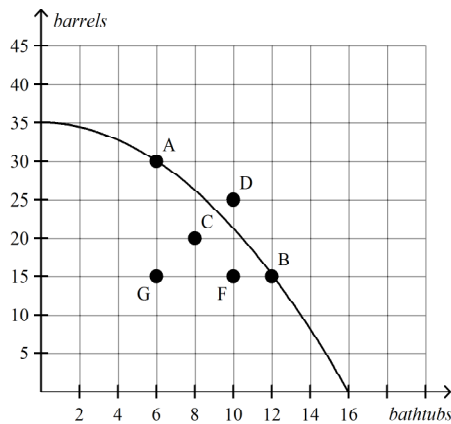
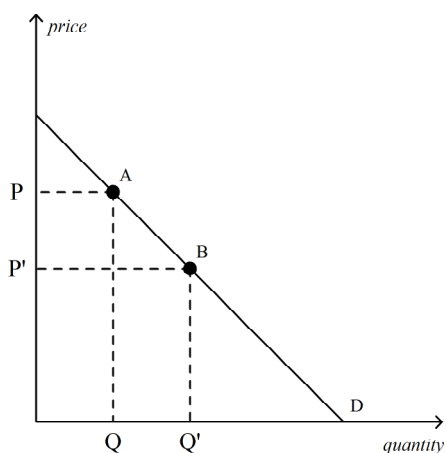


**Exam 01 - ECON 2301-05 - Friday, October 1st****Figure 1**

- \_\_\_\_\_ 1. **Refer to Figure 1.** This economy has the ability to produce at which point(s)?
- A, B, D
  - A, B
  - C, F, G
  - A, B, C, F, G
- \_\_\_\_\_ 2. Any point on a country's production possibilities frontier represents a combination of two goods that an economy
- can produce using all available resources and technology.
  - can produce using some portion, but not all, of its resources and technology.
  - may be able to produce in the future with more resources and/or superior technology.
  - will never be able to produce.
- \_\_\_\_\_ 3. Demand is said to be inelastic if the
- price changes proportionately more than income.
  - quantity demanded changes proportionately less than price.
  - quantity demanded changes proportionately more than price.
  - quantity demanded changes proportionately the same as price.
- \_\_\_\_\_ 4. 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.

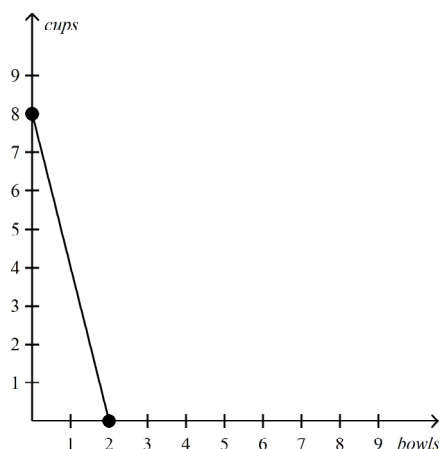
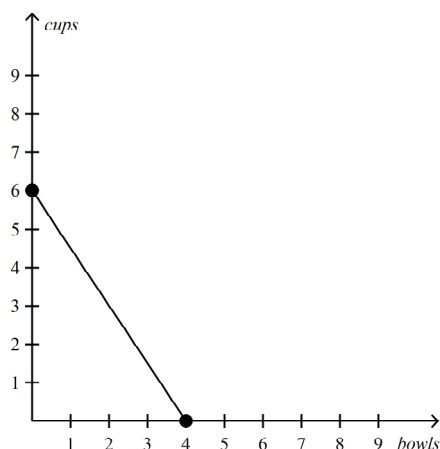
**Figure 4**

5. **Refer to Figure 4.** The movement from point A to point B on the graph shows
- a decrease in quantity demanded.
  - an increase in quantity demanded.
  - an increase in demand.
  - a decrease in demand.
6. When a tax is placed on the buyers of cell phones,
- the size of the cell phone market increases, but the effective price received by sellers decreases.
  - 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 and the effective price received by sellers both increase.

**Table 3**

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

7. **Refer to Table 3.** If the price were \$4, a
- 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.
  - shortage of 40 units would exist and price would tend to rise.

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

8. **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?
- 1 bowl and 7 cups
  - 3 bowls and 3 cups
  - 4 bowls and 1 cup
  - 2 bowls and 4 cups
9. **Refer to Figure 3.** Bintu has a comparative advantage in the production of
- 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.
  - cups and Juba has a comparative advantage in the production of bowls.
10. Suppose that a tax is placed on books. If the buyers pay the majority of the tax, then we know that the
- government has required that buyers remit the tax payments.
  - government has required that sellers remit the tax payments.
  - supply is more inelastic than the demand.
  - demand is more inelastic than the supply.
11. A shortage results when
- a binding price ceiling is imposed on a market.
  - a nonbinding price ceiling is removed from a market.
  - a nonbinding price ceiling is imposed on a market.
  - a binding price ceiling is removed from a market.

- \_\_\_\_\_ 12. A price floor is
- a legal minimum on the price at which a good can be sold.
  - 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 source of inefficiency in a market.
  - 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

- \_\_\_\_\_ 13. **Refer to Table 5.** If the price of Vanilla Coke is \$6.90, who will purchase the good?
- Megan, Mallory and Audrey
  - David and Laura
  - David, Laura and Megan
  - all five individuals
- \_\_\_\_\_ 14. Soup is an inferior good if
- the demand for soup rises when the price of soup falls.
  - 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.
- \_\_\_\_\_ 15. If a nonbinding price floor is imposed on a market, then
- the price in the market will increase.
  - the quantity sold in the market will decrease.
  - the quantity sold in the market will stay the same.
  - the price in the market will decrease.

**Table 1****Production Possibilities for Batterland**

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

- \_\_\_\_ 16. **Refer to Table 1.** What is the opportunity cost to Batterland of increasing the production of pancakes from 150 to 300?
- 75 waffles
  - 250 waffles
  - 150 waffles
  - 325 waffles

**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

- \_\_\_\_ 17. **Refer to Table 4.** Which of the following price floors would be binding in this market?
- \$2
  - \$3
  - \$4
  - \$1
- \_\_\_\_ 18. An example of a price floor is
- the regulation of gasoline prices in the U.S. in the 1970s.
  - rent control.
  - any restriction on price that leads to a shortage.
  - the minimum wage.
- \_\_\_\_ 19. A rightward shift of a supply curve is called
- a decrease in quantity supplied.
  - a decrease in supply.
  - an increase in quantity supplied.
  - an increase in supply.

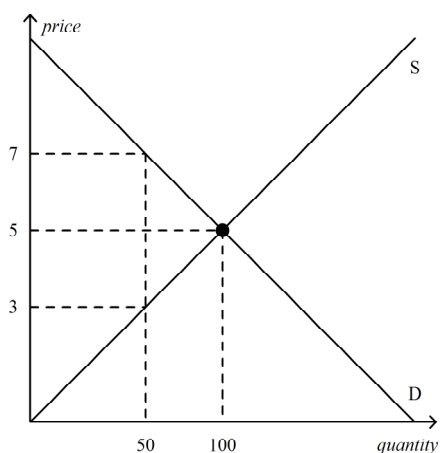
- \_\_\_\_ 20. Producer surplus is
- always a negative number for sellers in a competitive market.
  - the opportunity cost of production minus the cost of producing goods that go unsold.
  - measured using the demand curve for a good.
  - the amount a seller is paid minus the cost of production.

**Table 2**

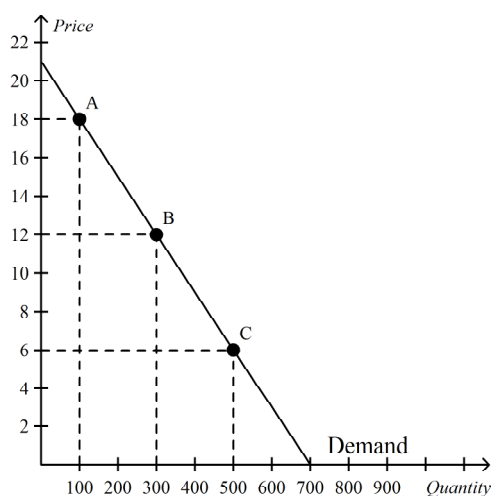
Assume that Sardi and Tinaka can switch between producing corn and producing pork at a constant rate.

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

- \_\_\_\_ 21. **Refer to Table 2.** Which of the following combinations of corn and pork could Sardi produce in one 8-hour day?
- 15 bushels of corn and 20 pounds of pork
  - 24 bushels of corn and 40 pounds of pork
  - 6 bushels of corn and 35 pounds of pork
  - 9 bushels of corn and 25 pounds of pork
- \_\_\_\_ 22. The unique point at which the supply and demand curves intersect is called
- equilibrium.
  - coincidence.
  - equivalence.
  - market harmony.

**Figure 6**

23. **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 \$5 and \$7
  - \$3
  - between \$3 and \$5
  - \$7
24. On a graph, the area below a demand curve and above the price measures
- willingness to pay.
  - consumer surplus.
  - producer surplus.
  - deadweight loss.
25. An increase in demand is represented by
- a rightward shift of a demand curve.
  - 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.
26. For a good that is a necessity, demand
- tends to be elastic.
  - tends to be inelastic.
  - cannot be represented by a demand curve in the usual way.
  - has unit elasticity.
27. 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 remains unchanged.
  - It decreases.
  - It increases.

**Figure 5**

28. Refer to Figure 5. Sellers' total revenue would increase if the price
- increased from \$6 to \$8.
  - decreased from \$18 to \$16.
  - decreased from \$16 to \$15.
  - All of the above are correct.
29. If goods A and B are complements, then an increase in the price of good A will result in
- less of good B being sold.
  - no difference in the quantity sold of either good.
  - more of good A being sold.
  - more of good B being sold.
30. The production possibilities frontier is used to illustrate some basic economic ideas, including
- economic growth.
  - opportunity cost.
  - scarcity.
  - All of the above are correct.
31. Which of the following phrases best captures the notion of efficiency?
- absolute fairness
  - minimum waste
  - equitable outcome
  - equal distribution
32. Which of the following is *not* held constant in a demand schedule?
- price
  - income
  - tastes
  - expectations



- \_\_\_\_\_ 33. An increase in the price of a good will
  - a. decrease quantity demanded.
  - b. increase demand.
  - c. increase quantity demanded.
  - d. decrease demand.
- \_\_\_\_\_ 34. The price elasticity of demand for a good measures the willingness of
  - a. consumers to avoid monopolistic markets in favor of competitive markets.
  - b. firms to cater to the tastes of consumers.
  - c. consumers to buy less of the good as price rises.
  - d. firms to produce more of a good as price rises.
- \_\_\_\_\_ 35. Total revenue
  - a. decreases as price increases, as long as demand is inelastic.
  - b. remains unchanged as price increases when demand is unit elastic.
  - c. always increases as price increases.
  - d. increases as price increases, as long as demand is elastic.
- \_\_\_\_\_ 36. The opportunity cost of an item is
  - a. the number of hours needed to earn money to buy the item.
  - b. usually less than the dollar value of the item.
  - c. the dollar value of the item.
  - d. what you give up to get that item.
- \_\_\_\_\_ 37. Trade can make everybody better off because it
  - a. reduces competition among domestic companies.
  - b. increases cooperation among nations.
  - c. allows people to specialize according to comparative advantage.
  - d. requires some workers in an economy to be retrained.
- \_\_\_\_\_ 38. The principle that "people face tradeoffs" applies to
  - a. societies.
  - b. families.
  - c. individuals.
  - d. All of the above are correct.