

**MULTIPLE CHOICE (2 points each)**

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

**TRUE/FALSE (1 point each)**

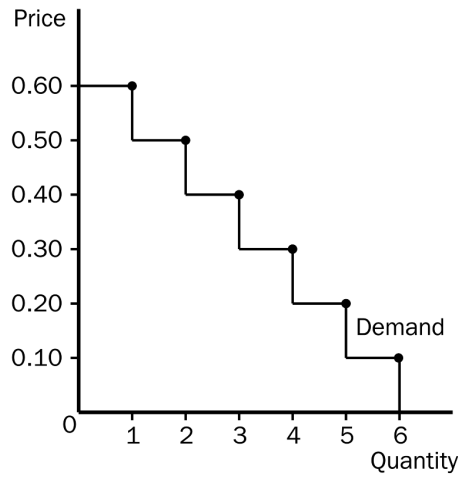
1. F
2. T
3. T
4. T
5. F

**SHORT ANSWER**

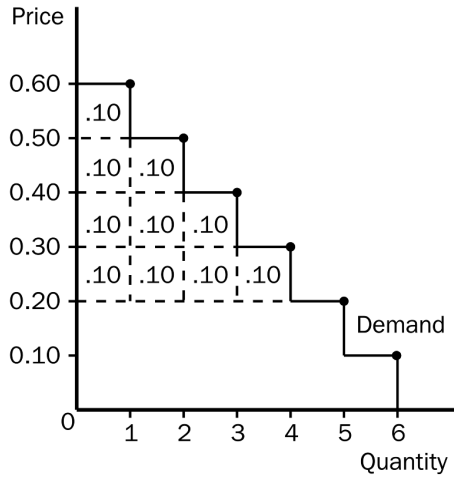
**APPLICATION/SCENARIO (15 points)**

ANSWER:

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- At a price of \$0.20, Tammy would buy 5 donuts.
- The figure below shows Tammy's consumer surplus. At a price of \$0.20, Tammy's consumer surplus would be \$1.00.



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- If the price of donuts rose to \$0.40, Tammy's consumer surplus would fall to \$0.30 and she would purchase only 3 donuts.

