

Principles of Economics

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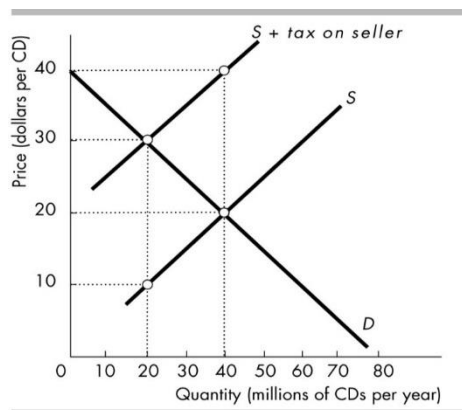
Faculty of Commerce- English Section

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Tutorial on Chapter 6 (Economics, 10e (Parkin))

Question 1: Choose the best answer for the following questions:

- When a sales tax is imposed on sellers, the supply curve shifts so that the vertical distance between the old and the new supply curve equals the
 - sales tax multiplied by the price elasticity of demand.
 - sales tax multiplied by the price elasticity of supply.
 - amount of the sales tax.
 - sales tax divided by the price elasticity of demand.
- How a sales tax is divided between buyers and sellers is determined by
 - the government's choice of whom to tax.
 - who the law says must pay the tax.
 - the elasticities of supply and demand.
 - the revenue needs of government.
- The demand and the supply for a good are each neither perfectly elastic nor perfectly inelastic. If a sales tax on sellers of the good is imposed, the tax is paid by
 - only buyers.
 - only sellers.
 - both buyers and sellers.
 - neither buyers nor sellers.



- In the above figure, the price paid by the buyer before the tax is _____ per compact disc, and the price paid by the buyer after the tax is _____ per compact disc.
 - \$20; \$20
 - \$20; \$30
 - \$30; \$20
 - \$30; \$30
- In the above figure, the price received by the seller before the tax is _____ per compact disc, and the price received and kept by the seller after the tax is _____ per compact disc.
 - \$20; \$20
 - \$20; \$10
 - \$30; \$20
 - \$30; \$10
- In the above figure, what is the amount of the tax per compact disc?
 - \$10
 - \$20
 - \$30
 - \$40
- In the above figure, what is the total tax revenue collected by the government?

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A) \$20 million B) \$40 million C) \$200 million D) \$400 million

8. In the above figure, who pays the larger share of the tax?
- A) buyers
 - B) sellers
 - C) Buyers and sellers each pay the same amount of the tax and each pays \$10 per compact disc.
 - D) Buyers and sellers each pay the same amount of the tax, but the amount each pays is different than \$10 per compact disc.