

MULTIPLE CHOICE (2 points each)

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

TRUE/FALSE (1 point each)

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

SHORT ANSWER

APPLICATION/SCENARIO (15 points)

ANSWER:

- a. Equilibrium price is \$8 and equilibrium is 8,000 units.
- b. The tax is \$3.00.
- c. Buyers will pay \$1.00.
- d. Sellers will pay \$2.00.
- e. \$9.00
- f. \$6.00
- g. Instead of 8,000 units being bought and sold, only 6,000 will be bought and sold.