The demand for good X has been estimated to be ln Qxd = 100 − 2.5 ln PX + 4 ln PY + ln M. The income elasticity of good X is:

|  |  |  |
| --- | --- | --- |
|  | 4.0. |  |
|  | 1.0. |  |
|  | 2.0. |  |
|  | −2.5. |  |

What is the value of a preferred stock that pays a perpetual dividend of $150 at the end of each year when the interest rate is 3 percent?

**Instruction:**Round your response to the nearest dollar.

You’ve recently learned that the company where you work is being sold for $380,000. The company’s income statement indicates current profits of $15,000, which have yet to be paid out as dividends. Assuming the company will remain a “going concern” indefinitely and that the interest rate will remain constant at 6 percent, at what constant rate does the owner believe that profits will grow?

**Instruction:** Round your response to 2 decimal places.

The supply curve for product *X* is given by *QXS* = -460 + 20*PX* .

a. Find the inverse supply curve.

P=\_\_\_\_\_\_\_\_\_\_\_+\_\_\_\_\_\_\_\_\_\_\_\_Q

b. How much surplus do producers receive when *Qx* = 380? When *Qx* = 1,120?

When QX = 380

When QX = 1,120

Suppose the cross-price elasticity of demand between goods *X* and *Y* is 5. How much would the price of good *Y* have to change in order to change the consumption of good *X* by 40 percent?

If Starbucks’s marketing department estimates the income elasticity of demand for its coffee to be 1.7, how will the prospect of an economic boom (expected to increase consumers’ incomes by 4 percent over the next year) impact the quantity of coffee Starbucks expects to sell?

**Instruction:** Round your response to 2 decimal places.