus, not shortage

Question 8

Good X and good Y are related goods. Holding everything else constant, if the price of good X increases and the demand for good Y increases, good X and good Y are probably...

- (a) substitutes
- (b) complements
- (c) normal

Question 8

Good X and good Y are related goods. Holding everything else constant, if the price of good X increases and the demand for good Y increases, good X and good Y are probably...

- (a) **substitutes** - If the price of a good increases consumers will try to find a close alternative. For example, people may find tea a substitute to coffee due to increase in coffee price.
- (b) complements
- (c) normal

Question 9

The demand schedule for chicken feet, a dim sum delicacy served at some Chinese restaurants, is shown in the table. Although some people find the texture strange, others have developed a taste for it. Based on the demand schedule, you conclude

Price of chicken feet (per pound)	Quantity of chicken feet demanded (millions of pounds) in 2008	Quantity of chicken feet demanded (millions of pounds) in 2018
\$3.00	3.0	9.2
\$2.50	3.2	9.9
\$1.25	3.6	10.3
\$1.00	4.1	12.2
\$0.50	5.7	15.0

- (a) the demand curve shifted to the right.
- (b) the demand curve shifted to the left.
- (c) there was movement along the demand curve to the right.
- (d) there was movement along the demand curve to the left.

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\$1.00	4.1	12.2
\$0.50	5.7	15.0

- (a) **the demand curve shifted to the right.**-Due to increase in price, there is a right shift in the demand curve. Moreover, as the price is same, there is no movement in the curve
- (b) the demand curve shifted to the left.