

Econ 101 Tutorial 3**Multiple Choice**

Identify the choice that best completes the statement or answers the question.

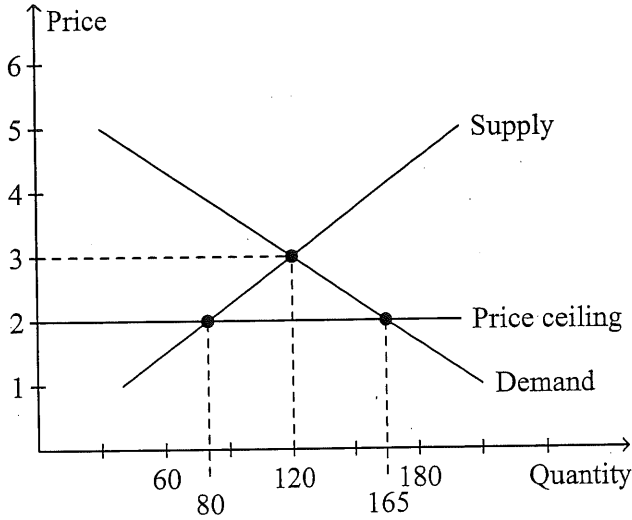
Table 6-3

The following table contains the demand schedule and supply schedule for a market for a particular good. Suppose sellers of the good successfully lobby Congress to impose a price floor \$2 above the equilibrium price in this market.

Price	Quantity Demanded	Quantity Supplied
\$0	15	0
\$1	13	3
\$2	11	6
\$3	9	9
\$4	7	12
\$5	5	15
\$6	3	18

- _____ 1. Refer to Table 6-3. How many units of the good are sold after the imposition of the price floor?
- a. 5
 - b. 9
 - c. 10
 - d. 15
- _____ 2. Refer to Table 6-3. Following the imposition of a price floor \$2 above the equilibrium price, irate buyers convince Congress to repeal the price floor and to impose a price ceiling \$1 below the former price floor. The resulting shortage is
- a. 0 units.
 - b. 2 units.
 - c. 5 units.
 - d. 7 units.

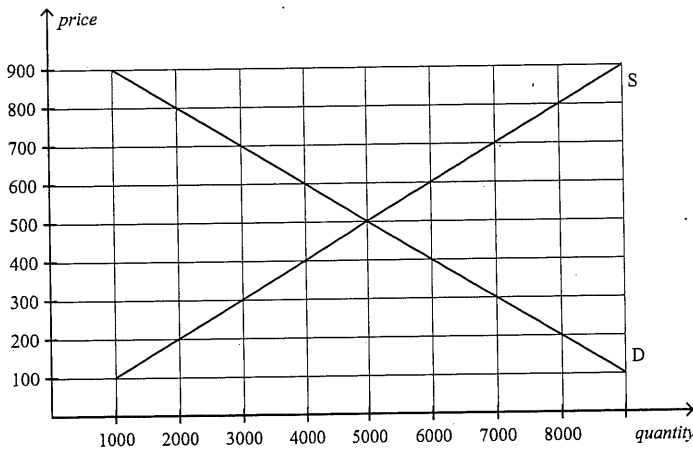
Figure 6-2



3. Refer to Figure 6-2. The price ceiling causes quantity
- supplied to exceed quantity demanded by 45 units.
 - supplied to exceed quantity demanded by 85 units.
 - demanded to exceed quantity supplied by 45 units.
 - demanded to exceed quantity supplied by 85 units.

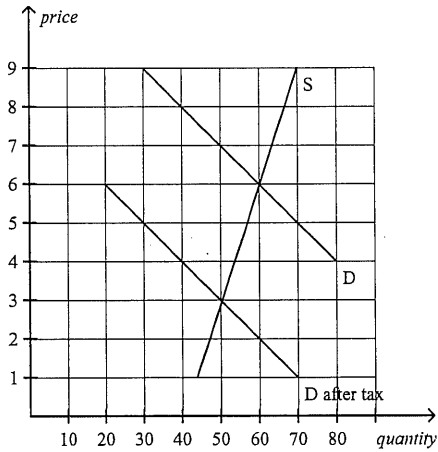
Short Answer

- 4.
- Using the graph shown, analyze the effect a \$300 price ceiling would have on the market for ten-speed bicycles. Would this be a binding price ceiling?
 - Using the graph shown, analyze the effect a \$700 price floor would have on this market for ten-speed bicycles. Would this be a binding price floor?
 - Why would policymakers choose to impose a price ceiling or price floor?



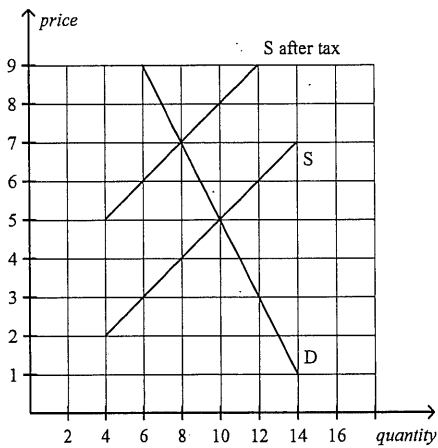
5. Using the graph shown, answer the following questions.

- What was the equilibrium price in this market before the tax?
- What is the amount of the tax?
- How much of the tax will the buyers pay?
- How much of the tax will the sellers pay?
- How much will the buyer pay for the product after the tax is imposed?
- How much will the seller receive after the tax is imposed?
- As a result of the tax, what has happened to the level of market activity?



6. Using the graph shown, answer the following questions.

- What was the equilibrium price in this market before the tax?
- What is the amount of the tax?
- How much of the tax will the buyers pay?
- How much of the tax will the sellers pay?
- How much will the buyer pay for the product after the tax is imposed?
- How much will the seller receive after the tax is imposed?
- As a result of the tax, what has happened to the level of market activity?



7. Using the graph shown, in which the vertical distance between points A and B represents the tax in the market, answer the following questions.
- What was the equilibrium price and quantity in this market before the tax?
 - What is the amount of the tax?
 - How much of the tax will the buyers pay?
 - How much of the tax will the sellers pay?
 - How much will the buyer pay for the product after the tax is imposed?
 - How much will the seller receive after the tax is imposed?
 - As a result of the tax, what has happened to the level of market activity?

