

Quiz 4

Microeconomics - EC 2106

Instructor: Robert McNab

Name: _____

Score: _____

INSTRUCTIONS: Please answer all questions to the best of your ability within the allotted time of 15 minutes. You are required to show your work to receive credit. For multiple choice and true/false questions, please circle the appropriate answer. 10 possible points.

1. When price is \$1500, the quantity demanded for 400-MHz computers is 750,000. When price falls to \$1000, the quantity demanded increases to 1,250,000. What is the price elasticity of demand for 400-MHz computers? 2 points

$$Ed = \text{abs}[\frac{(1250000-750000)}{(1250000+750000)/2} / \frac{(1000-1500)}{(1000+1500)/2}] = 1.25$$

2. In Question 1, is the price elasticity of demand for computers: 1 point
 - a. **Price Elastic**
3. **True** In general, the longer the time period considered, the more price elastic are supplies to price changes. 1 point
4. **False** The more inelastic supply is to price changes, the greater the burden of a tax that will be borne by consumers. 1 point
5. All else remaining equal, in general, if demand is inelastic and price increases, total revenue will: 1 point
 - a. **Increase**
6. In your own words, explain the difference between changes in quantity demanded and changes in demand. 4 points.

Changes in Qd are due to changes in price and are represented by movements along the demand curve. Changes in demand are due to changes in income, taxes, subsidies, expectations, population, and other factors and are represented by a shift of the demand curve.