

Practice Exam #2

Answer Key

Multiple Choice

- 1.B
- 2.C
- 3.D
- 4.B
- 5.D
- 6.A
- 7.A
- 8.C
- 9.C
- 10.A
- 11.D
- 12.D

Problem #1

1. Budget constraint on graph
2. $MU(B) = 0,600,520,500,0,350,0$
 $MU(B)/P(B) = 0,300,260,250,0,175,0$
 $MU(M) = 0,400,350,260,250,160,150$
 $MU(M)/P(M) = 0,800,700,520,500,320,300$
3. 6milk, 1 Bagel MU/p at equilibrium=300
graph
4. graph - BC rotates inward
5. 2bagels - thats all you can afford

Problem #2

1. \$3.25, 1000
2. at \$3.75, surplus is 200
3. govnt buys surplus at $200(\$3.75) = \750
4. consumers pay \$3, suppliers keep \$3.50,
5. $(1050)(\$0.50) = \525