This exam is worth 20% of your final grade, and has X pages. Please check that it indeed contains X pages. The exam contains 50 questions. You have 75 minutes to finish. Feel free to use calculators to back up your answers. Mobile phone and notebook usage is NOT allowed under any circumstances. Cheating and conferences among students will be punished: the students involved will get 0 points on this exam, which significantly reduces your chances of passing the course. If you have any question, please raise your hand, and ask the question aloud so that everyone has the chance to hear it. Please type you name and sign below to indicate that you understand the procedures. Only one answer is correct for each question. Good luck!

Name:…………………………………………………………….. **Signature:…………………………………..**

1) Which of the following is a non-price factor that influences demand?
A) Number of sellers.
B) Technology.
C) Price expectations.
D) Quantity supplied.

2) Which of the following would not cause the supply curve for gasoline to shift?
A) A change in the number of gas stations.
B) A change in the incomes of drivers.
C) A significant war in the Middle East.
D) A change in the wages paid to gas station attendants.

3) Which of the following statements is correct?
A) A change in demand or supply can only be caused by a change in price.
B) An increase in supply invariably leads to a shortage in the affected market.
C) A simultaneous decrease in demand and increase in supply will result in an increase in equilibrium price and uncertain effect on quantity.
D) If price is currently above equilibrium, market adjustments will result in a decrease in price and quantity supplied.

4) Assume the *supply* function for good X can be written as Qs = -100 + 27Px - 5Py - 1.8W, where Px = the price of X, Py = the price of good Y, and W = Wage index for workers in industry X. According to this equation:
A) X and Y are substitutes.
B) a decrease in wages would cause a decrease in the quantity supplied at each price.
C) X and Y are complements.
D) each one unit increase in price causes quantity supplied to increase by 73 units.

5) Assume consumers expect a recession to begin in the next few months. They might react by trying to save more in case they are laid-off or have to work reduced hours. Under these circumstances, what would happen to the equilibrium prices and quantities of the goods the consumers usually buy?
A) Equilibrium price would increase and equilibrium quantity would decrease.
B) Equilibrium price and quantity would both decrease.
C) Equilibrium price and quantity would both increase.
D) Equilibrium price would decrease and equilibrium quantity would increase.

6) Assume the income of consumers of good X (a normal good) increases. What occurs at the initial equilibrium price for X that signals market participants that the equilibrium price must change?
A) A shortage is created by an increase in demand.
B) A shortage is created by a decrease in supply.
C) A surplus is created by an increase in supply.
D) A surplus is created by a decrease in demand.

7) All else constant, what is the ultimate market reaction of suppliers to an increase in the incomes of consumers?
A) The supply curve shifts to the right.
B) Suppliers do not react, because a change in income shifts the demand curve, not the supply curve.
C) The supply curve shifts to the left.
D) Quantity supplied increases.

8) Assume there is an improvement in the technology used to produce video disk players. What could be expected to happen to the equilibrium price and quantity in the market for video disk players?
A) Equilibrium price would decrease and equilibrium quantity would increase.
B) Equilibrium price and quantity would both decrease.
C) Equilibrium price would increase and equilibrium quantity would decrease.
D) Equilibrium price and quantity would both increase.

9) Assume wages paid by a firm to its workers decrease. What would reasonably be expected to happen to the equilibrium price and equilibrium quantity of the firm's output?
A) Equilibrium price would decrease and equilibrium quantity would increase.
B) Equilibrium price and quantity would both decrease.
C) Equilibrium price would increase and equilibrium quantity would decrease.
D) Equilibrium price and quantity would both increase.

10) Which of the following best describes the influence of successful advertising on the market for aspirin?
A) The market supply curve for aspirin shifts to the right, causing equilibrium price to decrease.
B) The market supply curve shifts to the right, creating a surplus at the original equilibrium price.
C) Individuals' demand curves shift to the right, but the market demand curve remains at its original position.
D) The market demand curve shifts to the right, creating a shortage at the original equilibrium price.

11) File-sharing programs such as Napster, uTorrent, and Data.bg make it possible for individuals to exchange music files over the Internet for free. To counter-react to this trend of online sharing, on September 3, 2003, Universal Music Group announced plans to increase the supply of music CDs it distributes by an average of 25-30 percent. Which of the following statements is correct regarding the combined effects of the development of file-sharing programs and Universal Music Group's supply decision in the market for new legal music CDs?
A) The equilibrium price of CDs would increase; the effect on equilibrium quantity is uncertain.

B) The equilibrium quantity of CDs would increase; the effect on equilibrium price is uncertain.
C) The equilibrium quantity of CDs would decrease; the effect on equilibrium price is uncertain.
D) The equilibrium price of CDs would decrease; the effect on equilibrium quantity is uncertain.

12) For a particular product, a demand elasticity is a quantitative measure that shows:
A) the percentage change in quantity demanded relative to the percentage change in any of the other variables included in the demand function for that product.
B) the absolute change in quantity demanded relative to the absolute change in any of the other variables included in the demand function for that product.
C) the percentage change in quantity demanded relative to the absolute change in any of the other variables included in the demand function for that product.
D) the absolute change in quantity demanded relative to the percentage change in any of the other variables included in the demand function for that product.

13) According to the text, the price elasticity of demand for bath tissue has been estimated to be -2.42. This implies that a 10 percent decrease in the price of bath tissue would cause the quantity demanded of bath tissue to:
A) increase by 2.4 percent.
B) decrease by 2.4 percent.
C) increase by 24.2 percent.
D) decrease by 24.2 percent.

14) A decrease in price will result in an increase in total revenue if:
A) the consumer is operating along a linear demand curve at a point at which the price is very low and the quantity demanded is very high.
B) the percentage change in quantity demanded is greater than the percentage change in price.
C) demand is inelastic.
D) the percentage change in quantity demanded is less than the percentage change in price.

15) At a price of $5, consumers buy 200 units of good X. When the price falls to $4, quantity demanded increases to 250 units. We can conclude that over this range, demand is:
A) unit elastic.
B) inelastic.
C) elastic.
D) perfectly inelastic.

16) Aglets are the plastic tips on shoelaces that make it easier to lace your shoes. They are also very cheap and occupy a negligible share of your income. The own-price elasticity of demand for aglets is probably
a. between (0;1)
b. =1
c. >1
d. close to infinity.

17) Which of the following correctly describes how price adjustment eliminates a shortage?
A. As the price rises, the quantity demanded decreases while the quantity supplied increases.
B. As the price rises, the quantity demanded increases while the quantity supplied decreases.
C. As the price falls, the quantity demanded decreases while the quantity supplied increases.

D. As the price falls, the quantity increases while the quantity supplied decreases.

18) Which one is NOT a factor of production:
A) the services that Dr. Stankov is selling to the UNWE
B) the markers that Dr. Stankov uses while teaching
C) the building of the UNWE
D) the wage that Dr. Stankov gets for his services

19) In the goods markets, households are ________, and on the labor markets, households are ________ .
A) demanders; suppliers
B) suppliers; demanders
C) suppliers; suppliers
D) demanders; demanders
E) none of the above

20) If the owner of a shoe store in Serdika Center Mall charges BGN 120 for a pair of shoes her total revenue is BGN 1560 per day. If she lowers the price to BGN 100, total revenue increases to BGN 1600 per day. The *quantity demanded* for shoes in Serdica Center Mall is:
a. inelastic
b. elastic.
c. unitary elastic.
d. neither elastic nor inelastic because this situation violates the law of demand.

Intro to Economics, Miterm Exam 1, Nov. 16, 2010: Correct answers																	
1	A	B	**C**	D	E	**19**	**A**	B	C	D	E	**37**	A	B	C	D	E
2	A	**B**	C	D	E	**20**	A	**B**	C	D	E	**38**	A	B	C	D	E
3	A	B	C	**D**	E	**21**	A	B	C	D	E	**39**	A	B	C	D	E
4	**A**	B	**C**	D	E	**22**	A	B	C	D	E	**40**	A	B	C	D	E
5	A	**B**	C	D	E	**23**	A	B	C	D	E	**41**	A	B	C	D	E
6	**A**	B	C	D	E	**24**	A	B	C	D	E	**42**	A	B	C	D	E
7	A	B	C	**D**	E	**25**	A	B	C	D	E	**43**	A	B	C	D	E
8	**A**	B	C	D	E	**26**	A	B	C	D	E	**44**	A	B	C	D	E
9	A	B	C	**D**	E	**27**	A	B	C	D	E	**45**	A	B	C	D	E
10	A	B	C	**D**	E	**28**	A	B	C	D	E	**46**	A	B	C	D	E
11	A	B	C	**D**	E	**29**	A	B	C	D	E	**47**	A	B	C	D	E
12	**A**	B	C	D	E	**30**	A	B	C	D	E	**48**	A	B	C	D	E
13	A	B	**C**	D	E	**31**	A	B	C	D	E	**49**	A	B	C	D	E
14	A	**B**	C	D	E	**32**	A	B	C	D	E	**50**	A	B	C	D	E
15	**A**	B	C	D	E	**33**	A	B	C	D	E	Comments by teacher (if any)					
16	**A**	B	C	D	E	**34**	A	B	C	D	E						
17	**A**	B	C	D	E	**35**	A	B	C	D	E						
18	A	B	C	**D**	E	**36**	A	B	C	D	E						
No. Correct:						Pts. (of 100):						**Final grade (of 20):**					

Name:						**Surname:**						**Fac. Number:**					
1	A	B	C	D	E	**19**	A	B	C	D	E	**37**	A	B	C	D	E
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16	A	B	C	D	E	**34**	A	B	C	D	E						
17	A	B	C	D	E	**35**	A	B	C	D	E						
18	A	B	C	D	E	**36**	A	B	C	D	E						
No. Correct:						Pts. (of 100):						Final grade (of 20):					

1) C
2) B
3) D
4) A
5) B
6) A
7) D
8) A
9) D
10) D
11) D
12) A
13) C
14) B
15) A
16) A
17) A
18) D
19) A
20) B