

MULTIPLE CHOICE (2 points each)

1. d
2. a
3. b
4. c
5. a
6. c
7. b
8. c
9. b
10. a

TRUE/FALSE (1 point each)

1. T
2. F
3. F
4. F
5. T

SHORT ANSWER

APPLICATION/SCENARIO (15 points)

ANSWER:

- a. Total revenue from children's tickets is \$100 and from adult tickets is \$250. Total revenue from all sales would be \$350.
- b. the demand for children's tickets is more elastic.
- c. The adult ticket market has the more inelastic demand.
- d. The elasticity of demand between \$5 and \$2 is 0.21 or inelastic.
- e. The elasticity of demand between \$5 and \$3 is 1.33 or elastic.
- f. If price is increased to \$8 for adult tickets (maximum for the graph) and price decreased to \$3 for child tickets (minimum for graph), total revenue would increase to \$440 ($\$8 \times 40 + \3×40) or \$90 more than before.