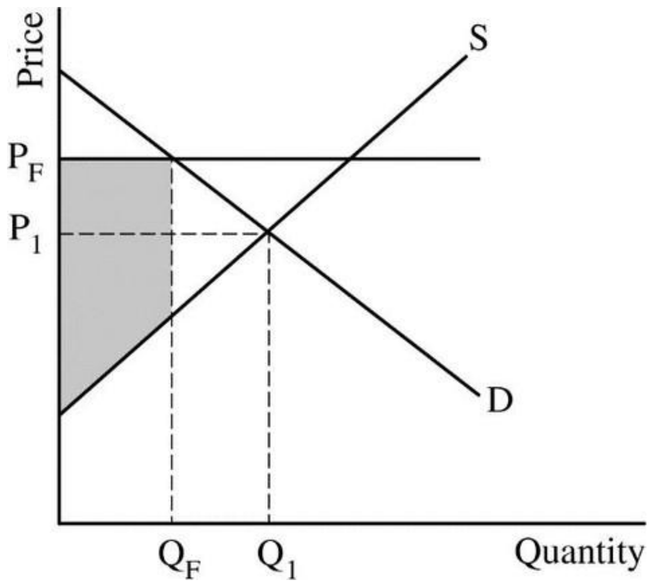
AP Microeconomics
Unit 2 Practice FRQs KEY

FRQ #1

7 points



(a) **1 point** is earned for drawing a correctly labeled graph of the market for milk with an upward sloping supply curve and a downward sloping demand curve.

1 point is earned for drawing an effective price floor, labeled P_F, above the equilibrium price and for identifying the new quantity of milk, labeled Q_F, from the demand curve.

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(b) **1 point** is earned for stating the market is not allocatively efficient after the price floor is imposed and for explaining that marginal benefit is greater than marginal cost (MB > MC).

(c) **1 point** is earned for completely shading the area representing the producer surplus.

(d) **1 point** is earned for stating that total consumer spending on milk will decrease, and for explaining the demand is elastic or that the percentage increase in the price of milk will be less than the percentage decrease in the quantity demanded.

FRQ #2

5 points

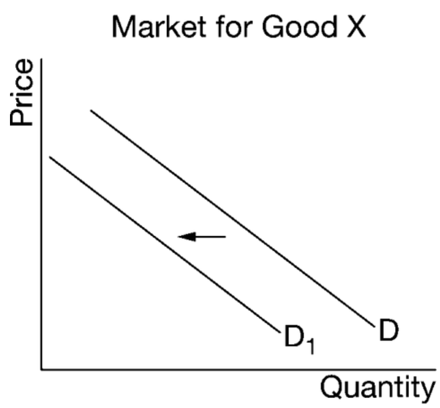
(a) **1 point** for stating that the quantity demanded will decrease by 8.5%.

(b) **1 point** for explaining that consumers have more substitutes for the good in the long run that are not available in the short run or there is more time to adjust in the long run.

(c) **1 point** for stating that total revenue will decrease, and explains that demand is more elastic in the long run (3.2>1) () so the percentage decrease in quantity will be larger than the percentage increase in price.

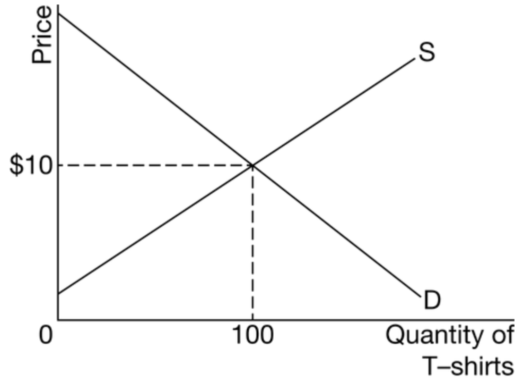
(d) **1 point** for stating that movie tickets are a normal good and explains that a normal good is a good with a positive income elasticity of demand (0.75>0).

(e) **1 point** for including a correctly labeled graph showing a leftward shift of the demand curve (see below).



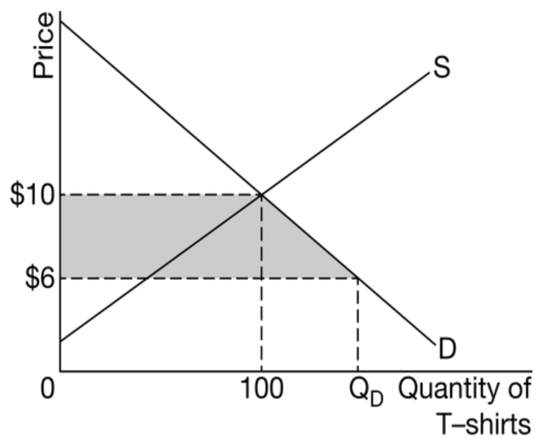
FRQ #3

5 points



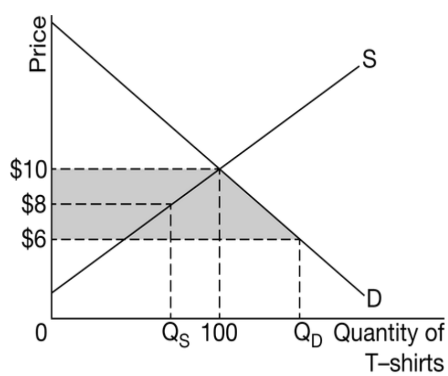
(a) **1 point**: The response draws a correctly labeled graph for the domestic T-shirt market in Alpha with the equilibrium price labeled as $10 and the equilibrium quantity labeled as 100.

(b) **i. 1 point**: States that Alpha will be an importer of t-shirts and explains that at a price of $6 the domestic quantity demanded exceeds the domestic quantity supplied so the gap will be filled by importing t-shirts.



ii. 1 point: Indicates on the graph from part (a) the domestic quantity demanded of t-shirts at the world price labeled Q_D.

iii. 1 point: Indicates on the graph from part (a) the change in the consumer surplus shaded completely.



(c) **1 point:** Indicates on the graph from part (a) the new domestic quantity supplied of T-shirts as a result of the tariff labeled Q_S