

# **Test Bank for Principles Of Microeconomics 2025 Canadian Release 1st Sayre**

Correct answers located at the end of the chapter.

**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.**

- 1) Which of the following is the best example of a macroeconomic topic?
  - A) A local labor strike
  - B) Textbook sales
  - C) Unemployment
  - D) Starbucks coffee prices
- 2) Which of the following is a positive statement?
  - A) U.S. Inflation is the highest it has been in 40 years.
  - B) High inflation is better than high unemployment.
  - C) The Fed should work to reduce inflation.
  - D) The ideal inflation rate is 2 percent.
- 3) Reza says "we should raise taxes." Iman states that "raising taxes would cause a recession." We can conclude that
  - A) Iman's statement is normative, but Reza's is positive.
  - B) Reza's statement is normative, but Iman's is positive.
  - C) Both statements are positive.
  - D) Both statements are normative.

- 4) Answer the question on the basis of the data given in the following production possibilities table.

|                | Production Possibilities<br>(Alternatives) |   |   |    |    |    |
|----------------|--------------------------------------------|---|---|----|----|----|
|                | A                                          | B | C | D  | E  | F  |
| Capital Goods  | 5                                          | 4 | 3 | 2  | 1  | 0  |
| Consumer Goods | 0                                          | 5 | 9 | 12 | 14 | 15 |

Refer to the table. If the economy is producing at production alternative A, the opportunity cost of the first unit of consumer goods will be approximately

- A) 4 units of capital goods.
- B) 1/4 of a unit of capital goods.
- C) 1/5 of a unit of capital goods.
- D) 5 units of capital goods.

- 5) Answer the question on the basis of the data given in the following production possibilities table.

|                | Production Possibilities<br>(Alternatives) |    |    |    |    |    |
|----------------|--------------------------------------------|----|----|----|----|----|
|                | A                                          | B  | C  | D  | E  | F  |
| Capital Goods  | 20                                         | 18 | 16 | 14 | 12 | 0  |
| Consumer Goods | 0                                          | 30 | 46 | 50 | 60 | 62 |

Refer to the table. If the economy is producing at production alternative C, the opportunity cost of 2 capital goods will be approximately

- A) 3 consumer goods.
- B) 46 capital goods.
- C) 30 consumer goods.
- D) 16 consumer goods.

- 6) Answer the question on the basis of the data given in the following production possibilities table.

|                | Production Possibilities<br>(Alternatives) |    |    |    |    |    |
|----------------|--------------------------------------------|----|----|----|----|----|
|                | A                                          | B  | C  | D  | E  | F  |
| Capital Goods  | 20                                         | 18 | 16 | 14 | 12 | 0  |
| Consumer Goods | 0                                          | 30 | 46 | 56 | 60 | 62 |

Refer to the table. Which of the following combinations of capital goods and consumer goods represents an efficient use of the economy's scarce resources?

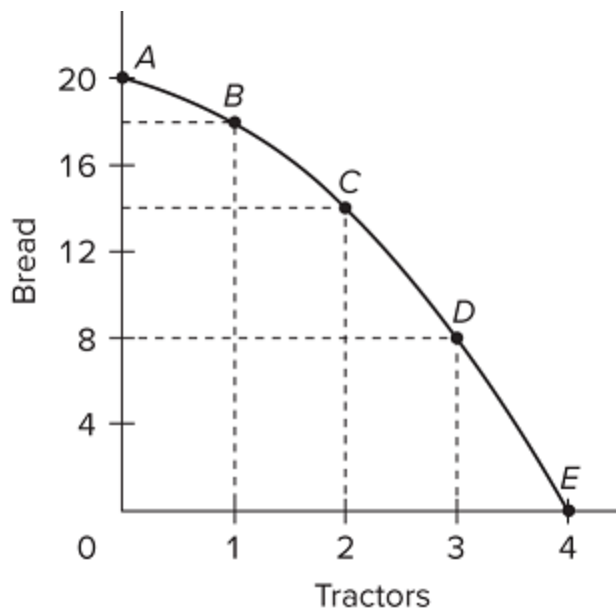
- A) 56 units of consumer goods and 16 units of capital goods
- B) 30 units of consumer goods and 18 units of capital goods
- C) 46 units of consumer goods and 14 units of capital goods
- D) 40 units of consumer goods and 16 units of capital goods

7)

|                | Duckistan Production Possibilities |         |         |         |   |
|----------------|------------------------------------|---------|---------|---------|---|
|                | A                                  | B       | C       | D       | E |
| Civilian Goods | 20<br>0                            | 18<br>8 | 14<br>4 | 8<br>0  | 0 |
| Military Goods | 0                                  | 1       | 2       | 3       | 4 |
|                | Herbania Production Possibilities  |         |         |         |   |
|                | A                                  | B       | C       | D       | E |
| Civilian Goods | 40<br>0                            | 36<br>6 | 26<br>6 | 14<br>4 | 0 |
| Military Goods | 0                                  | 1       | 2       | 3       | 4 |

Refer to the tables. Suppose that Duckistan is producing 14 units of civilian goods and 2 units of military goods, and Herbania is producing 14 units of civilian goods and 2 units of military goods. Then

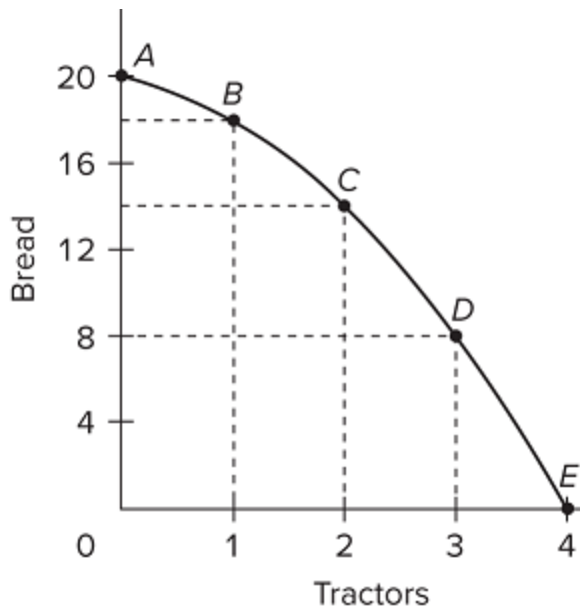
- A) Herbania is fully employing its resources, but Duckistan is not.
- B) Duckistan is fully employing its resources, but Herbania is not.
- C) both Duckistan and Herbania are fully employing their resources.
- D) neither Duckistan nor Herbania is fully employing its resources.



8)

Refer to the diagram. Starting at point A, the opportunity cost of producing each successive unit(s) of tractors is

- A) the reciprocal of the output of tractors.
- B) 2, 4, 6, and 8 unit(s) of bread.
- C) a constant 2 unit(s) of bread.
- D) 8, 6, 4, and 2 unit(s) of bread.



9)

Refer to the diagram. If the economy is currently at point D, what is the opportunity cost of a fourth unit of tractors?

- A) 8 units of bread
- B) 5 units of bread
- C) The opportunity cost of the fourth unit of tractors cannot be determined.
- D) 0 units of bread

10) The construction of a production possibilities curve assumes

- A) there is no inflation in the economy.
- B) the quantity of all resources is fixed.
- C) some resources are unemployed.
- D) technology is unlimited.

11) A typical concave (bowed out from the origin) production possibilities curve implies that

- A) society maximizes well-being when it produces in the very center of the curve.
- B) economic resources are perfect substitutes for each other.
- C) economic resources are not completely substitutable for each other in production.
- D) opportunity costs are constant.

- 12) Answer the question on the basis of the following production possibilities table for two countries, North Cantina and South Cantina.

|                | North Cantina<br>Production<br>Possibilities |    |    |    |    |    |
|----------------|----------------------------------------------|----|----|----|----|----|
|                | A                                            | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                            | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                            | 10 | 18 | 24 | 28 | 30 |
|                | South Cantina<br>Production<br>Possibilities |    |    |    |    |    |
|                | A                                            | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                            | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                            | 8  | 15 | 21 | 25 | 27 |

Refer to the table. If South Cantina is producing at production alternative D, the opportunity cost of the third unit of capital goods will be

- A) 4 units of consumer goods.
- B) 3 units of consumer goods.
- C) 5 units of consumer goods.
- D) 6 units of consumer goods.

- 13) Answer the question on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina.

|                | North Cantina<br>Production<br>Possibilities |    |    |    |    |    |
|----------------|----------------------------------------------|----|----|----|----|----|
|                | A                                            | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                            | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                            | 10 | 18 | 24 | 28 | 30 |
|                | South Cantina<br>Production<br>Possibilities |    |    |    |    |    |
|                | A                                            | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                            | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                            | 8  | 15 | 21 | 25 | 27 |

Refer to the tables. If North Cantina is producing at production alternative E, the opportunity cost of the twenty-ninth unit of consumer goods will be

- A) 1/2 of a unit of capital goods.
- B) 2 units of capital goods.
- C) 1/4 of a unit of capital goods.
- D) 1 unit of capital goods.

- 14) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

|                | West Podunk Production Possibilities |    |    |    |    |    |
|----------------|--------------------------------------|----|----|----|----|----|
|                | A                                    | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                    | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                    | 20 | 36 | 48 | 56 | 60 |
|                | East Podunk Production Possibilities |    |    |    |    |    |
|                | A                                    | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                    | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                    | 15 | 27 | 36 | 42 | 45 |

Refer to the table. If East Podunk is producing at production alternative C, the opportunity cost of the fourth unit of capital goods will be

- A) 15 units of consumer goods.
- B) 12 units of consumer goods.
- C) 27 units of consumer goods.
- D) 9 units of consumer goods.

- 15) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

|                | West Podunk Production Possibilities |    |    |    |    |    |
|----------------|--------------------------------------|----|----|----|----|----|
|                | A                                    | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                    | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                    | 20 | 36 | 48 | 56 | 60 |
|                | East Podunk Production Possibilities |    |    |    |    |    |
|                | A                                    | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                    | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                    | 15 | 27 | 36 | 42 | 45 |

Refer to the tables. If West Podunk is producing at production alternative C, the opportunity cost of the thirty-seventh consumer good will be

- A) 16 capital goods.
- B) 12 capital goods.
- C) 1/16 capital good.
- D) 1/12 capital good.



- 16) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

|                | West Podunk Production Possibilities |    |    |    |    |    |
|----------------|--------------------------------------|----|----|----|----|----|
|                | A                                    | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                    | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                    | 20 | 48 | 55 | 58 | 62 |
|                | East Podunk Production Possibilities |    |    |    |    |    |
|                | A                                    | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                    | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                    | 15 | 27 | 36 | 42 | 45 |

Refer to the tables. If West Podunk is producing at production alternative C, the opportunity cost of the 49th consumer good will be

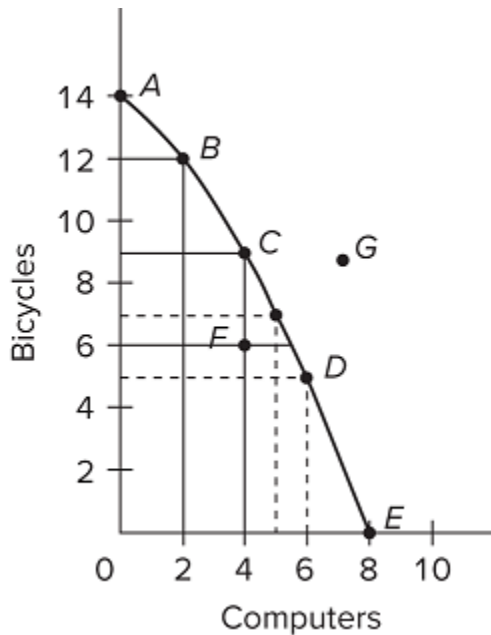
- A) 1/4 capital good.
- B) 1/7 capital good.
- C) 7 capital goods.
- D) 16 capital goods.

- 17) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

|                | West Podunk Production Possibilities |    |    |    |    |    |
|----------------|--------------------------------------|----|----|----|----|----|
|                | A                                    | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                    | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                    | 20 | 36 | 48 | 56 | 60 |
|                | East Podunk Production Possibilities |    |    |    |    |    |
|                | A                                    | B  | C  | D  | E  | F  |
| Capital Goods  | 5                                    | 4  | 3  | 2  | 1  | 0  |
| Consumer Goods | 0                                    | 15 | 27 | 36 | 42 | 45 |

Refer to the tables. If West Podunk is producing at production alternative E, the opportunity cost of the fifty-seventh consumer good will be

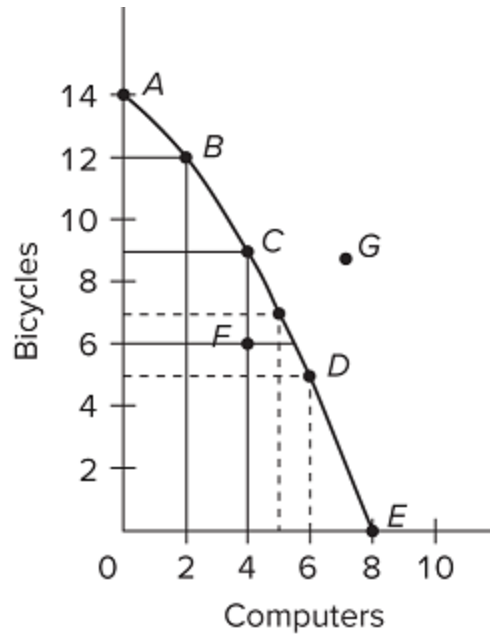
- A) 1/4 capital good.
- B) 0 capital goods.
- C) 57 capital goods.
- D) 4 capital goods.



18)

Refer to the diagram. If society is currently producing 9 units of bicycles and 4 units of computers and it now decides to increase computer output to 6, the cost

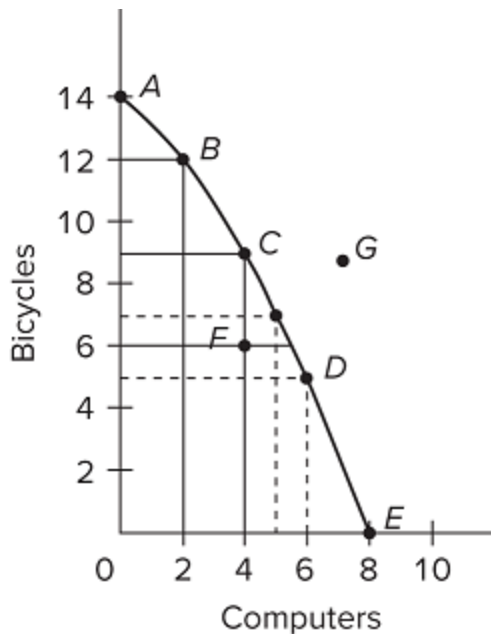
- A) of doing so cannot be determined from the information given.
- B) will be 4 units of bicycles.
- C) will be zero because unemployed resources are available.
- D) will be 2 units of bicycles.



19)

Refer to the diagram. The combination of computers and bicycles shown by point F

- A) is unattainable given currently available resources and technology.
- B) is attainable but implies that the economy is not using all its resources.
- C) suggests that opportunity costs are constant.
- D) is irrelevant because it is inconsistent with consumer preferences.



- 20) Refer to the diagram. If society is currently producing the combination of bicycles and computers shown by point B, the production of 2 more units of bicycles

- A) cannot be achieved because resources are fully employed.
- B) will cost 2 units of computers.
- C) will cause some resources to become unemployed.
- D) will cost 1/2 of a unit of computers.

- 21) The law of increasing opportunity costs and the concept of scarcity, respectively, are represented by

- A) a downward sloping curve, bowed in toward the origin.
- B) a downward sloping curve, bowed out from the origin.
- C) a curve bowed out from the origin, downward sloping.
- D) a curve bowed in toward the origin, upward sloping.

- 22) A nation can produce two products: steel and wheat. The following table is the nation's production possibilities schedule.

| Production Possibilities |     |    |    |    |    |   |
|--------------------------|-----|----|----|----|----|---|
| Product                  | A   | B  | C  | D  | E  | F |
| Steel                    | 0   | 1  | 2  | 3  | 4  | 5 |
| Wheat                    | 100 | 90 | 75 | 55 | 30 | 0 |

Which of the following output-combinations is unattainable?

- A) 1 steel and 80 wheat
- B) 30 wheat and 3 steel
- C) 95 wheat and 0 steel
- D) 2 steel and 90 wheat

- 23) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

| Production Possibilities |    |    |    |    |   |   |
|--------------------------|----|----|----|----|---|---|
| Product                  | A  | B  | C  | D  | E | F |
| Steel                    | 0  | 1  | 2  | 3  | 4 | 5 |
| Wheat                    | 16 | 15 | 13 | 10 | 6 | 0 |

A change from combination C to B means that

- A) 2 units of steel are given up to get 2 more units of wheat.
- B) 2 units of steel are given up to get 13 units of wheat.
- C) 1 unit of steel is given up to get 2 more units of wheat.
- D) 1 unit of steel is given up to get 13 units of wheat.

- 24) A nation can produce two products: tanks and autos. The following table is the nation's production possibilities schedule.

| Production Possibilities |       |     |     |     |     |   |
|--------------------------|-------|-----|-----|-----|-----|---|
| Product                  | A     | B   | C   | D   | E   | F |
| Tanks                    | 0     | 1   | 2   | 3   | 4   | 5 |
| Autos                    | 1,000 | 950 | 850 | 650 | 350 | 0 |

Given the production possibilities schedule above, a combination of 2 tanks and 850 autos

- A) is both attainable and represents an efficient use of society's resources.
- B) cannot be produced by society, given its current resources and production technology.
- C) is attainable but entails some unemployment or inefficient use of society's resources.
- D) is not attainable because this combination is not listed in the schedule.

- 25) A nation can produce two products: tanks and autos. The following table is the nation's production possibilities schedule.

| Production Possibilities |       |     |     |     |     |   |
|--------------------------|-------|-----|-----|-----|-----|---|
| Product                  | A     | B   | C   | D   | E   | F |
| Tanks                    | 0     | 1   | 2   | 3   | 4   | 5 |
| Autos                    | 1,000 | 950 | 850 | 650 | 350 | 0 |

In moving from combination D to C, the opportunity cost of producing 200 more autos is

- A) 1,500 units of autos.
- B) 3 units of tanks.
- C) 650 units of autos.
- D) 1 unit of tanks.

- 26) A nation can produce two products: tanks and autos. The following table is the nation's production possibilities schedule.

| Production Possibilities |       |     |     |     |     |   |
|--------------------------|-------|-----|-----|-----|-----|---|
| Product                  | A     | B   | C   | D   | E   | F |
| Tanks                    | 0     | 1   | 2   | 3   | 4   | 5 |
| Autos                    | 1,000 | 950 | 850 | 650 | 350 | 0 |

The *total* opportunity cost of one unit(s) of tanks is

- A) 50 units of autos.
- B) 100 units of autos.
- C) 950 units of autos.
- D) 1,000 units of autos.

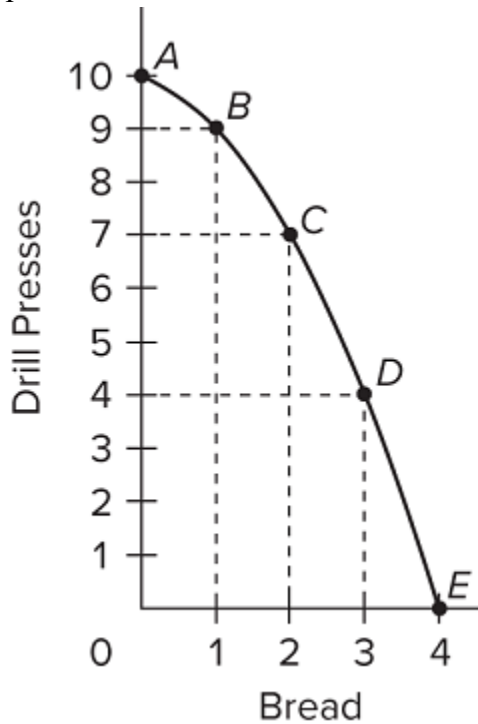
- 27) A nation can produce two products: tanks and autos. The following table is the nation's production possibilities schedule.

| Production Possibilities |       |     |     |     |     |   |
|--------------------------|-------|-----|-----|-----|-----|---|
| Product                  | A     | B   | C   | D   | E   | F |
| Tanks                    | 0     | 1   | 2   | 3   | 4   | 5 |
| Autos                    | 1,000 | 950 | 850 | 650 | 350 | 0 |

The *marginal* opportunity cost of the first unit of tanks is

- A) 50 units of autos.
- B) 0 units of tanks.
- C) 1,000 units of autos.
- D) 950 units of autos.

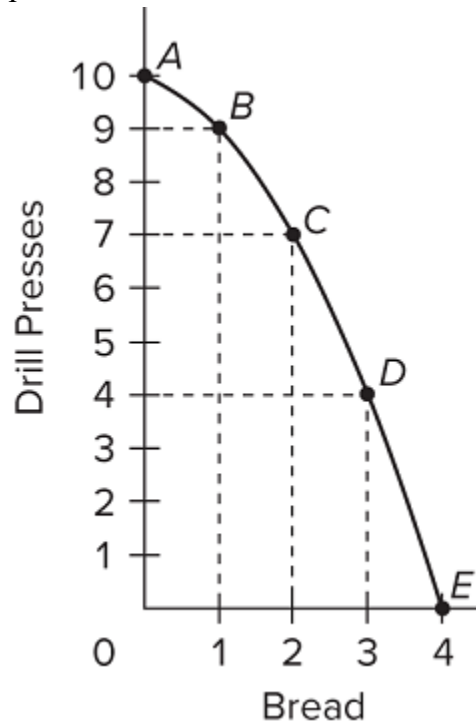
28) The following graph is the production possibilities curve of a nation.



The combination "4 drill presses and 3 bread" indicates

- A) that this society prefers bread to drill presses.
- B) an unattainable combination for the nation.
- C) a combination produced when the nation is at full employment.
- D) that some resources in the nation are unemployed.

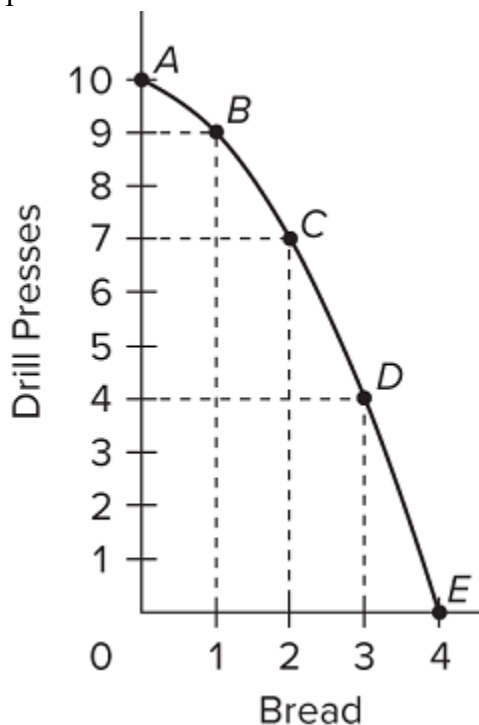
29) The following graph is the production possibilities curve of a nation.



Which of the following combinations would be unattainable?

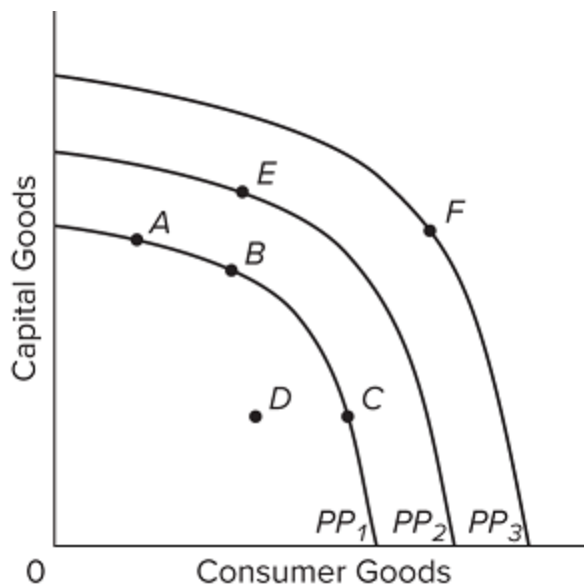
- A) 4 drill presses and 3 bread
- B) 9 drill presses and 3 bread
- C) 8 drill presses and 1 bread
- D) 9 drill presses and 0 bread

30) The following graph is the production possibilities curve of a nation.



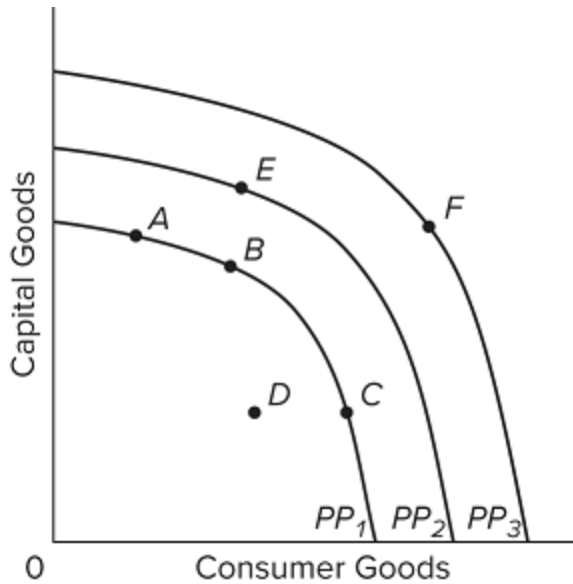
The total opportunity cost of 7 drill presses is

- A) 7 units of drill presses.
- B) 1/2 of a unit of bread.
- C) 3 units of drill presses.
- D) 2 units of bread.



31) Refer to the diagram. The concept of opportunity cost is best represented by the

- A) move from D inside PP1 to B on PP1.
- B) shift of the production possibilities curve from PP1 to PP2.
- C) move from C on PP1 to A on PP1.
- D) move from B on PP1 to E on PP2.



- 32) Refer to the diagram. An improvement in technology will
- A) shift the production possibilities curve from PP1 to PP2.
  - B) move the economy from A, B, or C on PP1 to D.
  - C) move the economy from A to C along PP1.
  - D) shift the production possibilities curve from PP2 to PP1.
- 33) Which of the following is a feature of a command system?
- A) private ownership of all capital
  - B) heavy reliance on markets
  - C) division of output between capital and consumer goods is centrally decided
  - D) private ownership of resources

34) Which of the following is a feature of laissez-faire capitalism?

- A) people are free to interact in markets to buy and sell goods and services
- B) government enforces the economic plan
- C) public ownership of all capital
- D) business firms rely on the government for their resources

35) Which of the following is *not* a typical characteristic of a market system?

- A) specialization
- B) use of money
- C) government production planning
- D) freedom of choice
- E) technological advance

36) Which of the following is one of the Three Fundamental Questions?

- A) How will the system stop creative destruction?
- B) How will the system promote progress?
- C) How much should entrepreneurs be taxed?
- D) How much should society save?



## **Answer Key**

Test name: Chapter 01-01

- 1) C
- 2) A
- 3) B
- 4) C
- 5) D
- 6) B
- 7) B
- 8) B
- 9) A
- 10) B
- 11) C
- 12) D
- 13) A
- 14) B
- 15) D
- 16) B
- 17) A
- 18) B
- 19) B
- 20) B
- 21) C
- 22) D
- 23) C
- 24) A
- 25) D
- 26) A
- 27) A
- 28) C
- 29) B
- 30) D
- 31) C
- 32) A
- 33) C
- 34) A
- 35) C
- 36) B

Correct answers located at the end of the chapter.

**TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.**

- 1) The three fundamental questions in economics are what, how, and how many.  
☐ true  
☐ false
- 2) Opportunity cost is the value of the next-best alternative that is given up as a result of making a particular choice.  
☐ true  
☐ false
- 3) There are only three Cs that humankind has used to coordinate its economies: cooperation, custom, and competition.  
☐ true  
☐ false
- 4) Wages, interest, rent, and profits are the four factors of production.  
☐ true  
☐ false
- 5) A production possibility curve is a graphical representation of the various combinations of output that are wanted.  
☐ true  
☐ false

- 6) Macroeconomics focuses on the outcomes of decisions by people and firms, whereas microeconomics is a study of how the major components of an economy interact.  
☐ true  
☐ false
- 7) Allocative efficiency is also referred to as productivity.  
☐ true  
☐ false

**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.**

- 8) Positive statements:  
A) are optimistic.  
B) can be verified by empirical data.  
C) are opinions.  
D) are based on people's beliefs and value systems and cannot be verified by facts.
- 9) Normative statements:  
A) can be verified by empirical data.  
B) refer only to numbers.  
C) are based on people's beliefs and value systems and cannot be verified by facts.  
D) are always true.

10) The statement, "the governments spends too much money on healthcare", can be defined as:

- A) a normative statement.
- B) a positive statement.
- C) both a positive and a normative statement.
- D) neither a normative nor a positive statement.

11) The statement, "the governments spends 24% of its budget on healthcare", can be defined as:

- A) a normative statement.
- B) a positive statement.
- C) both a positive and a normative statement.
- D) neither a normative nor a positive statement.

12) The statement, "water freezes at 40 degrees Celsius", can be defined as:

- A) a normative statement.
- B) a positive statement.
- C) both a positive and a normative statement.
- D) neither a normative nor a positive statement.

13) What do economists mean when they say that the economy faces scarcity?

- A) There are fewer resources available than there were in the 1960s.
- B) It is quite evident that the world is running out of resources.
- C) The economy is producing far below its capacity to produce.
- D) The resources available are not sufficient to produce all that everyone wants.

14) What do economists assume is true about human wants?

- A) They are easily defined.
- B) That we are on the verge of being able to satisfy them.
- C) They are unlimited.
- D) They haven't changed much over the centuries.

15) Which of the following terms describes the next best alternative that must be sacrificed as a result of making a particular choice?

- A) Microeconomics
- B) Opportunity cost
- C) Macroeconomics
- D) The law of increasing costs
- E) Scarcity

- 16) What is the opportunity cost of a particular product?
- A) The price paid for that product.
  - B) The value put on that product by the person who bought it.
  - C) The value of the next-best alternative that is given up as a result of buying that particular product.
  - D) The combined value of all the other alternatives that are given up as a result of buying that particular product.

- 17) Gwen had only \$10 yesterday. She was uncertain whether to go out for lunch or to buy beer. In the end, she bought beer. Which of the following statements is correct?

- A) The choice of the beer and not lunch is an example of constant costs.
- B) The cost of buying beer is less than lunch.
- C) The opportunity cost of beer is lunch.
- D) The opportunity cost of beer is \$10.

- 18) Which of the following is correct?

- A) Scarcity forces choice which involves opportunity costs.
- B) Choice causes scarcity which involves increasing costs.
- C) Choice causes scarcity which involves opportunity costs.
- D) Scarcity forces choice which involves increasing costs.

- 19) What can we say is true as a result of people engaging in voluntary trade?

- A) One person gains and the other loses.
- B) One person gains while there is a neutral effect on the other person.
- C) Both people gain.
- D) Neither person gains.

- 20) What fundamental question is implied by the following statement? Should scarce resources be devoted to persuading people to quit smoking or to developing a less harmful form of tobacco?

- A) What to produce?
- B) How to produce?
- C) For whom?
- D) How much competition?
- E) How much demand?

- 21) What fundamental question is implied by the following statement? The appropriate technology in one country can be quite different from the appropriate technology in another country.
- A) What to produce?
  - B) How to produce?
  - C) For whom?
  - D) How much competition?
  - E) How much demand?
- 22) What is fundamental question is implied by the following statement? Social policies are needed to ensure that no individual lives in poverty.
- A) What to produce?
  - B) How to produce?
  - C) For whom?
  - D) How much competition?
  - E) How much demand?
- 23) All of the following except one are considered to be among the three fundamental questions in economics. Which one is the exception?
- A) What to produce?
  - B) How much competition?
  - C) How to produce?
  - D) For whom?
- 24) All of the following except one are factors of production. Which is the exception?
- A) Land
  - B) Labour
  - C) Capital
  - D) Money
  - E) Enterprise
- 25) What are the four factors of production?
- A) Land, Labour, Capital, and Enterprise
  - B) Land, Money, Capital, and Enterprise
  - C) Land, Labour, Time, and Enterprise
  - D) Land, Money, Time, and Enterprise
- 26) Which of the following is an alternative for the term, "factors of production"?
- A) Methods of organizing an economy
  - B) Ways of coordinating an economy
  - C) Productive resources or inputs
  - D) Goods and services

- 27) All of the following except one are included in the four Cs used, throughout history, by humankind to coordinate its economies. Which is the exception?
- A) Cooperation
  - B) Communism
  - C) Custom
  - D) Competition
  - E) Command
- 28) \_\_\_\_\_ efficiency refers to "getting the most for the least".
- A) Technical
  - B) Economic
  - C) Allocative
  - D) Productive
- 29) Ensuring the right type of products are produced is referred to as \_\_\_\_\_ efficiency.
- A) Technical
  - B) Economic
  - C) Allocative
  - D) Productive
- 30) Which pair of the four Cs would play the dominant role in a simple hunter/gatherer society such as that of the San people of the Kalahari Desert?
- A) Commercialization and competition
  - B) Cooperation and custom
  - C) Competition and cooperation
  - D) Command and competition
- 31) Which pair of the four Cs plays the dominant role in Canada today?
- A) Custom and competition
  - B) Cooperation and competition
  - C) Command and competition
  - D) Command and cooperation
- 32) The fact that the typical movie theatre charges people for popcorn but does not charge them to use the restrooms is an example of which of the four Cs?
- A) Competition
  - B) Command
  - C) Custom
  - D) Cooperation
- 33) Which of the following statements concerning capitalism and socialism is false?
- A) Sweden is more of a socialist economy than is Hong Kong.
  - B) Government plays a larger role in a capitalist economy.
  - C) There is more economic planning in a socialist economy.
  - D) The Canadian economy is more socialist than is the US economy.

- 34) Which of the following would best describe a policy of *laissez-faire*?
- A) More production of capital goods than consumer goods.
  - B) More production of consumer goods than capital goods.
  - C) An emphasis on the role of the market.
  - D) An emphasis on the role of government.
  - E) A reliance on custom.
- 35) What do economists always do when they are constructing theories or models?
- A) They make simplifying assumptions.
  - B) They attempt to duplicate the real world.
  - C) They ensure that the theory can be expressed mathematically.
  - D) They try to include as much information as possible.
- 36) What is true about an economic model?
- A) It is built on a series of assumptions.
  - B) It establishes cause and effect between variables.
  - C) It can make predictions that can be tested with empirical data.
  - D) It could also be called an economic theory.
  - E) All of these choices are correct.
- 37) All of the following except one are true of economic theories or models. Which one is the exception?
- A) They attempt to establish cause and effect between economic variables.
  - B) They always perfectly reflect reality.
  - C) They are built with assumptions and then tested with facts.
  - D) They are generalizations used to give context to our observations.
- 38) All of the following except one are positive statements. Which is the exception?
- A) The government needs to reduce its budget deficit.
  - B) A decrease in price will lead to a larger quantity bought.
  - C) Production is subject to the law of increasing costs.
  - D) The degree of competition in our economy has been increasing in the last ten years.
- 39) A school bus is what type of good?
- A) Capital good
  - B) Consumer good
  - C) Can be either a capital or a consumer good
  - D) Is a service rather than a good

40) A pair of eyeglasses are what type of good?

- A) Capital good
- B) Consumer good
- C) Can be either a capital or a consumer good
- D) Is a service rather than a good

41) A lawn mower is what type of good?

- A) Capital good
- B) Consumer good
- C) Can be either a capital or a consumer good
- D) Is a service rather than a good

42) A jet fighter is what type of good?

- A) Capital good
- B) Consumer good
- C) Can be either a capital or a consumer good
- D) Is a service rather than a good

43) All of the following statements, except one, are positive statements. Which is the exception?

- A) Economics is a social science.
- B) Economics is sometimes referred as the science of choice.
- C) A majority of economists argue that economics is a very relevant discipline.
- D) Economics should be a mandatory course in all Canadian colleges and universities.
- E) Economics is a possible undergraduate major for students who want to go to law school.

44) All of the following statements, except one, are normative statements. Which is the exception?

- A) The taxes on gasoline should be lower.
- B) Lowering the taxes on gasoline would decrease the price at the pump.
- C) It is wrong for the government to tax gasoline.
- D) The government is trying to mislead people about the tax on gasoline.



45) What does the term *technology* mean to an economist?

- A) The way various factors of production are combined to obtain output.
- B) The most recent methods of production.
- C) High-tech methods of production as found, for example, in the computer industry.
- D) The way in which products are allocated.

46) What term is used to describe the way that the various factors of production are combined to obtain output?

- A) Opportunity costs
- B) Types of economies
- C) Ways of coordinating an economy
- D) Technology

47) Which of the following is a capital good?

- A) An oven in a bakery.
- B) A home computer.
- C) The first application of CD ROM technology to an economics textbook.
- D) An investment in IBM stock.

48) Which of the following statements describes the *law of increasing costs*?

- A) As the economy's production level of any particular item decreases, its opportunity cost rises.
- B) As the economy's production level of any particular item increases, its opportunity cost rises.
- C) The prices of consumer goods always rise and never fall.
- D) If someone waits to make a purchase, they will pay a higher price.
- E) The total cost of production rises as output goes up.

49) Which of the following statements describes the key assumption behind the *law of increasing costs*?

- A) Not all resources are equally suitable for the production of goods and services.
- B) All resources are equally suitable for the production of goods and services.
- C) All resources available are not fixed in the production of goods and services.
- D) Although resources are available in unlimited amounts, their usefulness in production is limited over time.

50) All of the following except one would be included in a definition of economics. Which is the exception?

- A) Choice
- B) Resources
- C) Unlimited wants
- D) Scarcity
- E) Paradigm

51) All of the following except one are microeconomic statements. Which is the exception?

- A) The price of wheat declined by 5% in Canada last year
- B) GDP increased by 1.8% in Canada last year
- C) The cost of production in the mining industry has recently declined
- D) The profits of The Canadian Corporation last year were \$25 million
- E) The demand for Turbinado sugar is increasing

52) Which of the following is a microeconomic topic?

- A) Inflation rates.
- B) Unemployment.
- C) Interest rate determination.
- D) Tax policies.
- E) Supply and demand analysis of a factor market.

53) All of the following except one are macroeconomic topics. Which is the exception?

- A) The effect of a tax change on total consumption
- B) The effect of an interest rate change on the cost of your monthly loan payment
- C) The effect of an exchange rate change on total exports
- D) The effect of the election of a new government on investment in Canada

54) What do most of the disagreements among economists involve?

- A) The appropriate goals and policies for the economy.
- B) Generalizing about facts.
- C) Gathering data.
- D) The use of statistics.
- E) The use of mathematics.

55) Why do economists feel that their discipline is relevant?

- A) It is able to predict the future very well.
- B) It is a value-free study.
- C) Its methodology is so different from other social sciences.
- D) The scope and range of subjects that it addresses is very wide.

- 56) What is the definition of opportunity cost?
- A) The amount of money spent on a good.
  - B) The value of the next best alternative that is given up as a result of making a particular decision.
  - C) The value of all the alternatives given up as a result of making a particular decision.
  - D) The cost incurred in producing a good.

57) Meredith had only \$16 to spend this last weekend. She was, at first, uncertain about whether to go to two movies she had been wishing to see or to buy a new CD she had recently heard. In the end she went to the movies. Which of the following statements is correct?

- A) The choice of the two movies and not the CD is an example of increasing costs.
- B) The opportunity cost of the two movies is one CD.
- C) The opportunity cost of the two movies is \$16.
- D) The choice of two movies rather than one CD was a bad one.

58) In reference to voluntary trade, what was Adam Smith the first to recognize?

- A) It does not happen very often.
- B) It may or may not benefit one or both of the parties to the trade.
- C) It benefits one party to the trade but only at the expense of the other.
- D) It benefits both parties to the trade.

59) What are the three fundamental questions in economics?

- A) What to produce, how to produce it, and who receives what share of the goods produced.
- B) Is it necessary, is it right, and is it valuable.
- C) Who should produce, what is the right way to produce, and how should we decide.
- D) What to produce, how to produce it, and who should produce it.

60) What are the four basic ways that society can use to organize its economic affairs?

- A) With consumer goods, capital goods, models and positive statements.
- B) Using cooperation, command, custom or competition.
- C) Using plentiful resources, opportunity costs, technology and specialization.
- D) Using capitalism, communism, fantasy and technology.

61) "Factors of production" is a term that can be used interchangeably with:

- A) Models
- B) Consumer goods
- C) Either resources or inputs
- D) Technologies

62) What are the factors of production?

- A) land, labour, money, and enterprise.
- B) land, labour, money, and capital.
- C) land, labour, capital, and enterprise.
- D) competition, command, custom, and cooperation.

63) What are the names of the factor payments?

- A) Consumption spending and investment spending
- B) Wages and profits
- C) Wages, interest, and profits
- D) Wages, interest, rent, and profits

64) What is an example of an economic model?

- A) Opportunity costs
- B) Scarcity of resources
- C) Positive statements
- D) Production possibilities curve

65) All of the following, except one, are capital goods. Which is the exception?

- A) An office building
- B) A boiler in a pulp mill
- C) A garden shed
- D) An airport runway

66) Which of the following refers to the concept of specialization?

- A) Different individuals value goods differently
- B) Some individuals are richer than others
- C) Different nations have different opportunity costs of producing goods
- D) Some nations are richer than others

67) Economics is relevant because:

- A) economists have all the right answers.
- B) many issues have an economic dimension.
- C) it teaches us how to make money.
- D) None of these are correct.

68) What is the distinction between a positive and a normative statement?

- A) Positive statements are assertions that can be tested with data, whereas normative statements are based on a value system of beliefs.
- B) Normative statements are assertions that can be tested with data, whereas positive statements are based on a value system of beliefs.
- C) The distinction depends on the context in which each statement is used.
- D) Positive statements are correct statements of fact, whereas normative statements are incorrect.

69) What is the controversy with economic growth?

- A) Economic growth leads to higher income
- B) Economic growth leads to greater leisure time
- C) Economic growth leads to increase pollution
- D) Economic growth leads to greater job satisfaction

70) Which of the following statements describes the law of increasing costs?

- A) As the quantity produced of any particular item decreases, its per unit cost of production rises.
- B) As the quantity produced of any particular item increases, its per unit cost of production rises.
- C) The prices of consumer goods and services always rise and never fall.
- D) If you wait to make a purchase, you will pay a higher price.
- E) The total cost of production rises as output goes up.

- 71) Which of the following statements is correct for a society that emphasizes the production of capital goods over that of consumer goods?
- A) The society could enjoy the same quantity of capital goods and a larger quantity of consumer goods in the future.
  - B) The society will have to save more now than a society that did not emphasize the production of capital goods.
  - C) The society could enjoy the same quantity of consumer goods and a larger quantity of capital goods in the future.
  - D) The society will grow faster than a society that emphasizes the production of consumer goods.
  - E) The society will have to save less now than a society that did not emphasize the production of capital goods.

- 72) All of the following statements, except one, are positive statements. Which is the exception?
- A) Increasing cigarette taxes will result in higher prices.
  - B) The government must increase the tax on cigarettes.
  - C) Higher price for cigarettes will decrease the quantity demanded.
  - D) The price of cigarettes is higher in Canada than in Russia.

- 73) All of the following statements, except one, are normative statements. Which is the exception?
- A) The government should decrease spending.
  - B) Government spending is a topic in macroeconomics.
  - C) Cuts to government spending in Canada have had enormous social costs.
  - D) Increasing taxes is better than cutting government spending.

- 74) In general, how to produce depends most on which of the following?
- A) Demand for goods and services.
  - B) Distribution of income.
  - C) Opportunity costs and productivity of factors.
  - D) The scientific method.

- 75) Which type of economy would involve a central governing body making all of the fundamental economic decisions?
- A) Cooperation
  - B) Command
  - C) Custom
  - D) Competition
  - E) Consumer

76) Which of the following is the factor payment received for the ability to give practical applications to ideas?

- A) Rent
- B) Interest
- C) Wages
- D) Profit
- E) Capital

77) Which of the following is true about economics?

- A) It is a pure science
- B) It deals in generalities
- C) It is more complex than reality
- D) It ignores reality in developing models

78) Which of the following best describe the economies of a capitalist society?

- A) Competition.
- B) Command.
- C) Mix of competition and command.
- D) Mix of competition and custom.

79) All of the following, except one, are factors of production. Which is the exception?

- A) Labour
- B) Capital
- C) Land
- D) Enterprise
- E) Competition

80) Which of the following is a consumer good or service?

- A) An office computer
- B) A farm tractor
- C) A haircut
- D) A menu in a restaurant
- E) A government bond

81) All of the following, except one, are typically macroeconomic topics. Which is the exception?

- A) Unemployment
- B) Interest rates
- C) Taxation policies
- D) Marginal utility
- E) National income

82) How is technological improvement illustrated graphically on a production possibility curve?

- A) By a rightward shift of the production possibilities curve.
- B) By a leftward shift of the production possibilities curve.
- C) By no shift of the production possibilities curve.
- D) By a movement on the production possibilities curve

83) Ana had only \$10 yesterday and was uncertain whether to go out for lunch or to buy beer. In the end, Ana bought beer. Which of the following statements is correct?

- A) The choice of the beer and not lunch is an example of constant costs.
- B) The cost of buying beer is less than lunch.
- C) The opportunity cost of beer is lunch.
- D) The opportunity cost of beer is \$10.

84) Meredith had only \$30 to spend this last weekend and was uncertain whether to go to two movies or to buy a new T-shirt. In the end Meredith went to the movies. Which of the following statements is correct?

- A) The choice of the two movies and not the T-shirt is an example of increasing costs.
- B) The opportunity cost of the two movies is one T-shirt.
- C) The opportunity cost of the two movies is \$30.
- D) The choice of two movies rather than one T-shirt was a bad one.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

85) Identify and explain the three fundamental questions in economics.

86) Using the table below, identify and explain the four factors of production and the names given to payments received by each.

| Factors of Production | Factor explained | Factor Payments |
|-----------------------|------------------|-----------------|
| 1.                    |                  |                 |
| 2.                    |                  |                 |
| 3.                    |                  |                 |
| 4.                    |                  |                 |

87) Define and give an example of the law of increasing costs.



88) Identify and briefly explain the four Cs used to organize an economy. Which one is the most recent, and when did it emerge?

89) The only cost of getting a degree (tuition and textbooks) from a private school is \$20,000 a year. Evaluate this statement.

90) How does microeconomics differ from macroeconomics?

91) Explain how microeconomics differs from macroeconomics and then categorize the following questions as either microeconomic or macroeconomic questions:

(a) How will interest rates change when the Federal Reserve Bank increases the money supply?

(b) How will Nike's share of the market change when Reebok increases their marketing expenditures?

(c) How does a tariff on imported steel affect the U.S. steel industry?

(d) Should Wal-Mart renovate its stores nationwide?

(e) Should the government lower income taxes to stimulate consumption?

92) Consider a farmer's production possibilities curve, with corn measured on the vertical axis, and soybeans on the horizontal. Describe the impact of each of the following on the curve:

- (a) The farmer buys or rents more land.
- (b) A higher yielding variety of corn seed is developed.
- (c) The farmer hires 50 percent more farm workers.
- (d) The price of soybeans increases.

93) Below is the production possibilities table for the country of Lavaland.(a) Use the information in the Table to draw the production possibilities curve (PP1) for Lavaland. Put tanks on the horizontal axis.(b) What is the cost to Lavaland of moving from point A to point B on its PP1?(c) What is the cost to Lavaland of moving from point E to point F?(d) What general economic principle is being illustrated by your answers to part (b) and (c) above? Explain.

| %Resources devoted to production of tanks | Number of tanks | %Resources devoted to production of pizza | Number of Pizzas | Row |
|-------------------------------------------|-----------------|-------------------------------------------|------------------|-----|
| 0                                         | 0               | 100                                       | 15               | A   |
| 20                                        | 4               | 80                                        | 14               | B   |
| 40                                        | 7               | 60                                        | 12               | C   |
| 60                                        | 9               | 40                                        | 9                | D   |
| 80                                        | 11              | 20                                        | 5                | E   |
| 100                                       | 12              | 0                                         | 0                | F   |

94) Below is a list of resources. Indicate whether each is labour (L), capital (K), land (N), or enterprise (E).

- a) A shopping mall.
- b) A shoal of salmon on the high seas.
- c) Lumber in a lumber yard.
- d) The work of a brain surgeon.
- e) The work done by Sidney Crosby hockey player.

95) Tigris produces only two products: tennis balls and tennis racquets. Each worker comes with a fixed quantity of materials and capital, and the economy's labour force is fixed at 100 workers. The following table indicates the amounts of balls and racquets that can be produced daily with various quantities of labour:

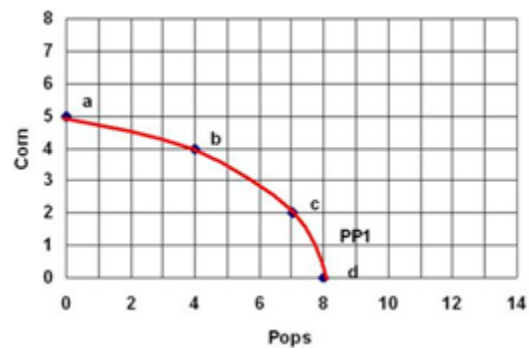
a) Can Tigris produce 200 balls and 60 racquets? b) What is the total cost of producing 150 balls? c) What is the total cost of producing 75 racquets? d) If Tigris is currently producing 230 balls, what is the cost of an additional 20 balls? e) If Tigris is currently producing 30 racquets, what is the cost of an additional 20 racquets?

| Number of Workers | Daily production of Tennis Balls | Number of Workers | Daily Production of Racquets |
|-------------------|----------------------------------|-------------------|------------------------------|
| 0                 | 0                                | 0                 | 0                            |
| 20                | 80                               | 20                | 30                           |
| 40                | 150                              | 40                | 50                           |
| 60                | 200                              | 60                | 65                           |
| 80                | 230                              | 80                | 75                           |
| 100               | 250                              | 100               | 80                           |

- 96) The data below show the total production (in millions) of the only two goods produced in the countries of Carleton and Cumbria.
- a) What is the opportunity cost of a binocular in Carleton? b) What is the opportunity cost of a camera in Cumbria? c) If, before trade, each country was devoting half its resources to producing each product, what is the total amount they were both producing? d) If the two countries were to specialize in producing the product they do best, what would be the total amount they could produce? e) What are the total gains as a result of specialization?

|                 |                             |
|-----------------|-----------------------------|
| <b>Carleton</b> | 10 binoculars or 15 cameras |
| <b>Cumbria</b>  | 12 binoculars or 9 cameras  |

- 97) The following graph shows the production possibilities for the economy of Esher:



- a) What is the total cost of producing 7 pops? b) What is the total cost of producing 4 corns? c) What is the cost of moving from point b to point c? Suppose that Esher experiences a 50% increase in the productivity of producing Pops. d) Draw in the new production possibilities curve labelled PP2. e) If Esher wants to have 6 pops, how many corn can it now have?

98) Identify the following statements as either positive (P) or normative (N) and also whether they are microeconomic (MI) or macroeconomic (MA) in nature:

- a) The government should impose a maximum on the price of oil.
- b) The price of oil in Canada is determined by the market.
- c) Economic growth is too low in Canada.
- d) The lowest earning 20 percent of the Canadian population earn only 5 percent of the total income.
- e) Unemployment is a far more serious problem than inflation.

99) Why is economics relevant?

100) Discuss the pros and cons of economic growth.

101) Discuss the pros and cons of taking from the rich and giving to the poor.

102) Define economics.

103) What is the difference between a positive and a normative statement?

104) Define normative statement. Give an example.

105) What is the difference between a factor of production and factor price? Give an example of each.

106) Explain why voluntary trade is mutual beneficial.

110) Suppose two identical economies with the same production possibility curve. If country A produces more capital goods relative to country B, which country will grow faster? Explain.

107) Scarcity implies choice. Explain

108) Choice implies opportunity cost. Explain.

111) Given the following production possibility curve.  
a) What is the per unit opportunity cost from point A to point B? b) What is the per unit opportunity cost from point B to point C? c) What is the per unit opportunity cost from point C to point D? d) What is the per unit opportunity cost from point D to point E?

|        | A  | B  | C  | D  | E  |
|--------|----|----|----|----|----|
| Good X | 20 | 18 | 15 | 9  | 0  |
| Good Y | 0  | 5  | 8  | 11 | 12 |

109) Distinguish between a capital good and a consumer good.

112) Is it more cost effective to remove snow from city highways with labour or capital? Explain.

113) Given the following production possibility curve.

- a) What is the total cost of producing 27 units of peanut butter? b) What is the total cost of producing 8 units of jelly? c) What is the opportunity cost from point B to point D? d) What is the per unit cost of going from point B to point A?

|                      | A  | B  | C  | D  | E  |
|----------------------|----|----|----|----|----|
| <b>Peanut Butter</b> | 30 | 27 | 22 | 15 | 0  |
| <b>Jelly</b>         | 0  | 8  | 11 | 14 | 15 |

114) Using the following information,

- a) which method is more efficient, Method A or Method B? b) which method is more efficient, Method A or Method C?

| Method | Labour  | Capital | Output  |
|--------|---------|---------|---------|
| A      | 3 units | 1 unit  | 5 units |
| B      | 4 units | 1 unit  | 5 units |
| C      | 2 units | 2 units | 5 units |

115) Suppose both Alpha and Beta has 10 units of economic resource.

One unit of economic resource can produce:

- a) What is the opportunity cost of 1 cup for Alpha? b) What is the opportunity cost of 1 saucer for Beta? c) If Alpha and Beta are allowed to trade, would Alpha specialize in the production of cups or saucer? Explain

|              | Cups    |    | Saucer  |
|--------------|---------|----|---------|
| <b>Alpha</b> | 3 units | or | 1 unit  |
| <b>Beta</b>  | 2 units | or | 4 units |

116) What is the difference between *productive* and *allocative* efficiency?

117) Productivity refers to which type of efficiency?

- 118) Which form of efficiency stresses the production of the 'right type' of products?

- 119) Explain how microeconomics differs from macroeconomics and then categorize the following questions as either microeconomic or macroeconomic questions:

- (a) How will interest rates change when the Bank of Canada increases the money supply?
- (b) How will Nike's share of the market change when Reebok increases their marketing expenditures?
- (c) How does a tariff on imported steel affect the steel industry?
- (d) Should Wal-Mart renovate its stores nationwide?
- (e) Should the government lower income taxes to stimulate consumption?

**SECTION BREAK. Answer all the part questions.**

- 120) The maximum production possible in Rome and in Cathay are as follows:

|        |                 |    |         |
|--------|-----------------|----|---------|
| Rome   | 40 bread loaves | Or | 20 figs |
| Cathay | 20 bread loaves | Or | 40 figs |

- 120.1) If each country is self-sufficient (no trade) and each allocates one half of its resources to producing each of the two products, what will be the output in each country?

- A) 40 bread loaves and 20 figs in Rome and 20 bread loaves and 40 figs in Cathay.
- B) 40 bread loaves and 0 figs in Rome and 20 bread loaves and 0 figs in Cathay.
- C) 0 bread loaves and 20 figs in Rome and 0 bread loaves and 40 figs in Cathay.
- D) 20 bread loaves and 10 figs in Rome and 10 bread loaves and 20 figs in Cathay.

- 120.2) If each country is self-sufficient (no trade) and each allocates one half of its resources to producing each of the two products, what is the combined output in the two counties?

- A) 60 bread loaves and 60 figs
- B) 60 bread loaves and 0 figs
- C) 0 bread loaves and 60 figs
- D) 30 bread loaves and 30 figs



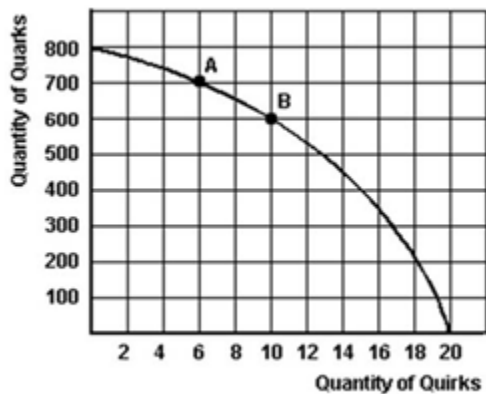
120.3) If each country specializes in the production of what it does best and trades with the other, what is the combined output?

- A) 20 bread loaves and 20 figs
- B) 30 bread loaves and 30 figs
- C) 40 bread loaves and 40 figs
- D) 60 bread loaves and 60 figs

120.4) If each country specializes in the production of what it does best, what are the gains from trade?

- A) There are no gains.
- B) 20 bread loaves
- C) 20 figs
- D) 10 bread loaves and 10 figs

121) The graph below is Mendork's production possibility curve for the only two goods that it produces-quirks and quarks.



121.1) Refer to the graph above to answer this question. If this society chooses to produce 10 quirks, what is the maximum quantity of quarks it can produce?

- A) 500 quarks
- B) 800 quarks
- C) No quarks
- D) 600 quarks

121.2) Refer to the graph above to answer this question. The production possibility line is curved because:

- A) resources are better suited producing one product rather than another.
- B) the interest rate is increasing.
- C) demand is going up.
- D) there is more supply.

121.3) Refer to the graph above to answer this question. What is the opportunity cost of producing the first 700 quarks?

- A) It is 6 quirks.
- B) It is 10 quirks.
- C) It is 14 quirks.
- D) The answer cannot be determined from the information given.

121.4) Refer to the graph above to answer this question. If Mendork's current production is at point A, what is the (approximate) cost of producing one more quirk?

- A) 100 quirks
- B) 50 quirks
- C) 25 quirks
- D) 200 quirks
- E) One more quirk

121.5) Refer to the graph above to answer this question. If Mendork's current production is at point B, what is the opportunity cost of one more quark as output changes from point B to A?

- A) 0.04 quirks
- B) 4 quirks
- C) 400 quirks
- D) 1 quirk
- E) 0.4 quirks

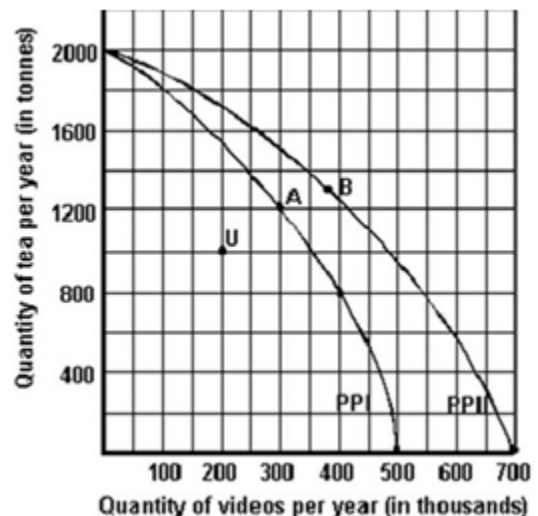
121.6) Refer to the graph above to answer this question. If new technology increased the output of quirks by 50%, how many quirks could be produced if 600 quarks were produced?

- A) 18 quirks
- B) 20 quirks
- C) 15 quirks
- D) 10 quirks
- E) No quirks

121.7) Refer to the graph above to answer this question. Which of the following statements is correct if Mendork is currently producing 500 quarks and 8 quirks?

- A) This society is using competition to coordinate its economic activities.
- B) This society is experiencing either unemployment or inefficiency.
- C) This economy is experiencing full employment.
- D) This society is not adequately answering the question: "What to produce".
- E) This economy is growing quickly.

122) Below is a production possibilities curve involving tea and video-streaming.



122.1) Refer to the graph above to answer this question. Which of the following illustrates the law of increasing costs?

- A) Any point outside the production possibilities curve.
- B) A "bowed-out" production possibilities curve.
- C) A straight-line production possibilities curve.
- D) Any point inside the production possibilities curve.

122.2) Refer to the graph above to answer this question. Assume that the economy is facing PPI and that the economy is currently producing the combination of tea and videos represented by point A. What is the opportunity cost of increasing the output of videos to 400,000?

- A) 400 tons of tea
- B) 800 tons of tea
- C) 100,000 videos
- D) 300,000 videos

122.3) Refer to the graph above to answer this question. Assume that the economy is facing PPI and that 2,000 tons of tea are produced; how many streamed videos could be produced?

- A) 600,000
- B) 500,000
- C) 2,000
- D) 0

122.4) Refer to the graph above to answer this question. Given the shape of the PP curve, which of the following statements is correct?

- A) The law of increasing costs doesn't apply.
- B) The resources being used to produce tea and videos are very similar.
- C) The two goods being produced are very similar.
- D) Opportunity costs are not constant.
- E) It is better for the economy to product videos.

122.5) Refer to the graph above to answer this question. What is indicated by the shape of both the PPI and the PPII curves?

- A) Constant costs
- B) Alternative costs
- C) Increasing costs
- D) Decreasing costs

122.6) Refer to the graph above to answer this question. What could have caused the shift from PPI to PPII?

- A) A decrease in the price of videos.
- B) Capital accumulation in the tea industry.
- C) A decrease in the opportunity cost of tea.
- D) Technological change in the video industry.

122.7) Refer to the graph above to answer this question. Assume that the economy is producing on PPI at point A. After the shift from PPI to PPII, what does point B represent?

- A) An increase in the production of videos but not of tea.
- B) An increase in the production of tea but not of videos.
- C) A decrease in the production of tea but not of videos.
- D) An increase in the production of both goods.

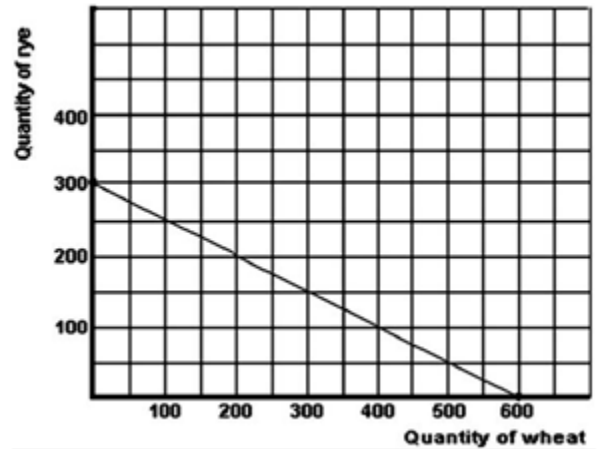
122.8) Refer to the graph above to answer this question. What is indicated by the shift from PPI to PPII?

- A) Unemployment
- B) Inflation
- C) Inefficiency
- D) Economic growth

122.9) Refer to the graph above to answer this question. Assume that the economy is facing PPI and that the economy is currently producing the combination of tea and streamed videos represented by point A. What is the opportunity cost of increasing the output of videos to 400,000?

- A) 400 tons of tea.
- B) 800 tons of tea.
- C) 100,000 videos.
- D) 300,000 videos.

123) Below is a production possibilities curve for a large tract of prairie farmland.



123.1) Refer to the graph above to answer this question. What is the total cost of producing 300 units of rye?

- A) 0 units of wheat
- B) 0.5 units of wheat
- C) 2 units of wheat
- D) 600 units of wheat

123.2) Refer to the graph above to answer this question. What is the opportunity cost of 1 unit of wheat?

- A) 0.5 units of rye
- B) 2 units of rye
- C) 5 units of rye
- D) \$2

123.3) Refer to the graph above to answer this question. What is the opportunity cost of 1 unit of rye?

- A) 0.5 units of wheat
- B) 2 units of wheat
- C) 5 units of wheat
- D) \$400

123.4) Refer to the graph above to answer this question. Given the shape of the PP curve, which of the following statements is correct?

- A) The law of increasing costs doesn't apply
- B) The resources being used to produce rye and wheat are very similar
- C) The two goods being produced are very similar
- D) Opportunity costs are constant
- E) It is better for the economy to product rye

123.5) Refer to the graph above to answer this question. If 300 units of rye are being produced, how many units of wheat are possible?

- A) 200 units of wheat.
- B) 300 units of wheat.
- C) 600 units of wheat.
- D) 0 units of wheat.

123.6) Refer to the graph above to answer this question. Which of the following statements would be correct if the land was producing 200 units of rye and 100 units of wheat?

- A) Some of the land might be idle
- B) The most appropriate technology may not be in use
- C) There may be inefficiencies in production
- D) Some of the land might be idle, the most appropriate technology may not be in use, and there may inefficiencies in production

123.7) Refer to the graph above to answer this question. If 150 units of rye are currently being produced, what is the cost of producing 50 more units of rye?

- A) 25 units of wheat.
- B) 50 units of wheat.
- C) 100 units of wheat.
- D) 400 units of wheat.
- E) Cannot be determined.

124) Below are some production possibilities data for the mystical land of Lhanor.

|           | A  | B  | C  | D  | E  |
|-----------|----|----|----|----|----|
| Kaldors   | 0  | 4  | 8  | 12 | 16 |
| Bouldings | 60 | 54 | 42 | 24 | 0  |

124.1) Refer to the information above to answer this question. *Approximately* how many units of Kaldors can be produced if 48 units of Bouldings are being produced?

- A) 0 Kaldors
- B) 4 Kaldors
- C) 6 Kaldors
- D) 8 Kaldors
- E) 16 Kaldors

124.2) Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination B. What is the opportunity cost of 1 more Kaldor?

- A) Approximately 1 Boulding
- B) Approximately 3 Bouldings
- C) 4 Bouldings
- D) 42 Bouldings
- E) 54 Bouldings

124.3) Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination D. What is the opportunity cost of producing 4 more Kaldors?

- A) Zero
- B) 6 Bouldings
- C) 12 Bouldings
- D) 18 Bouldings
- E) 24 Bouldings

124.4) Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination A. What is the opportunity cost of producing 12 Kaldors?

- A) 3 Bouldings
- B) 12 Bouldings
- C) 24 Bouldings
- D) 36 Bouldings
- E) 60 Bouldings

124.5) Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination B. What is the consequence of the production of Kaldors decreasing to 2?

- A) The output of Bouldings will decrease
- B) The output of Bouldings will increase by 6
- C) The output of Bouldings will increase by approximately 3
- D) The opportunity cost of Bouldings will rise
- E) The output of Bouldings will decrease by approximately 3

124.6) Refer to the information above to answer this question. Which of the following statements is correct if Lhanor is currently producing 10 Kaldors and 24 Bouldings?

- A) All resources must be fully employed.
- B) 18 more units of Bouldings could be produced.
- C) This combination of goods is not possible.
- D) Graphically, Lhanor is operating inside its PP curve.

125) Below are some production possibilities data for the mystical land of Ghandor.

|        | A  | B  | C  | D | E |
|--------|----|----|----|---|---|
| Arrows | 0  | 1  | 2  | 3 | 4 |
| Viners | 20 | 18 | 14 | 8 | 0 |

125.1) Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination B. How many Viners could be produced if the production of Arrows increased by 2?

- A) 3 units of Viners.
- B) 4 units of Viners.
- C) 8 units of Viners.
- D) 14 units of Viners.

125.2) Refer to the information above to answer this question. What is the opportunity cost of producing the third unit of Arrows?

- A) 1 unit of Viners
- B) 6 units of Viners
- C) 8 units of Viners
- D) 14 units of Viners

125.3) Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination A. What is the opportunity cost of producing 4 units of Arrows.

- A) Zero
- B) 4 units of Viners
- C) 5 units of Viners
- D) 20 units of Viners

125.4) Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination D. What is the opportunity cost of producing an additional 10 units of Viners?

- A) 1 unit of Arrows
- B) 2 units of Arrows
- C) 10 units of Arrows
- D) 18 units of Arrows

125.5) Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination E. What is the opportunity cost of producing 20 units of Viners?

- A) 0 unit of Arrows
- B) 1 units of Arrows
- C) 2 units of Arrows
- D) 3 units of Arrows
- E) 4 units of Arrows

126) 1. unemployment in Nova Scotia  
2. interest rates  
3. wages for farm workers  
4. inflation rates  
5. government's farm price supports  
6. monopoly practices in Canada

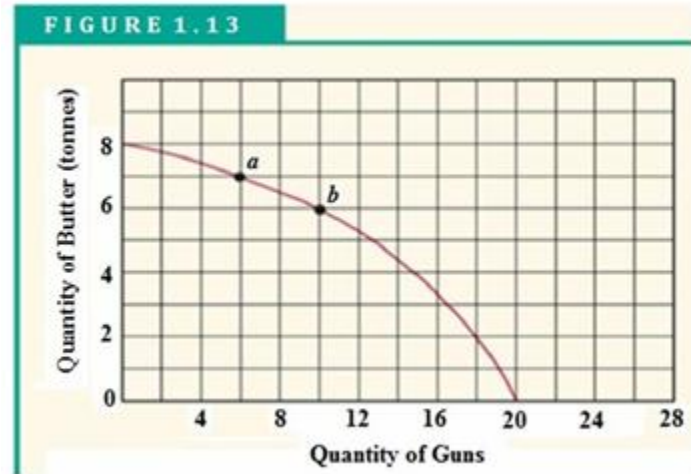
126.1) Refer to the above information to answer this question. Which of the above are macroeconomic concepts?

- A) 2, 4 and 6
- B) 1, 2 and 4
- C) 2, 3 and 6
- D) 2, 3 and 5
- E) 1, 3 and 4

126.2) Refer to the above information to answer this question. Which of the above are microeconomic concepts?

- A) 1, 3, and 5
- B) 1, 5, and 6
- C) 2, 5, and 6
- D) 3, 5, and 6

127) Figure 1.13 shows Mendork's production possibility curve for the only two goods that it produces-guns and butter.



127.1) Refer to Figure 1.13 to answer this question. If Mendork's production is currently that indicated by point a, what is the cost of producing four more guns?

- A) 1 tonne of butter.
- B) 2 tonnes of butter.
- C) 6 tonnes of butter.
- D) 10 tonnes of butter.

127.2) Refer to Figure 1.13 to answer this question. What is the opportunity cost of one more tonne of butter as output changes from point b to a?

- A) 2 guns
- B) 4 guns
- C) 10 guns
- D) 6 guns



127.3) Refer to Figure 1.13 to answer this question. Which of the following statements is correct if Mendork is currently producing 5 tonnes of butter and 8 guns?

- A) This society is using competition to coordinate its economic activities
- B) This society is experiencing either unemployment or inefficiency
- C) This economy is experiencing full employment
- D) This society is not adequately answering the "for whom" question
- E) This economy is growing quickly

127.4) Refer to Figure 1.13 to answer this question. What is the opportunity cost of producing the first 2 tonnes of butter?

- A) 2 guns
- B) 18 guns
- C) 20 guns
- D) The answer cannot be determined from the information given.

127.5) Refer to Figure 1.13 to answer this question. If new technology increased the output of guns by 50 percent, how many guns could be produced if 6 tonnes of butter were produced?

- A) 18 guns.
- B) 20 guns.
- C) 15 guns.
- D) 10 guns.
- E) 0 guns.

128) The following table shows the production possibilities for the country of Erewhon:

|        | A  | B  | C  | D  | E  | F  |
|--------|----|----|----|----|----|----|
| Wine   | 0  | 10 | 18 | 24 | 28 | 30 |
| Cheese | 40 | 28 | 18 | 10 | 4  | 0  |

128.1) Refer to the table above to answer this question. Erewhon is producing 21 units of wine, approximately how many units of cheese can it produce?

- A) 7 units of cheese
- B) 9 units of cheese
- C) 14 units of cheese
- D) 19 units of cheese

128.2) Refer to the table above to answer this question. If Erewhon is producing 23 units of cheese, approximately how many units of wine can it produce?

- A) 5 units of wine
- B) 9 units of wine
- C) 14 units of wine
- D) 19 units of wine

128.3) Refer to the table above to answer this question. What is the total cost of producing the first 10 units of wine?

- A) 6 units of cheese
- B) 12 units of cheese
- C) 24 units of cheese
- D) 28 units of cheese

128.4) Refer to the table above to answer this question. What is the total cost of producing the first 10 units of cheese?

- A) 6 units of wine
- B) 20 units of wine
- C) 24 units of wine
- D) 28 units of wine

128.5) Refer to the table above to answer this question. If Erewhon is producing combination D, what is the cost of producing 4 more units of wine?

- A)  $\frac{2}{3}$  of a unit of cheese
- B)  $1\frac{1}{2}$  units of cheese
- C) 6 units of cheese
- D) 8 units of cheese

128.6) Refer to the table above to answer this question. If Erewhon is producing combination D, what is the cost of producing 1 more unit of cheese?

- A)  $\frac{3}{4}$  of a unit of wine
- B)  $1\frac{1}{3}$  units of wine
- C) 6 units of wine
- D) 8 units of wine

129) The following table shows the production possibilities for producing rice and beans in the country of Aipotu:

| %<br>Inputs | Output of<br>rice | %<br>Inputs | Output of<br>beans |
|-------------|-------------------|-------------|--------------------|
| 0           | 0                 | 0           | 0                  |
| 20          | 100               | 20          | 60                 |
| 40          | 180               | 40          | 100                |
| 60          | 240               | 60          | 130                |
| 80          | 280               | 80          | 150                |
| 100         | 300               | 100         | 160                |

129.1) Refer to the table above to answer this question. If Aipotu produces 240 rice, how many beans can it produce?

- A) 30 beans
- B) 60 beans
- C) 100 beans
- D) 130 beans

129.2) Refer to the table above to answer this question. If Aipotu produces 60 beans, how much rice can it produce?

- A) 20 rice
- B) 100 rice
- C) 130 rice
- D) 280 rice

129.3) Refer to the table above to answer this question. What is the total cost of producing 180 rice?

- A) 30 beans
- B) 40 beans
- C) 60 beans
- D) 100 beans

129.4) Refer to the table above to answer this question. What is the total cost of producing 100 beans?

- A) 40 rice
- B) 60 rice
- C) 120 rice
- D) 180 rice

129.5) Refer to the table above to answer this question. If Aipotu is presently producing 100 rice, what is the cost of producing 80 more rice?

- A) 10 beans
- B) 20 beans
- C) 60 beans
- D) 100 beans

129.6) Refer to the table above to answer this question. If Aipotu is presently producing 100 beans, what is the cost of producing 50 more beans?

- A) 100 rice
- B) 140 rice
- C) 180 rice
- D) 280 rice

## Answer Key

Test name: Chapter 01-02

- |          |       |
|----------|-------|
| 1) FALSE | 38) A |
| 2) TRUE  | 39) A |
| 3) FALSE | 40) B |
| 4) FALSE | 41) C |
| 5) FALSE | 42) A |
| 6) FALSE | 43) D |
| 7) FALSE | 44) B |
| 8) B     | 45) A |
| 9) C     | 46) D |
| 10) A    | 47) A |
| 11) B    | 48) B |
| 12) B    | 49) A |
| 13) D    | 50) E |
| 14) C    | 51) B |
| 15) B    | 52) E |
| 16) C    | 53) B |
| 17) C    | 54) A |
| 18) A    | 55) D |
| 19) C    | 56) B |
| 20) A    | 57) B |
| 21) B    | 58) D |
| 22) C    | 59) A |
| 23) B    | 60) B |
| 24) D    | 61) C |
| 25) A    | 62) C |
| 26) C    | 63) D |
| 27) B    | 64) D |
| 28) D    | 65) C |
| 29) C    | 66) C |
| 30) B    | 67) B |
| 31) C    | 68) A |
| 32) C    | 69) C |
| 33) B    | 70) B |
| 34) C    | 71) D |
| 35) A    | 72) B |
| 36) E    | 73) B |
| 37) B    | 74) C |
|          | 75) B |
|          | 76) D |
|          | 77) B |

- |                   |                    |
|-------------------|--------------------|
| 78) C             | 118) Short Answer  |
| 79) E             | 119) Short Answer  |
| 80) C             | 120) Section Break |
| 81) D             | 120.1) D           |
| 82) A             | 120.2) D           |
| 83) C             | 120.3) C           |
| 84) B             | 120.4) D           |
| 85) Short Answer  | 121) Section Break |
| 86) Short Answer  | 121.1) D           |
| 87) Short Answer  | 121.2) A           |
| 88) Short Answer  | 121.3) C           |
| 89) Short Answer  | 121.4) C           |
| 90) Short Answer  | 121.5) A           |
| 91) Short Answer  | 121.6) C           |
| 92) Short Answer  | 121.7) B           |
| 93) Short Answer  | 122) Section Break |
| 94) Short Answer  | 122.1) B           |
| 95) Short Answer  | 122.2) A           |
| 96) Short Answer  | 122.3) D           |
| 97) Short Answer  | 122.4) D           |
| 98) Short Answer  | 122.5) C           |
| 99) Short Answer  | 122.6) D           |
| 100) Short Answer | 122.7) D           |
| 101) Short Answer | 122.8) D           |
| 102) Short Answer | 122.9) A           |
| 103) Short Answer | 123) Section Break |
| 104) Short Answer | 123.1) D           |
| 105) Short Answer | 123.2) A           |
| 106) Short Answer | 123.3) B           |
| 107) Short Answer | 123.4) A           |
| 108) Short Answer | 123.5) D           |
| 109) Short Answer | 123.6) D           |
| 110) Short Answer | 123.7) C           |
| 111) Short Answer | 124) Section Break |
| 112) Short Answer | 124.1) C           |
| 113) Short Answer | 124.2) B           |
| 114) Short Answer | 124.3) E           |
| 115) Short Answer | 124.4) D           |
| 116) Short Answer | 124.5) C           |
| 117) Short Answer | 124.6) D           |

125) Section Break

125.1) C

125.2) B

125.3) D

125.4) B

125.5) E

126) Section Break

126.1) B

126.2) D

127) Section Break

127.1) A

127.2) B

127.3) B

127.4) A

127.5) C

128) Section Break

128.1) C

128.2) C

128.3) B

128.4) A

128.5) C

128.6) A

129) Section Break

129.1) C

129.2) D

129.3) A

129.4) B

129.5) B

129.6) B