

ARE 201 Spring 2009 Sample Exam #3 Answer Sheet

MULTIPLE CHOICE (3 points each)

1. d
2. d
3. c
4. c
5. b
6. a
7. d
8. c
9. b
10. a
11. c
12. c
13. a
14. b
15. a
16. a
17. d
18. c

TRUE/FALSE (2 points each)

1. F
2. T
3. T
4. T
5. F
6. F
7. F
8. T
9. F

SHORT ANSWER

APPLICATION/SCENARIO (10 points each)

1. ANSWER:

- a. \$14
- b. 90
- c. \$10
- d. 85
- e. \$360

- f. \$810
- g. \$405
- h. \$125
- i. \$765
- j. \$935
- k. \$170

2. ANSWER: Start with the equation: $\text{Total Surplus} = \text{Consumer Surplus} + \text{Producer Surplus}$. Then, since $\text{Consumer Surplus} = \text{Value to buyers} - \text{Amount paid by buyers}$, and since $\text{Producer Surplus} = \text{Amount received by sellers} - \text{Costs of sellers}$, then Total Surplus can be written as: $\text{Value to buyers} - \text{Amount paid by buyers} + \text{Amount received by sellers} - \text{Costs of sellers}$. Since the Amount paid by buyers equals the Amount received by sellers, the middle two terms cancel out and the result is:
 $\text{Total Surplus} = \text{Value to buyers} - \text{Costs of sellers}$.