Faculty of Commerce
Department of Economics

Multiple choice questions;

1. **Scarcity:**

A. exists because resources are limited while human wants are unlimited.

B. means we are unable to have as much as we would like to have.

C. will likely be eliminated as technology continues to expand.

D. is not an issue addressed in economics.

2. In a free market, who determines how much of a good will be sold and the price at which it is sold?

A. suppliers

B. demanders

C. the government

D. suppliers and demanders together

3. Which of the following would NOT be a determinant of demand?

A. The price of related goods

B. Income

C. Tastes

D. The prices of the inputs used to produce the good

4. If a good is "normal," then an increase in income will result in

A. No change in the demand for the good.

B. An increase in the demand for the good.

C. A decrease in the demand for the good.

D. A lower market price.

5. Suppose that a decrease in the price of X results in less of good Y sold. This would mean that X and Y are

A. Complementary goods.

B. Normal goods.

C. Inferior goods.

D. <u>Substitute goods.</u>

6. Two goods are complements if a decrease in the price of one good

A. Increases the quantity demanded of the other good.

B. Reduces the demand for the other good.

C. Reduces the quantity demanded of the other good.

D. <u>Raises the demand for the other good.</u>

7. For economists, people's tastes and demand are

A. Beyond the realm of economics.

B. Negatively related.

C. Not related.

D. <u>Positively related.</u>

8. A person's expectations about the future

A. Cannot affect demand because expectations change.

B. Can affect future demand.

C. <u>Can affect current demand.</u>

D. Cannot shift a demand curve.

9. Alyssa rents 5 movies per month when the price is $3.00 each and 7 movies per month when the price is $2.50. Alyssa has demonstrated the

A. Law of price.

B. Law of supply.

C. Actions of an irrational consumer.

D. <u>Law of demand.</u>

10. If a decrease in income increases the demand for a good, then the good is

A. A substitute good.

B. A complement good.

C. A normal good.

D. An inferior good.

11. What will happen in the rice market if buyers are expecting higher prices in the near future?

A. The demand for rice will increase.

B. The demand for rice will decrease.

C. The demand for rice will be unaffected.

D. The supply of rice will increase.

12. A demand curve illustrates the

A. Tradeoff between inflation and unemployment.

B. Positive relationship between price and quantity demanded.

C. Negative relationship between price and quantity demanded.

D. Maximum quantity of two goods an economy is capable of producing with available resources and technology.

13. The positive relationship between price and quantity supplied is called

A. A market.

B. A change in supply.

C. The demand curve.

D. The law of supply.

14. If the number of sellers in a market increases, the

A. Demand in that market will increase.

B. Supply in that market will increase.

C. Supply in that market will decrease.

D. Demand in that market will decrease.

15. A movement along the supply curve might be caused by a change in

A. Technology.

B. Input prices.

C. Expectations about future prices.

D. <u>The price of the good or service.</u>

16. A technological advancement will shift the

A. <u>Supply curve to the right.</u>

B. Demand curve to the left.

C. Demand curve to the right.

D. Supply curve to the left.

17. The marginal product of labor can be defined as

A. Change in profit/change in labor.

B. <u>Change in output/change in labor.</u>

C. Change in labor/change in output.

D. Change in labor/change in total cost.

18. Fixed costs can be defined as costs that

A. Vary inversely with production.

B. Vary in proportion with production.

C. Are incurred only when production is large enough.

D. <u>Are incurred even if nothing is produced.</u>

19. Average total cost is equal to

A. Output/total cost.

B. Total cost – total quantity of output.

C. Average variable cost + total fixed cost.

D. <u>Total cost/output.</u>

20. When marginal cost exceeds average total cost,

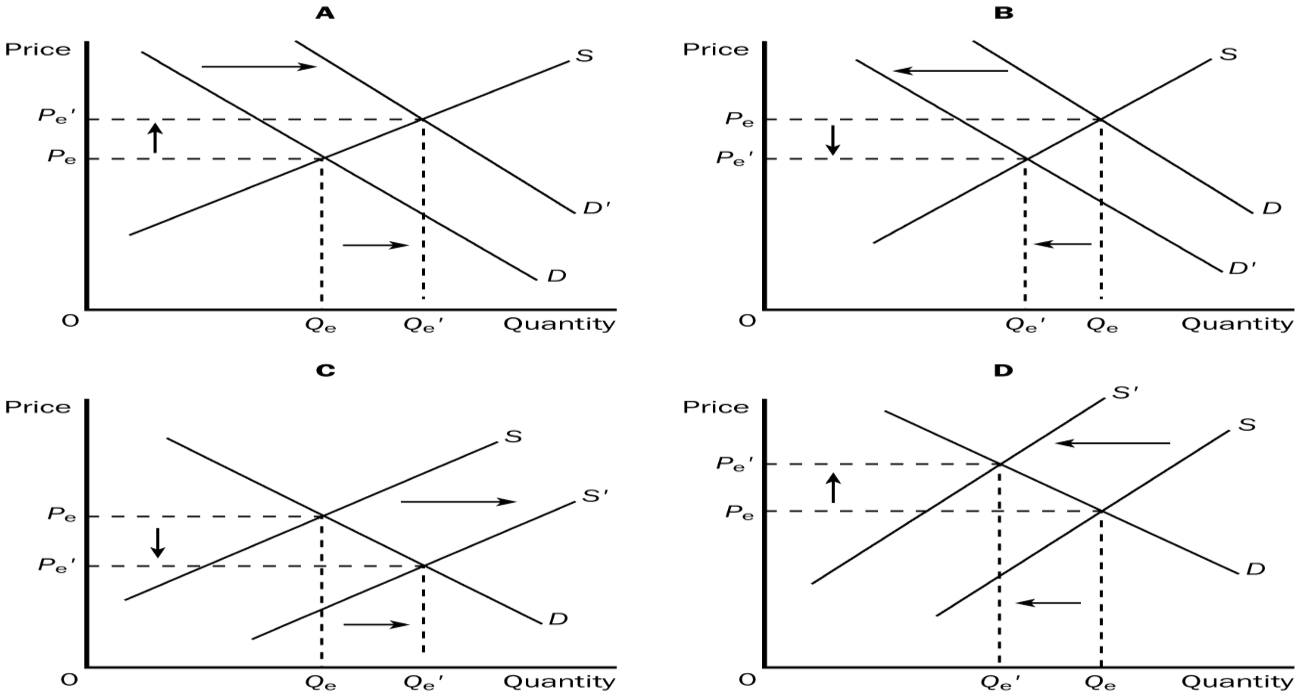
A. Average fixed cost must be rising.

B. <u>Average total cost must be rising.</u>

C. Average total cost must be falling.

D. Marginal cost must be falling.

Multiple Choice Questions:



1. Which of the four graphs represents the market for peanut butter after a major hurricane hits the peanut-growing south?

a. A

b. B

c. C

d. D

2. Which of the four graphs represents the market for winter boots in June?

a. A

b. B

c. C

d. D

3. Which of the four graphs represents the market for pizza delivery in a college town in September?

a. A

b. B

c. C

d. D

4. Which of the four graphs represents the market for cars after new technology was installed on assembly lines?

a. A

b. B

c. C

d. D

5. Graph A shows which of the following?

a. an increase in demand

b. an increase in quantity demanded

c. an increase in quantity supplied

d. Both (a) and (c) are correct.

6. Graph C shows which of the following?

a. an increase in demand

b. an increase in quantity demanded

c. an increase in supply

d. Both b and c are correct.

7. Which of the four graphs shown illustrates an increase in quantity supplied?

a. A.

b. B.

c. C.

d. D.

8. Which of the four graphs shown illustrates a decrease in quantity demanded?

a. A.

b. B.

c. C.

<u>d. D</u>.

9. The price elasticity of demand is:

a. The ratio of the percentage change in quantity demanded to the percentage change in price.

b. The responsiveness of revenue to a change in quantity.

c. The ratio of the change in quantity demanded divided by the change in price.

d. The response of revenue to a change in price.

10. If demand is price elastic, then:

a. A rise in price will raise total revenue.

b. A fall in price will raise total revenue.

c. A fall in price will lower the quantity demanded.

d. A rise in price won't have any effect on total revenues.

11. If the cross-price elasticity between two commodities is 1.5,

a. The two goods are luxury goods.

b. The two goods are complements.

c. The two goods are substitutes.

d. The two goods are normal goods.

12. As the quantity of a good consumed increases, its marginal utility ………………….. and its total utility ………………………

a. increases; decreases.

b. decreases; decreases.

c. decreases; increases.

d. increases; increases.

13.Marginal utility is the:

a. total satisfaction that a person gets from the consumption of all of the units of a good consumed.

b. maximum price that a consumer is willing to pay for an additional unit of a good.

c. change in satisfaction that results from a one-unit increase in the quantity of a good consumed.

d. additional cost to a consumer when an additional unit of a good is consumed.

14.Diminishing returns occurs when

a. all inputs are increased, output decreases.

b. all inputs are increased, output increases by a smaller proportion.

c. a variable input is increased, output decreases.

d. a variable unit is increased, its marginal product falls.

15.output In the long run,

a. some inputs are variable and some inputs are fixed.

b. all inputs are variable.

c. all inputs are fixed.

d. a firm must experience diseconomies of scale.

A firm sells a product in a perfectly competitive market, at a price of $50. The firm has a fixed cost of $30.										
(Units)	TR	TC	Profit ($)	MR	MC	FC	VC	ATC	AFC	AVC
0	0									
1					50					
2					20					
3					30					
4					42					
5					54					
6					70					

16. What is the average variable cost if six units are produced?

a. $50

b. $90

c. $44,3

d. $42

17. What is the average fixed cost if six units are produced?

a. $12

b. $6

c. $3

d. $5

18. What is the average total cost if four units are produced?

a. $50

b. $43

c. $45,2

d. $43,3

19. How many units are produced when total cost is $226?

a. 4

b. 5

c. 6

d. 3

20. What is the total revenue if three units are produced?

a. 50

b. 200

c. 250

d. 150

21. At what level of output will average variable cost equal average total cost?

a. when marginal cost equals average total cost

b. for all levels of output in which average variable cost is falling

c. when marginal cost equals average variable cost

d. There is not a level of output.

22. What is the total profit if two units are produced?

a. -30

b. -20

c. zero

d. 20

True & false Questions:

23. Macroeconomics - The branch of economics that studies the economy of consumers or households or individual firms. (F)
24. Normative Statement - A statement about what actually is (was or will be), as opposed to what ought to be. An expression that can be verified by observation. (F)
25. Law of Demand - The tendency of suppliers to offer more of a good at a higher price.
26. Inferior Good - A good that increases in demand when consumer income rises. (F)

27. Profit - Income that a company receives from the sale of goods and services to customers. (F)
28. Increase Returns to Scale - Technological conditions under which the percentage change in a firm’s output is less than to the percentage change in its use of inputs. (F)
29. Minimum efficient Scale - The quantity of output that minimizes average variable cost. (F)
30. Fixed Cost - Business expenses that are dependent on the level of goods or services produced by the business, such as rents being paid per month. (F)
31. Accounting Profit - The difference between a firm's total revenue and its opportunity costs. (F)
32. Monopolistic Competition - Market form in which a market or industry is dominated by a small number of sellers. (F)
33. Economic Efficiency - The use of resources so as to maximize the production of goods and services. (T)
34. Opportunity Cost - The cost of an opportunity forgone (and the loss of the benefits that could be received from that opportunity). (T)
35. Complement Good - Goods that, "go together." Such as, cookie dough and chocolate chips. (T)
36. Competitive Market - An economic environment where those selling and those buying exchange goods and services at a price controlled by that market. (T)
37. Cross-Price Elasticity of Demand - Measures the responsiveness of the demand for a good to a change in the price of another good. (T)
38. Price Ceiling - A government-imposed limit on the price charged for a product. Governments intend price ceilings to protect consumers. (T)
39. Consumer Surplus - The amount that consumers benefit by being able to purchase a product for a price that is less than the most that they would be willing to pay. (T)

40. Diseconomies of Scale - The condition in which the costs of production increase faster than the volume of production. (T)
41. Economy of Scale - There are factors that cause a producer's average cost per unit to fall as the scale of output is increased. (T)
42. Implicit Costs - Costs which do not involve a direct payment of money to a third party, but which nevertheless involve a sacrifice of some alternative. (T)
43. A complementary good, in contrast to a substitute good, is a good with a negative cross elasticity of demand. This means a good's demand is increased when the price of another good is decreased. (T)
44. Monopolistic Competition - A form of imperfect competition where many competing producers sell products that are differentiated from one another (that is, the products are substitutes, but, with differences such as branding, are not exactly alike). (T)
45. When the marginal product curve is higher than the average product curve, the average product curve is increasing. (T)
46. If the total product is increasing then the marginal product values are positive. (T)

Best wishes………
D/Waleed