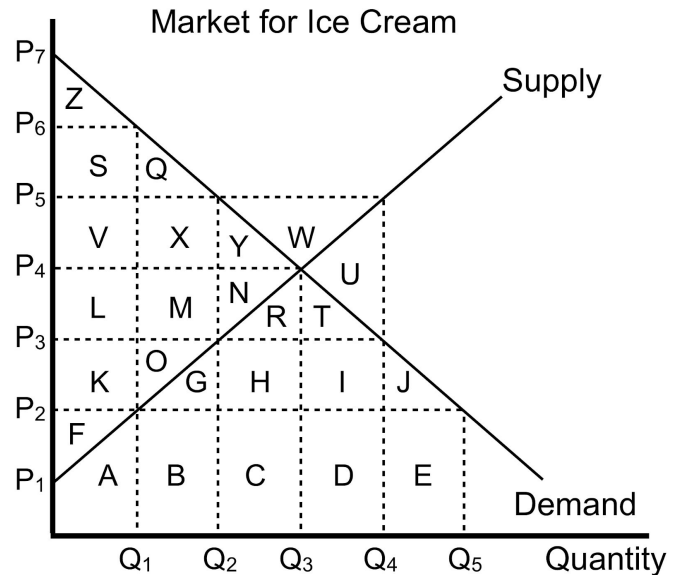




Microeconomics

Unit 2 Practice Sheet

Part 1 - Supply and Demand Practice- Use the graph for ice cream to answer the questions below.



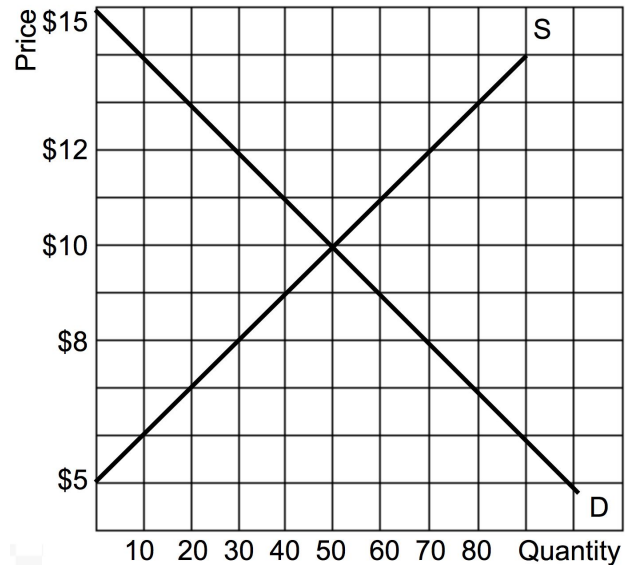
1. What is the equilibrium price and quantity?
2. Identify a price and quantity that could be the result of an increase in the price of milk, a key resource in the production of ice cream.
3. Identify a price and quantity that could be the result of a decrease in the price of popsicles, a substitute to ice cream.
4. Identify the area of consumer surplus at the equilibrium price.
5. Identify the area of consumer surplus if the supply increased resulting in the equilibrium price of P_3 and Q_4 .
6. Assume instead that the demand decreased resulting in the equilibrium price of P_3 and Q_2 . Identify the area of producer surplus.
7. Identify the area of consumer surplus if a price ceiling is placed at P_2 .
8. Identify the area of consumer surplus if a price ceiling is placed at P_5 .
9. Identify the area of deadweight loss if a price floor is placed at P_6 .
10. Assume that a per-unit tax was placed on ice cream resulting in an equilibrium price of P_6 and Q_1 . Identify the area of consumer surplus.
11. Assume that a per-unit tax was placed on ice cream resulting in an equilibrium price of P_6 and Q_1 . Identify the area of deadweight loss.
12. Assume that a per-unit tax was placed on ice cream resulting in an equilibrium price of P_6 and Q_1 . Identify the area of tax revenue.
13. Assume instead that consumers can get ice cream at the world price of P_2 . Identify the area of consumer surplus after international trade.
14. Identify the quantity that will be imported if the world price is P_2 .



Microeconomics

Unit 2 Practice Sheet

Part 2 - Calculation Practice- Use the graph for a competitive market to answer the questions below. Show your work.



15. What is the quantity demanded and quantity supplied at the price of \$13?
16. Could an increase in supply result in an equilibrium price and quantity of \$12 and 30 units? Explain.
17. Calculate the consumer surplus at the equilibrium price.
18. Calculate the consumer surplus if a decrease in supply results in an equilibrium price of \$12.
19. Calculate the producer surplus if an increase in demand results in an equilibrium price of \$12.
20. Calculate the deadweight loss if a decrease in demand results in an equilibrium price of \$8.
21. Calculate the consumer surplus if a price ceiling is placed at \$8.
22. What would be the equilibrium price and quantity if a \$2 per-unit tax is placed on the good?
23. How much tax revenue would be generated if a \$2 per-unit tax is placed on the good?
24. Would the incidence of tax from a \$2 tax mostly fall on consumers or producers? Explain.
25. Calculate the consumer surplus if consumers can get this product at the world price of \$7.
26. Calculate the elasticity of demand coefficient between the price of \$10 and \$9.
27. Calculate the elasticity of supply coefficient between the price of \$10 and \$12.
28. Assume the price fell from \$10 to \$8 causing the quantity demanded of a different product to increase from 100 to 120 units. Calculate the cross-price elasticity of demand coefficient.
29. Assume instead that the demand changes in such a way that a decrease in supply results in an equilibrium price and quantity of \$12 and 50 units. Calculate the elasticity of demand coefficient.



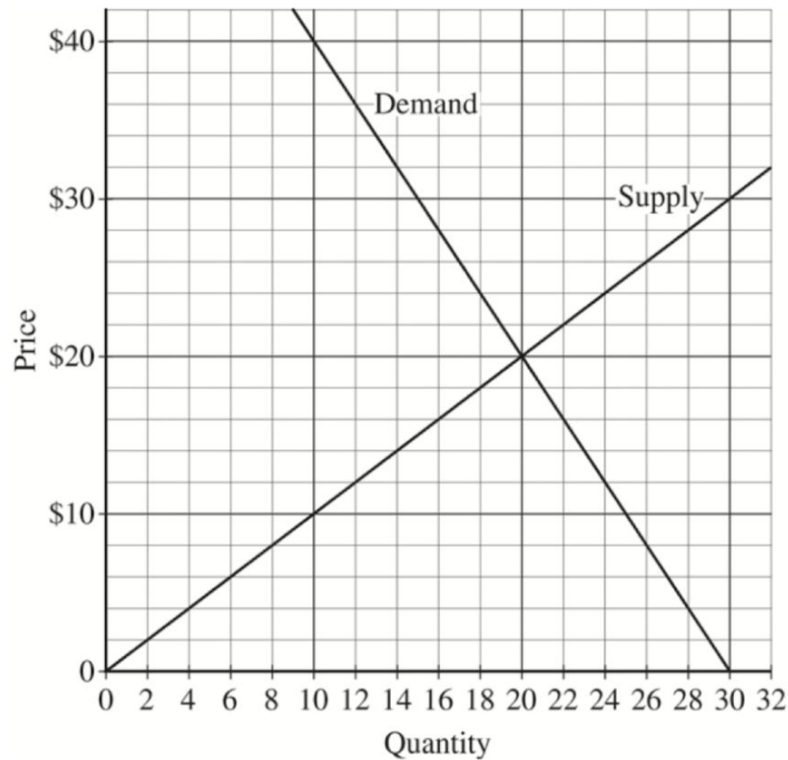
Microeconomics

Unit 2 Practice Sheet

Part 3 - FRQ Practice- Complete the following question from the 2015 AP exam (Question 3).

2015 AP[®] MICROECONOMICS FREE-RESPONSE QUESTIONS

3. The graph below shows the market for widgets. The government is considering intervening in this market.



- Calculate the total producer surplus at the market equilibrium price and quantity. Show your work.
- If the government imposes a price floor at \$16, is there a shortage, a surplus, or neither? Explain.
- If instead the government imposes a price ceiling at \$12, is there a shortage, a surplus, or neither? Explain.
- If instead the government restricts the market output to 10 units, calculate the deadweight loss. Show your work.
- Assume the price decreases from \$20 to \$12.
 - Calculate the price elasticity of demand. Show your work.
 - In this price range, is demand perfectly elastic, relatively elastic, unit elastic, relatively inelastic, or perfectly inelastic?