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| |  | | --- | | Use the following general linear supply function to answer this question:  Qs = 40 + 6P – 8PI + 10F Where Qs is the quantity supplied of the good, P is the price of the good, PI is the price of an input, and F is the number of firms producing the good. If PI = $20 and F = 60 what is the equation of the supply function? |   Qs = 400 + 6P        Qs = 40 + 8P        P = 480 + 6Qs        Qs = 480 + 6P        None of the above. |



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| |  | | --- | | Use the following general linear supply function to answer this question:  Qs = 40 + 6P – 8PI + 10F  If PI = $20, F = 60, and the demand function is Qd = 600 – 6P   the equilibrium price and quantity are, respectively, |   P = $10 and Q = 640        P = $8 and Q = 326        P = $10 and Q = 540        P = $8 and Q = 640        None of the above |



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| |  | | --- | | If the current price of a good is $10, market demand is Qd = 400 – 20P, and market supply is Qs = -50 + 10P, then |   More of the good is being produced than people want to  buy.        A lower price will increase the shortage.        At the current price there is excess demand, or a  shortage, of 150 units.        Both b and c.        All of the above. |



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| |  | | --- | | Yesterday's newspaper reported the results of a study  indicating that people who eat more bananas are more attractive to the opposite  sex. What do you expect to happen to the market price and quantity of bananas? |   Price will decrease, quantity will decrease.        Price will decrease, quantity will increase.        Price will increase, quantity will decrease.        Price will increase, quantity will increase. |



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| |  | | --- | | In which of the following cases must price always  fall? |   Demand increases and supply increases.        Demand decreases and supply decreases.        Supply increases and demand remains constant.        Demand decreases and supply increases.        Both c and d. |



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| |  | | --- | | Consumer surplus |   Is positive for all but the last unit purchased.        For a particular unit of consumption is computed by  taking the difference between demand price and market price.        For all units consumed is the area below demand and  above market price over all the units consumed.        Added to producer surplus provides a measure of the  net gain to society from the production and consumption of the good.        All of the above. |



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| |  | | --- | | The function a decision maker seeks to maximize or  minimize is the \_\_\_\_\_\_\_\_ function. |   Optimal        Decision-making        Objective        Marginal        None of the above |