

Exam 01 - ECON 2301-05 - Friday, October 1st

- _____ 1. Demand is said to be inelastic if the
- quantity demanded changes proportionately the same as price.
 - quantity demanded changes proportionately less than price.
 - quantity demanded changes proportionately more than price.
 - price changes proportionately more than income.
- _____ 2. Suppose that a tax is placed on books. If the buyers pay the majority of the tax, then we know that the
- demand is more inelastic than the supply.
 - government has required that sellers remit the tax payments.
 - supply is more inelastic than the demand.
 - government has required that buyers remit the tax payments.

Table 3

Price	Quantity Demanded	Quantity Supplied
\$10	10	60
\$8	20	45
\$6	30	30
\$4	40	15
\$2	50	0

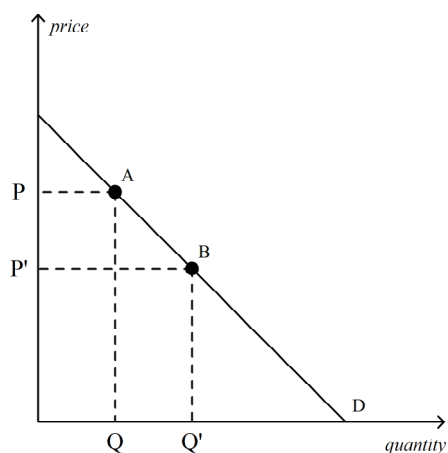
- _____ 3. **Refer to Table 3.** If the price were \$4, a
- shortage of 40 units would exist and price would tend to rise.
 - shortage of 25 units would exist and price would tend to rise.
 - surplus of 15 units would exist and price would tend to fall.
 - surplus of 25 units would exist and price would tend to fall.
- _____ 4. Suppose the demand for nachos increases. What will happen to producer surplus in the market for nachos?
- It may increase, decrease, or remain unchanged.
 - It increases.
 - It remains unchanged.
 - It decreases.
- _____ 5. The unique point at which the supply and demand curves intersect is called
- market harmony.
 - coincidence.
 - equilibrium.
 - equivalence.
- _____ 6. The opportunity cost of an item is
- usually less than the dollar value of the item.
 - the number of hours needed to earn money to buy the item.
 - what you give up to get that item.
 - the dollar value of the item.

- _____ 7. A rightward shift of a supply curve is called
- an increase in quantity supplied.
 - an increase in supply.
 - a decrease in quantity supplied.
 - a decrease in supply.
- _____ 8. Total surplus
- is the sum of consumer and producer surplus.
 - is the to value to buyers minus the cost to sellers.
 - can be used to measure a market's efficiency.
 - All of the above are correct.
- _____ 9. Soup is an inferior good if
- the demand for soup falls when the price of a substitute for soup rises.
 - the demand for soup falls when income rises.
 - the demand curve for soup slopes upward.
 - the demand for soup rises when the price of soup falls.
- _____ 10. An increase in demand is represented by
- a leftward shift of a demand curve.
 - a movement upward and to the left along a demand curve.
 - a movement downward and to the right along a demand curve.
 - a rightward shift of a demand curve.
- _____ 11. A price floor is
- a source of inefficiency in a market.
 - often imposed when sellers of a good are successful in their attempts to convince the government that the market outcome is unfair without a price floor.
 - a legal minimum on the price at which a good can be sold.
 - All of the above are correct.

Table 4

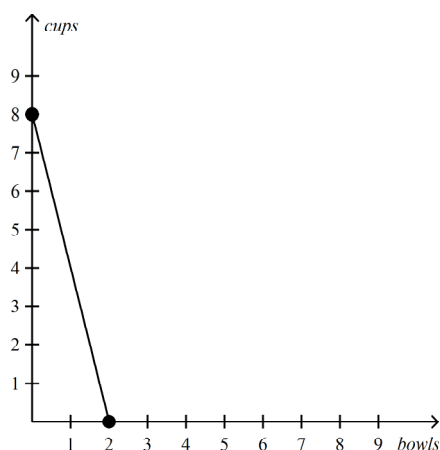
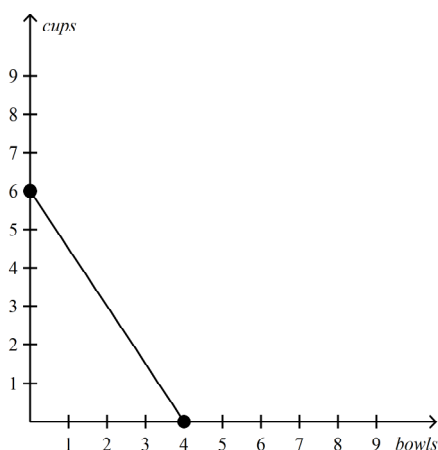
Price	Quantity Demanded	Quantity Supplied
\$0	12	0
\$1	10	2
\$2	8	4
\$3	6	6
\$4	4	8
\$5	2	10
\$6	0	12

- _____ 12. **Refer to Table 4.** Which of the following price floors would be binding in this market?
- \$4
 - \$3
 - \$1
 - \$2

Figure 4

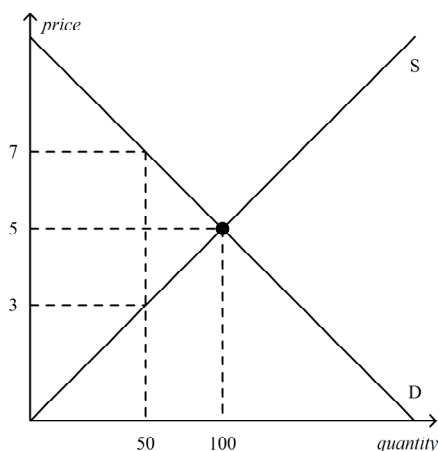
13. **Refer to Figure 4.** The movement from point A to point B on the graph shows
- a decrease in quantity demanded.
 - an increase in demand.
 - an increase in quantity demanded.
 - a decrease in demand.
14. For a good that is a necessity, demand
- tends to be inelastic.
 - cannot be represented by a demand curve in the usual way.
 - has unit elasticity.
 - tends to be elastic.
15. Which of the following phrases best captures the notion of efficiency?
- equitable outcome
 - equal distribution
 - absolute fairness
 - minimum waste
16. Total revenue
- increases as price increases, as long as demand is elastic.
 - remains unchanged as price increases when demand is unit elastic.
 - decreases as price increases, as long as demand is inelastic.
 - always increases as price increases.
17. Producer surplus is
- the opportunity cost of production minus the cost of producing goods that go unsold.
 - always a negative number for sellers in a competitive market.
 - measured using the demand curve for a good.
 - the amount a seller is paid minus the cost of production.

- _____ 18. A shortage results when
- a nonbinding price ceiling is imposed on a market.
 - a binding price ceiling is removed from a market.
 - a binding price ceiling is imposed on a market.
 - a nonbinding price ceiling is removed from a market.
- _____ 19. An example of a price floor is
- the regulation of gasoline prices in the U.S. in the 1970s.
 - any restriction on price that leads to a shortage.
 - rent control.
 - the minimum wage.

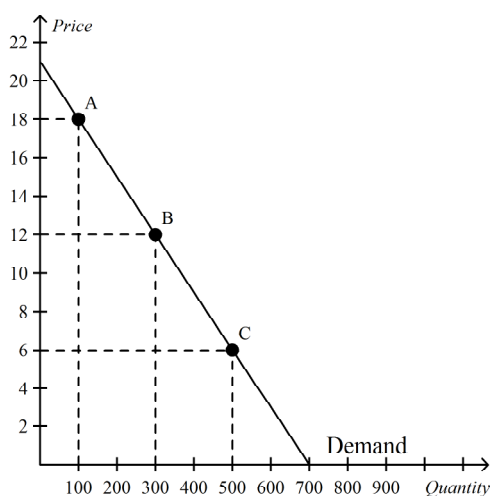
Figure 3**Bintu's Production Possibilities Frontier****Juba's Production Possibilities Frontier**

- _____ 20. **Refer to Figure 3.** Bintu has a comparative advantage in the production of
- cups and Juba has a comparative advantage in the production of bowls.
 - bowls and Juba has a comparative advantage in the production of cups.
 - neither good and Juba has a comparative advantage in the production of both goods.
 - both goods and Juba has a comparative advantage in the production of neither good.
- _____ 21. **Refer to Figure 3.** Suppose Juba is willing to trade one bowl to Bintu for every two cups that Bintu makes and sends to Juba. Which of the following combinations of bowls and cups could Bintu then consume, assuming Bintu specializes in making cups and Juba specializes in making bowls?
- 2 bowls and 4 cups
 - 4 bowls and 1 cup
 - 3 bowls and 3 cups
 - 1 bowl and 7 cups

- _____ 22. Any point on a country's production possibilities frontier represents a combination of two goods that an economy
- can produce using some portion, but not all, of its resources and technology.
 - can produce using all available resources and technology.
 - will never be able to produce.
 - may be able to produce in the future with more resources and/or superior technology.
- _____ 23. When a tax is placed on the buyers of cell phones,
- the size of the cell phone market and the effective price received by sellers both increase.
 - the size of the cell phone market decreases, but the effective price received by sellers increases.
 - the size of the cell phone market and the effective price received by sellers both decrease.
 - the size of the cell phone market increases, but the effective price received by sellers decreases.
- _____ 24. If a nonbinding price floor is imposed on a market, then
- the quantity sold in the market will decrease.
 - the quantity sold in the market will stay the same.
 - the price in the market will increase.
 - the price in the market will decrease.

Figure 6

- _____ 25. **Refer to Figure 6.** Suppose a tax of \$2 per unit is imposed on this market. How much will sellers receive per unit after the tax is imposed?
- between \$3 and \$5
 - \$3
 - between \$5 and \$7
 - \$7

Figure 5

26. Refer to Figure 5. Sellers' total revenue would increase if the price
- decreased from \$18 to \$16.
 - decreased from \$16 to \$15.
 - increased from \$6 to \$8.
 - All of the above are correct.
27. The price elasticity of demand for a good measures the willingness of
- firms to produce more of a good as price rises.
 - consumers to buy less of the good as price rises.
 - consumers to avoid monopolistic markets in favor of competitive markets.
 - firms to cater to the tastes of consumers.
28. On a graph, the area below a demand curve and above the price measures
- willingness to pay.
 - consumer surplus.
 - producer surplus.
 - deadweight loss.
29. Which of the following is *not* held constant in a demand schedule?
- expectations
 - price
 - tastes
 - income
30. If goods A and B are complements, then an increase in the price of good A will result in
- no difference in the quantity sold of either good.
 - less of good B being sold.
 - more of good B being sold.
 - more of good A being sold.

- ____ 31. The principle that "people face tradeoffs" applies to
- families.
 - societies.
 - individuals.
 - All of the above are correct.

Table 5

This table refers to five possible buyers' willingness to pay for a case of Vanilla Coke.

Buyer	Willingness To Pay
David	\$8.50
Laura	\$7.00
Megan	\$5.50
Mallory	\$4.00
Audrey	\$3.50

- ____ 32. **Refer to Table 5.** If the price of Vanilla Coke is \$6.90, who will purchase the good?
- David and Laura
 - Megan, Mallory and Audrey
 - all five individuals
 - David, Laura and Megan

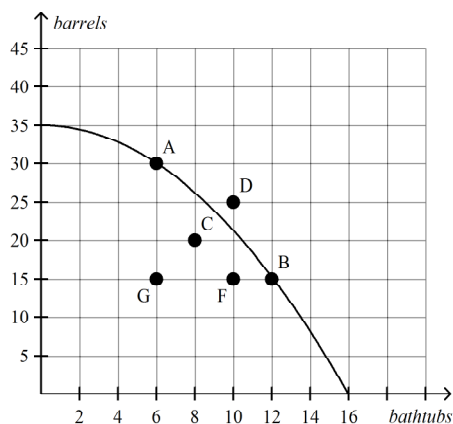
Table 2

Assume that Sardi and Tinaka can switch between producing corn and producing pork at a constant rate.

	Minutes Needed to Make 1	
	Bushel of Corn	Pound of Pork
Sardi	20	12
Tinaka	15	10

- ____ 33. **Refer to Table 2.** Which of the following combinations of corn and pork could Sardi produce in one 8-hour day?
- 9 bushels of corn and 25 pounds of pork
 - 24 bushels of corn and 40 pounds of pork
 - 6 bushels of corn and 35 pounds of pork
 - 15 bushels of corn and 20 pounds of pork
- ____ 34. The production possibilities frontier is used to illustrate some basic economic ideas, including
- economic growth.
 - opportunity cost.
 - scarcity.
 - All of the above are correct.
- ____ 35. An increase in the price of a good will
- increase quantity demanded.
 - increase demand.
 - decrease quantity demanded.
 - decrease demand.

36. Trade can make everybody better off because it
- requires some workers in an economy to be retrained.
 - allows people to specialize according to comparative advantage.
 - reduces competition among domestic companies.
 - increases cooperation among nations.

Figure 1

37. Refer to Figure 1. This economy has the ability to produce at which point(s)?
- C, F, G
 - A, B, D
 - A, B
 - A, B, C, F, G

Table 1**Production Possibilities for Batterland**

Pancakes	Waffles
600	0
450	150
300	250
150	325
0	375

38. Refer to Table 1. What is the opportunity cost to Batterland of increasing the production of pancakes from 150 to 300?
- 325 waffles
 - 150 waffles
 - 75 waffles
 - 250 waffles