

## Econ 101 Class 14 Questions

1. The proponents of a tax on sugary beverages must believe that the young-person demand for sugary beverages is price \_\_\_\_\_ because then the tax will \_\_\_\_\_ of sugary beverages by a large amount.
  - A. Elastic, raise the price
  - B. Elastic, lower the quantity\*\*
  - C. Inelastic, raise the price
  - D. Inelastic, lower the quantity
2. John uses a gift from his Uncle to pay off his equipment loan. The interest rate on John's loan is the same as the rate he can earn on his saving. John's accounting profit \_\_\_\_\_ and his economic profit \_\_\_\_\_.
  - A. Rises, Stays the same. \*\*
  - B. Rises, Rises.
  - C. Stays the same, Rises.
  - D. Stays the same, Stays the same.
3. Before, John's best alternative was working as a shift manager at Foster's for \$300 per week and he was making an economic profit of \$400. Suppose Sarah Foster now offers John \$1000 per week to be store manager. Is John still making an economic profit?
  - A. Yes, because Foster's offer is irrelevant to John's profit calculation.
  - B. Yes, because explicit costs have not changed.
  - C. No, because John's normal profit is now larger than his accounting profit. \*\*
  - D. No, because John's explicit costs have risen.
4. Scott Adams loves to draw and has created a well liked cartoon series called Dilbert. When he first started out, Scott earned \$3,000 per month drawing Dilbert for subscribing newspapers. Dilbert became popular and now Scott earns \$10,000.00 per month drawing Dilbert. Is Scott Adams receiving economic rent or profit?
  - A. Economic Profit because his current wage is greater than his opportunity cost.
  - B. Economic Profit because there is great competition in the cartoon industry.
  - C. Economic Rent because he is in business for himself.
  - D. Economic Rent because no other cartoonist is permitted to draw Dilbert. \*\*