BECON 300
University of Washington

Chapters 1, 2, 3, 5, 6
Make-Up Quiz

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1. The Interior Department recently announced that it will increase the entrance fees at Yellowstone National Park in order to increase park revenues. The Interior Department must believe that
   a. Park goers are very responsive to price changes.
   b. The demand for park services is elastic.
   c. The percentage increase in fees will be greater than the percentage decrease in the number of park visitors.
   d. Demand is unitary elastic, and thus the number of visitors will NOT decrease.

2. When demand is inelastic,
   a. Quantity sold does not increase when price decreases.
   b. Selling one more unit of output causes marginal revenue to increase. should be ↓
   c. Selling one more unit of output cause total revenue to increase. decrease
   d. Buyers are not very responsive to changes in the price of the product.
   e. The percentage change in quantity demanded will exceed the percentage change in price (in absolute value).

   if demand was elastic this is true

3. If the quantity of Harley-Davidson motorcycles demanded decreases by 10% when the price increases by 20%, the price elasticity of demand for Harley-Davidson motorcycles is:
   a. -0.50.
   b. -2.0.
   c. -10.0.
   d. -20.0.

$$\frac{\%\Delta Q_d}{\%\Delta P}$$

4. A firm can maximize profit (net benefit) by choosing to produce that level of output at which
   a. The difference between the additional revenue from the last unit sold and the additional cost of that unit is maximized.
   b. The additional revenue from the last unit sold equals the additional cost of that unit. MR=MC
   c. The additional revenue from the last unit sold is just a little more than the additional cost of that unit.
   d. Total revenue equals total cost.

5. In spending all his income, the consumer chooses the bundle of goods that maximizes his utility. Which of the following statements will be correct?
   a. The marginal utilities of all goods are equal.
   b. Expenditures on all goods are equal.
   c. The addition to utility of the last unit of the good is equal across all goods.
   d. The addition to utility of the last unit of the good per dollar is equal across all goods.

6. Economic profit is
   a. The difference between total revenue and the opportunity cost of all of the resources used in production.
   b. The difference between total revenue and the implicit costs of using owner-supplied resources.
   c. The difference between accounting profit and the opportunity cost of the market-supplied resources used by the firm.
   d. The difference between accounting profit and explicit costs.