

Quiz 1 - ECN 406 - Spring 2012
Sports Economics - Dr. Allen
20 points

Name _____

Circle the letter corresponding to the correct response.

1. Which of the following accurately describes an increase in the demand for sports tickets?
 - a. an organization lowers ticket prices, causing demand to shift rightward
 - b. an organization adds player talent to its roster, causing demand to shift rightward
 - c. an organization lowers ticket prices, causing a movement along the existing demand curve for tickets
 - d. fans of the sport experience a decline in their incomes, and sports tickets are a normal good

2. We can express a sports franchise's gate revenue (R_G) as $R_G = \alpha R_h + (1-\alpha)R_a$. Regarding this expression,
 - a. R_h and R_a represent the marginal revenue product of players in home and away games, respectively
 - b. α represents the percentage of gate revenue retained by the home team
 - c. R_h represents the franchise's broadcast revenue and R_a represents its licensing revenue
 - d. $R_G = R_a$ if no revenue is shared

3. A sports organization that successfully engages in price discrimination
 - a. charges the same price to two different sets of fans
 - b. charges a higher price to fans who exhibit lesser elasticity of demand
 - c. charges a higher price to fans who exhibit greater elasticity of demand
 - d. will operate such that $MR > MC$ to maximize profit in each separated market

4. We generally assume that sports organizations
 - a. have no market power and therefore face perfectly elastic demand
 - b. have no market power and therefore face down-sloping demand
 - c. have some market power and therefore face perfectly elastic demand
 - d. have some market power and therefore face down-sloping demand

5. A sports organization that engages in inelastic ticket pricing
 - a. earns the maximum possible total revenue
 - b. faces a U-shaped total revenue function
 - c. operates such that total revenue is decreasing
 - d. operates such that total revenue is increasing