

UNIT 1 REVIEW – MULTIPLE CHOICE PRACTICE

1. Which of the following is an example of a resource?
 - I. Petroleum
 - II. A factory
 - III. A cheeseburger dinner
 - a. I only
 - b. II only
 - c. III only
 - d. I and II only
 - e. I, II and III

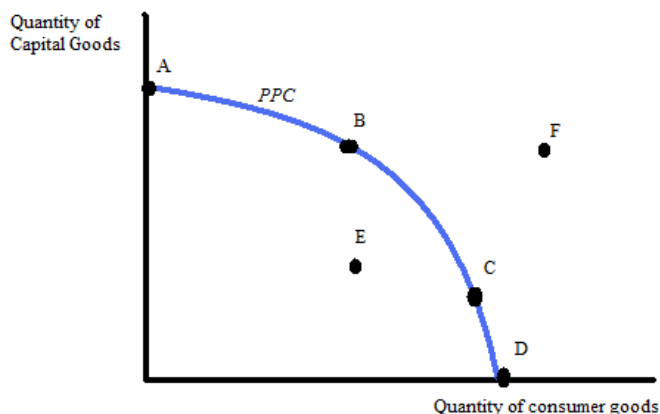
2. Which of the following situations represent(s) resource scarcity?
 - I. Rapidly growing economies experience increasing levels of water pollution.
 - II. There is a finite amount of petroleum in the physical environment
 - III. Cassette tapes are no longer being produced
 - a. I only
 - b. II only
 - c. III only
 - d. I and II only
 - e. I, II and III

3. Suppose that you prefer reading a book you already own to watching T.V. and that you prefer watching T.V. to listening to music. If these are your only three choices, what is the opportunity cost of reading?
 - a. Watching T.V. and listening to music
 - b. Watching T.V.
 - c. Listening to music
 - d. Sleeping
 - e. The price of the book

4. Which of the following statements is/are normative?
 - I. The price of gasoline is rising
 - II. The price of gasoline is too high
 - III. Gas prices are expected to fall in the near future
 - a. I only
 - b. II only
 - c. III only
 - d. I and III only
 - e. I, II and III

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5. Which of the following questions is studied in microeconomics?
- Should I go to college or get a job after I graduate?
 - What government policies should be adopted to promote employment in the economy?
 - How many people are employed in the economy this year?
 - Has the overall level of prices in the economy increased or decreased?
 - What determines the overall salary levels paid to workers in a given year?

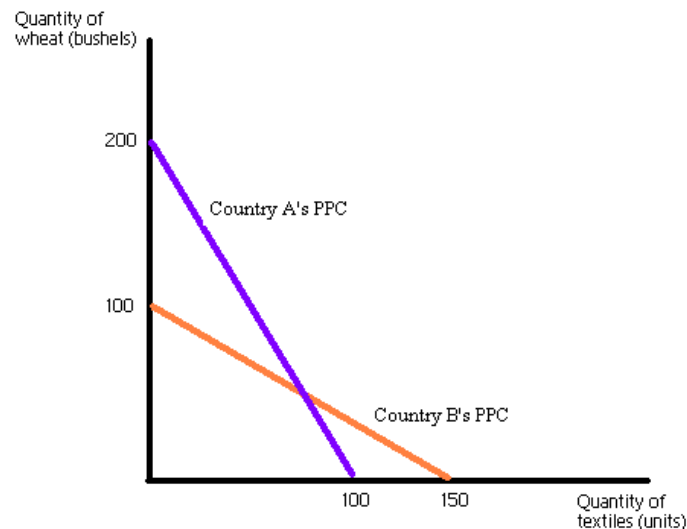


Refer to the graph above to answer questions 6-10.

6. Which point(s) on the graph represent efficiency in production?
- B and C
 - A and D
 - A, B, C and D
 - A, B, C, D and E
 - A, B, C, D, E and F
7. For this economy an increase in the quantity of capital goods produced without a corresponding decrease in the quantity of consumer goods produced
- Cannot happen because there is always an opportunity cost
 - Is represented by a movement from point E to point A
 - Is represented by a movement from point C to point B
 - Is represented by a movement from point E to point B
 - Is only possible with an increase in resources or technology
8. An increase in unemployment could be represented by a movement from point
- D to point C
 - B to point A
 - C to point F
 - B to point E
 - E to point B

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9. Which of the following might allow this economy to move from point B to point F?
- More workers
 - Discovery of new resources
 - Building new factories
 - Technological advances
 - All of the above
10. This production possibilities curve shows the trade-off between consumer goods and capital goods. Since capital goods are a resource, an increase in the production of capital goods today will increase the economy's production possibilities in the future. Therefore, all other things being equal, producing at which point today will result in the largest outward shift of the PPC in the future?
- A
 - B
 - C
 - D
 - E



Refer to the graph above to answer questions 11-15.

11. Use the graph to determine which country has an absolute advantage in producing each good.
- | <u>Absolute Advantage in wheat</u> | <u>Absolute Advantage in textiles</u> |
|------------------------------------|---------------------------------------|
| a. Country A | Country B |
| b. Country A | Country A |
| c. Country B | Country A |
| d. Country B | Country B |
| e. Country A | Neither country |

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12. For country A, the opportunity cost of a bushel of wheat is
- $\frac{1}{2}$ units of textiles
 - $\frac{2}{3}$ units of textiles
 - $1 \frac{1}{3}$ units of textiles
 - $1 \frac{1}{2}$ units of textiles
 - 2 units of textiles
13. Which country has comparative advantage in the production of each good?
- | <u>Comparative Advantage in wheat</u> | <u>Comparative Advantage in textiles</u> |
|---------------------------------------|--|
| a. Country A | Country B |
| b. Country A | Country A |
| c. Country B | Country A |
| d. Country B | Country B |
| e. Country A | Neither country |
14. If the two countries specialize and trade, which of the choices below describes the countries' imports?
- | <u>Imports wheat</u> | <u>Imports textiles</u> |
|----------------------|-------------------------|
| a. Country A | Country A |
| b. Country A | Country B |
| c. Country B | Country B |
| d. Country B | Country A |
| e. Neither country | Country B |
15. What is the highest price Country B is willing to pay to buy wheat from Country A?
- $\frac{1}{2}$ units of textiles
 - $\frac{2}{3}$ units of textiles
 - 1 unit of textiles
 - $1 \frac{1}{2}$ units of textiles
 - 2 units of textiles
16. A sustained increase in production possibilities over time (shown by a rightward shift)
- Overproduction
 - Economic efficiency
 - Comparative advantage
 - Gains from trade
 - Economic growth
17. An economy is said to have a comparative advantage in the production of a good if it can produce that good
- With more resources than another economy
 - With a higher opportunity cost than another economy
 - Outside of its production possibilities curve
 - At a lower opportunity cost than another economy
 - Less efficiently than another economy

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18. Which of the following would increase demand for a normal good? A decrease in
- Price
 - Income
 - The price of a substitute
 - Consumer taste for a good
 - The price of a complement
19. A decrease in the price of butter would most likely decrease the demand for
- Margarine
 - Bagels
 - Jelly
 - Milk
 - Syrup
20. If an increase in income leads to a decrease in demand, the good is
- A complement
 - A substitute
 - Inferior
 - Abnormal
 - Normal
21. Which of the following will occur if consumers expect the price of a good to fall in the coming months?
- The quantity demanded will rise today
 - The quantity demanded will remain the same today
 - Demand will increase today
 - Demand will decrease today
 - No change will occur today
22. Which of the following will increase the demand for disposable diapers?
- A new “baby boom”
 - Concern over the environmental effect on landfills
 - A decrease in the price of cloth diapers
 - A move toward earlier potty training of children
 - A decrease in the price of disposable diapers
23. Which of the following will decrease the supply of good “X”?
- There is a technological advance that effects the production of all goods
 - The price of good “X” falls
 - The price of good “Y” (which consumers regard as a substitute for good “X”) decreases
 - The wages of workers producing good “X” increase
 - The demand for good “X” decreases

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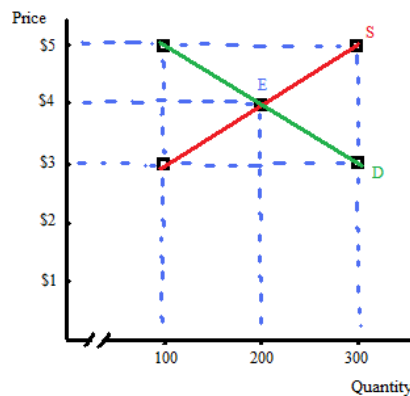
24. One reason supply curves have an upward slope is because
- Increased supply will require increased technology
 - People will pay a higher price when less is supplied
 - A higher price brings a greater profit, so firms want to sell more of that good
 - To have more of the good supplied requires more firms to open
 - None of the above answers is correct because supply curves have a downward slope
25. A technological advance in textbook production will lead to which of the following?
- A decrease in textbook supply
 - An increase in textbook demand
 - An increase in textbook supply
 - A movement along the supply curve for textbooks
 - An increase in textbook prices
26. Suppose the price of leather used to produce shoes increases. As a result, there is _____ in the supply of shoes and the supply curve of shoes _____
- An increase; shifts rightward
 - An increase; shifts leftward
 - A decrease; shifts rightward
 - A decrease; shifts leftward
 - No change; does not shift
27. An increase in the productivity of producing jeans results in
- Some change, but the impact on the supply of jeans is impossible to predict
 - The quantity of jeans supplied increasing
 - The supply of jeans increasing
 - Buyers demanding more jeans because they are now more efficiently produced
 - Buyers demanding fewer jeans because their price will fall, which signals lower quality
28. Which of the following is true at equilibrium?
- The supply schedule is identical to the demand schedule at every price
 - The quantity demanded is the same as the quantity supplied
 - The quantity is zero.
 - Every consumer who enjoys the good can consume it
 - Producers could not make any more of the product regardless of the price
29. The market price of a good will tend to rise if
- Demand increases
 - Supply increases
 - It is above the equilibrium price
 - It is below the equilibrium price
 - Demand shifts to the left

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30. After Julia received a raise in her income, she began purchasing more ice cream cones and fewer popsicles. For Julia, ice cream cones
- Disobey the law of demand
 - Are a joint product
 - Are a complementary good with popsicles
 - Are a normal good
 - Are an inferior good
31. Which of the following describes what will happen in the market for tomatoes if a salmonella outbreak is attributed to tainted tomatoes?
- Supply will decrease and price will increase
 - Supply will decrease and price will decrease
 - Demand will decrease and price will increase
 - Demand will decrease and price will decrease
 - Supply and demand will both decrease
32. Which of the following will lead to an increase in the equilibrium price of product “X” an
- Increase in consumer incomes if product “X” is an inferior good
 - Increase in the price of machinery used to produce product “X”
 - Technological advance in the production of good “X”
 - Decrease in the price of good “Y” (a substitute of good “X”)
 - Expectation by consumers that the price of good “X” is going to fall
33. The equilibrium price will rise but equilibrium quantity may increase, decrease, or stay the same if
- Demand increases and supply decreases
 - Demand increases and supply increases
 - Demand decreases and supply increases
 - Demand decreases and supply decreases
 - Demand decreases and supply does not change
34. An increase in the number of buyers and a technological advance will cause
- Demand to increase and supply to increase
 - Demand to increase and supply to decrease
 - Demand to decrease and supply to increase
 - Demand to decrease and supply to decrease
 - No change in demand and an increase in supply
35. Which of the following is certainly true if demand and supply increase at the same time?
- The equilibrium price will increase
 - The equilibrium price will decrease
 - The equilibrium quantity will increase
 - The equilibrium quantity will decrease
 - The equilibrium quantity may increase, decrease, or stay the same

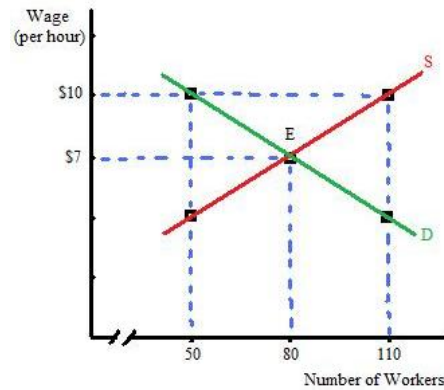
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36. Candy makers accurately anticipate the increase in demand for Halloween candy so that the supply of candy and the demand for candy increase the same amount. As a result, the price of candy _____ and the quantity of candy _____.
- Rises; does not change
 - Falls; increases
 - Does not change; increases
 - Does not change; does not change
 - Rises; rises
37. During 2005 the supply of petroleum decreased while at the same time the demand for petroleum increased. If the magnitude of the increase in demand was greater than the magnitude of the decrease in supply, then the equilibrium price of gasoline _____ and the equilibrium quantity _____.
- Increased; increased
 - Increased; decreased
 - Increased; did not change
 - Decreased; did not change
 - Did not change; increased



Refer to the graph above to answer the following question.

38. If the current prevailing market price for a good was \$3, which of the following conditions must exist?
- A shortage of 100 units
 - A surplus of 100 units
 - A shortage of 200 units
 - A surplus of 200 units
 - A surplus of 50 units

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Refer to the graph above to answer questions 39 and 40.

39. If the government were to establish a minimum wage at \$10, how many workers will benefit (actually have a job) from the higher wage?
- 30
 - 50
 - 60
 - 80
 - 110
40. With a minimum wage of \$10, how many workers would be unemployed (would like to work but are unable to find a job)?
- 30
 - 50
 - 60
 - 80
 - 110