Microeconomics sample questions assignment

Economics, Microeconomics

If the marginal benefit of chocolate bars is less than the marginal cost of chocolate bars, more chocolate milk should be produced. 3. A production possibility frontier with a constant slope exhibits increasing marginal cost. 4. An increase in the supply of textbooks will lower the price of textbooks and increase demand for textbooks. 5. A tax on a good that is placed on suppliers will be paid by the suppliers. 6. Gains from trade do not occur when one party has absolute advantage. 7.

A positive, cross-price elasticity means that two goods are complements in consumption. 8. Consumers treat peas and beans as substitutes therefore, if the price of beans increases the demanded of peas rises. 9. Producers treat peas and beans as substitutes therefore, if the price of means increased the quantity demand of peas decreases. 10. Markets are the only way of distributing goods and service. 1 1. The supply curve is the relationship between the minimum selling price and the quantity firms are willing and able to make available to the market. 2. Along a downward sloping straight line demand curve, there are two regions of price elasticity and one point of unit elasticity. Problems 1 . The formula for a supply curve is P= 18+sq and the formula for the demand curve is P= 60-sq a) Find the equilibrium price in this market Find the equilibrium quantity in this market) Calculate the producer surplus for the market. C) If a quota is put in place at a quantity of 4, illustrate the price and deadweight loss that will result.

If no deadweight loss occurs state this in a sentence. Note you can solve this problem using the formulas, using a graph or using a table containing price, quantity demanded and quantity supplied. 2. Consider the market for cell phones. A. Draw the graph and illustrate the equilibrium price and quantity.

B. Now consider the effect on the market of a decrease in household income. Show the new price and quantity. C. The expected future price of cell phones is reported to be lower. 3. Consider the market for a good.

If there is a decrease in the number of suppliers and an increase in the price of a substitute good in consumption at the same time what is the effect on the equilibrium price and quantity? Answer the question with a graph but explain your graph in a few sentences as well. 4. Using the information in question one, calculate the elasticity of demand when the price falls from $60 to $52. Fifth price of another good, good b rises and the demand for the good falls to P= 40-sq then what type of relationship do these goods have?