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 Your location: [Assessments](#) > [View All Submissions](#) > **View Attempt**

View Attempt 1 of unlimited

Title: **Assignment 3 DUE OCT 9**

Started: October 8, 2009 11:31 PM



Submitted: October 9, 2009 12:44 PM

Time spent: [13:13:10](#)

Total score: **17/20 = 85%** Total score adjusted by 0.0 Maximum possible score: 20

1.

Demand is said to be elastic if

Student Response	Value	Correct Answer	Feedback
1. demand shifts substantially when the price of the good changes.			
2. the price of the good responds substantially to changes in demand.			
3. buyers do not respond much to changes in the price of the good.			
 4. the quantity demanded responds substantially to changes in the price of the good.	100%		

Score: 1/1

Comments:

2.

If a good is a necessity, demand for the good would tend to be

Student Response	Value	Correct Answer	Feedback
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1. elastic.		
2. horizontal.		
3. unit elastic.		
 4. inelastic.	100%	

Score: 1/1

Comments:

3.

If a person only occasionally enjoys a cup of coffee, his demand for coffee would be



Student Response	Value	Correct Answer	Feedback
1. horizontal.			
 2. inelastic.	0%		
3. unit elastic.			
4. elastic.			

Score: 0/1

Comments:

4.

When the price of bubble gum is \$0.50, the quantity demanded is 400 packs per day. When the price falls to \$0.40, the quantity demanded increases to 600. Given this information and using the midpoint method, you know that the demand for bubble gum is



Student Response	Value	Correct Answer	Feedback
1. perfectly inelastic.			
2. unit elastic.			
 3. elastic.	100%		
4. inelastic.			

Score: 1/1

Comments:

5.

Suppose the price of Twinkies is reduced from \$1.45 to \$1.25 and, as a result, the quantity of Twinkies demanded increases from 2,000 to 2,200. Using the midpoint method, the price elasticity of demand for Twinkies in the given price range is



Student Response	Value	Correct Answer	Feedback
1. 2.00.			
 2. .64.	100%		
3. 1.00.			
4. 1.55.			

Score: 1/1

Comments:

6.

If the price elasticity of demand for a good is 4.0, then a 10 percent increase in price would result in a



Student Response	Value	Correct Answer	Feedback
1. 400 percent decrease in the quantity demanded.			
 2. 40 percent decrease in the quantity demanded.	100%		
3. 4.0 percent decrease in the quantity demanded.			
4. 10 percent decrease in the quantity demanded.			

Score: 1/1

Comments:

7.

When the local used bookstore prices economics books at \$15.00 each, they generally sell 70 per month. If they lower the price to \$7.00 each they sell 90. Given this, we know that the elasticity of demand for economics books is

Student Response	Value	Correct Answer	Feedback
1. 0.34, so this store should lower price to raise total revenue.			
2. 2.91, so this store should raise price to raise total revenue.			
3. 2.91, so this store should lower price to raise total revenue.			
 4. 0.34, so this store should raise price to raise total revenue.	100%		

Score: 1/1

Comments:

8.

The flatter the demand curve through a given point, the

Student Response	Value	Correct Answer	Feedback
1. more equal the price elasticity of demand will be to the slope of the curve.			



 2. greater the price elasticity of demand.	100%	
3. closer the price elasticity of demand will be to the slope of the curve.		
4. smaller the price elasticity of demand.		

Score: 1/1

Comments:

9.

As elasticity of demand increases the demand curve gets

Student Response	Value	Correct Answer	Feedback
 1. flatter and the price elasticity of demand will be greater than 1.	100%		
2. steeper and the price elasticity of demand will be less than 1.			
3. flatter and the price elasticity of demand will be less than 1.			
4. steeper and the			



price
elasticity
of demand
will be
greater
than 1.

Score: 1/1

Comments:

10.

Which of the following would have the most elastic demand?

Student Response	Value	Correct Answer	Feedback
1. Levi jeans			
2. clothing			
 3. All three would have the same elasticity of demand since they are all related.	0%		
4. blue jeans			



Score: 0/1

Comments:

11.

How does total revenue change as one moves down a linear demand curve?

Student Response	Value	Correct Answer	Feedback
1. It is unaffected by a movement along the demand curve.			
2. It increases.			



3. It first increases, then decreases.	
 4. It decreases.	0%

Score: 0/1

Comments:

12.

The local pizza restaurant makes such great bread sticks that consumers do not respond much to a change in the price. If the owner is only interested in increasing revenue, he should

Student Response	Value	Correct Answer	Feedback
 1. raise the price of the bread sticks.	100%		
2. leave the price of the bread sticks alone.			
3. reduce costs.			
4. lower the price of the bread sticks.			


Score: 1/1

Comments:

13.

If a 6 percent increase in income results in a 10 percent increase in the quantity demanded of pizza, then the income elasticity of demand for pizza is

Student Response	Value	Correct Answer	Feedback
1. negative and therefore pizza is an normal good.			

2. negative and therefore pizza is a inferior good.
3. positive and therefore pizza is an inferior good.
<div>  4. positive and therefore pizza is a normal good. 100%  </div>

Score: 1/1



Comments:

14.

Table 5-1

Income	Quantity of Good X Purchased	Quantity of Good Y Purchased
\$30,000	2	20
\$40,000	5	10

Refer to Table 5-1. Using the midpoint method, what is the income elasticity of good Y?

Student Response	Value	Correct Answer	Feedback
<div>  1. -2.33 </div>	100%		
2. 2.33			
3. -3.33			
4. 1.33			

Score: 1/1



Comments:

15.

Table 5-1

Income	Quantity of Good X Purchased	Quantity of Good Y Purchased
\$30,000	2	20
\$40,000	5	10

Refer to Table 5-1. Good Y is



Student Response	Value	Correct Answer	Feedback
 1. an inferior good.	100%		
2. a normal good.			
3. price inelastic.			
4. not related to income.			

Score: 1/1

Comments:

16.

If the cross-price elasticity of two goods is negative, then those two goods are

Student Response	Value	Correct Answer	Feedback
 1. complements.	100%		
2. substitutes.			
3. inferior goods.			
4. normal goods.			

Score: 1/1

Comments:

17.

If the cross-price elasticity of demand is 1.25, then the two goods would be

Student Response	Value	Correct Answer	Feedback
1. normal goods.			
2. complements.			
3. luxuries.			



 4. substitutes.	100%	
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Score: 1/1

Comments:

18.

Food and clothing tend to have

Student Response	Value	Correct Answer	Feedback
1. small income elasticities because consumers will buy proportionately more at higher income levels than they will at low income levels.			
2. large income elasticities because they are relatively cheap.			
3. large income elasticities because they are necessities.			
 4. small income elasticities because consumers, regardless of their incomes, choose to buy these goods.	100%		



Score: 1/1

Comments:

19.

In the short run, the quantity supplied is

Student Response	Value	Correct Answer	Feedback
1. very responsive			



to price changes.
2. totally responsive to price changes.
 3. not very responsive to price changes. 100% 
4. indifferent to price changes.

Score: 1/1

Comments:

20.

Holding all else constant, if a pencil manufacturer increases production by 20 percent when the market price of pencils increases from \$0.50 to \$0.60, then the price elasticity of supply, using the midpoint method, must be

Student Response	Value	Correct Answer	Feedback
 1. elastic	100%		
2. inelastic			
3. perfectly inelastic			
4. perfectly elastic			

Score: 1/1

Comments: