

Boston College  
Problem Set 2, Fall 2012  
EC 131 - Principles of Microeconomics  
Instructor: Inacio G L Bo

Answer the questions in the spaces provided on the question sheets. If you run out of room for an answer, continue on the back of the page. Be succinct. Longer answers don't increase your chance of being right, but increase your chance of saying something wrong. **Show how you got your answers in mathematical questions**

Name: \_\_\_\_\_

1. Say whether the propositions are True or False. If they are False, justify.

(a) The market for tablets is a monopolistic market, with Apple being the monopolist.

(b) The law of demand states that the price of a good rises whenever demand decreases.

(c) Printer and printer carriage are examples of complementary goods.

Boston College  
Problem Set 2, Fall 2012  
EC 131 - Principles of Microeconomics (Continued)

2. Answer the following questions regarding consumer demand:

(a) What is the difference between a “change in demand” and a “change in quantity demanded”? Graph your answer.

(b) For each of the following changes, determine whether there will be a change in quantity demanded or a change in demand (write your answer after each item)

1. a change in the price of a related good
2. a a change in tastes
3. a a change in the number of buyers
4. a a change in price
5. a a change in consumer expectations
6. a a change in income

Boston College  
Problem Set 2, Fall 2012  
EC 131 - Principles of Microeconomics (Continued)

3. Let the demand curve for wheat be given by the following formula:

$$Q_d = 250 - 2P$$

and the supply be given by:

$$Q_s = 3P$$

now answer the following questions:

(a) Does the demand in this problem satisfy the law of demand? Why?

(b) Does the supply in this problem satisfy the law of supply? Why?

(c) For which prices will there be no demand for wheat?

Boston College  
Problem Set 2, Fall 2012  
EC 131 - Principles of Microeconomics (Continued)

(d) Plot the demand and the supply curves. Indicate clearly the axes, the intercepts of both curves and the values of  $P$  and  $Q$  at those intercepts.

(e) Using the demand and supply equations, determine the market equilibrium (price and quantity)