



- Name: _____
 - Date: _____
 - Section: _____
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ECON 300: Intermediate Price Theory

Quiz #1

Fall 2024

INSTRUCTIONS:

- Please read all questions carefully before you begin answering.
- Answer all questions in the spaces provided on the question sheet.
- This quiz consists of 5 pages, including this one. There are a total of 2 problems with a total of 11 subquestions.
- This is a closed-book quiz. Please remove all materials from the top of the desk and take any necessary items from your bags before the exam begins.
- The recovery rate for this quiz is 50%.

Problem 1. Basic Budget Constraints**(50 Points)**

You are walking into a pizzeria that sells slices of pizza and soft drinks. Each slice of pizza costs \$6, and a soft drink costs \$4, and your budget is \$60.

1.A. If you are only interested in pizza, how many slices can you afford?

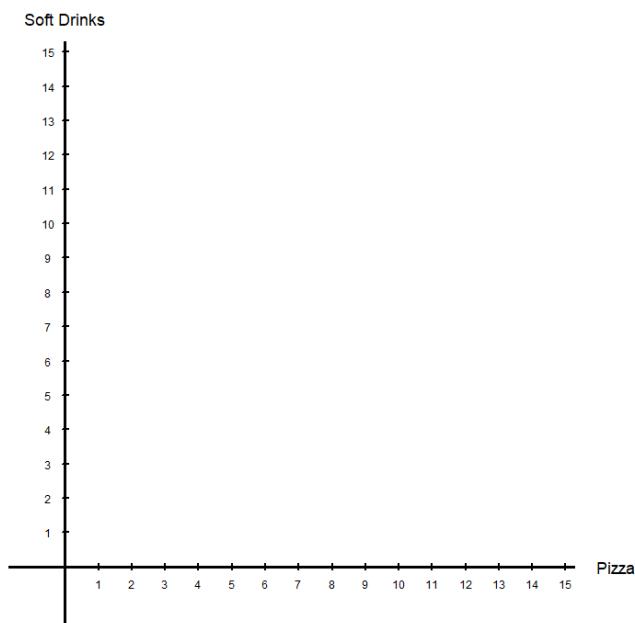
(5 points)

1.B. If you are only interested in soft drinks, how many cups can you afford?

(5 points)

1.C. Using your answers from 1.A. and 1.B., plot your budget constraint below.

(10 points)



Problem 1. Continued

(50 Points)

1.D. Express your budget constraint formally. (10 points)

1.E. Calculate the slope of the budget line. (10 points)

1.F. In your own words, explain how you would interpret the slope of the budget line. (10 points)

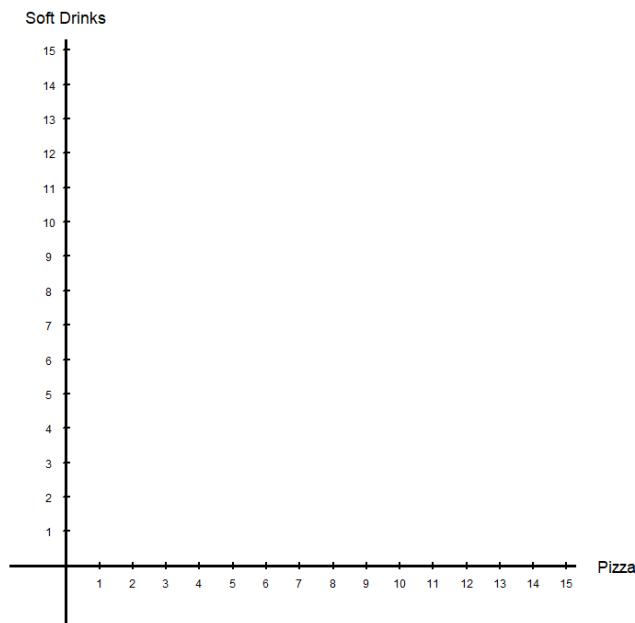
Problem 2. Comparative Statics**(50 Points)**

You return to the pizzeria that sells slices of pizza and soft drinks. Now, each slice of pizza costs \$6, and a soft drink costs \$6, and your budget is still \$60.

2.A. Did your budget set shrink or expand? Why? (10 points)

2.B. Express your new budget constraint formally. (10 points)

2.C. Plot and label your old and new budget constraints below. (10 points)



Problem 2. Continued**(50 Points)**

2.D. Would you have been happy with this change if you were the customer? Why? (10 points)

2.E. If you had no information about someone's preferences, would you be able to tell if they were more or less happy due to this change in prices? How? Why? (10 points)

• Original Score: _____

• Recovered Score: _____

• Original Date: _____

• Recovered Date: _____