View Statistics - Mid-term Exam 42009 Introductory Economics

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Question 1 Difficulty: 1

Which of the following activities have zero opportunity cost?

To see a concert with a free ticket obtained from a lucky draw	12	(5.71 %)
To attend college fully on scholarships	1	(0.48 %)
To participate in the demonstration for equality in Nyhavn, Copenhagen	8	(3.81 %)
➡ None of the above. All of the events above have opportunity costs.	189	(90 %)

Average Grade: 0.9 / 1 (90 %)
Standard Deviation: 30.07 %
Point Biserial: 0.36
Discrimination Index: 23.21 %

Question 2 Difficulty: 1

Changes in the price of a good lead to:

➡ change in the quantity supplied of the good.	155	(73.81 %)
changes in supply.	4	(1.9 %)
changes in demand.	51	(24.29 %)
no effects in quantity supplied or demanded.	0	(0 %)

Average Grade: 0.74 / 1 (73.81 %)
Standard Deviation: 44.07 %
Point Biserial: 0.28
Discrimination Index: 44.64 %

Question 3 Difficulty: 1

To solve the traffic congestion problem in Copenhagen, the government is considering policies to reduce private cars on the road. Which of the following policy will NOT be helpful in achieving this goal?

To provide subsidy to the people who ride a bike.	5	(2.38 %)
To implement a higher tax on car	3	(1.43 %)

Average Grade: 0.96 / 1 (96.19 %)

purchase.			Standard Deviation: 19.19 %
To implement a higher tax on gasoline.	0	(0 %)	Point Biserial: 0.21
➡ To charge a higher price on public transport.	202	(96.19 %)	Discrimination Index: 12.50 %

Question 4 Difficulty: 1

The quantity demanded of a good decreases by 20% when its price increase by 2%. Which of the followings best fit this good?

This good has no close substitutes.	17	(8.1 %)	Average Grade: 0.5 / 1 (50 %)
This is a necessity good.	9	(4.29 %)	Standard Deviation: 50.12 %
➡ This is more likely to happen in a short-run.	105	(50 %)	Point Biserial: 0.43
This is an inferior good.	79	(37.62 %)	Discrimination Index: 73.21 %

Question 5 Difficulty: 1

Suppose we observe a decrease of the equilibrium price of potato and an increase of the equilibrium quantity. Which of the following best fit the observed data?

An increase in demand with supply unchanged	10	(4.76 %)	
A decrease in supply with demand unchanged	17	(8.1 %)	Average Grade: 0.74 / 1 (74.29 %)
➡ An increase in supply with demand unchanged	156	(74.29 %)	Standard Deviation: 43.81 %
An increase in demand coupled with an decrease in supply	27	(12.86 %)	Point Biserial: 0.26
			Discrimination Index: 37.50 %

Question 6 Difficulty: 1

The cross price elasticity between good x and good y is found to be positive. We conclude that good x and good y are:

normal goods	4	(1.9 %)	Average Grade: 0.97 / 1 (97.14 %)
inferior goods	0	(0 %)	Standard Deviation: 16.70 %
➡ substitutes	204	(97.14 %)	Point Biserial: 0.31
complements	2	(0.95 %)	Discrimination Index: 10.71 %

Question 7 Difficulty: 1

The CEO of a large restaurant chain said, "For each 1 percent price increase, we lose 5 percent of our diners." We can conclude that:

demand is price inelastic.	21	(10 %)	
➡ a price increase will decrease total revenue.	177	(84.29 %)	Average Grade: 0.84 / 1 (84.29 %)
the price elasticity is -0.5.	10	(4.76 %)	Standard Deviation: 36.48 %
			Point Biserial: 0.38
			Discrimination Index: 37.50 %

the demand curve is horizontal.	2	(0.95 %)	

Question 8 Difficulty: 1

Suppose the (inverse) demand for a product is P = 40 - Q and (inverse) supply of the product is P = 4 + 2Q. The equilibrium quantity, price, and consumer surplus (CS) would be:

➡ Q=12, P=28, CS=72	176	(83.81 %)	Average Grade: 0.84 / 1 (83.81 %)
Q=8, P=14, CS=36	3	(1.43 %)	Standard Deviation: 36.92 %
Q=12, P=28, CS=36	28	(13.33 %)	Point Biserial: 0.52
Q=8, P=14, CS=72	3	(1.43 %)	Discrimination Index: 42.86 %

Question 9 Difficulty: 1

A price ceiling is

the minimum legal price that can be charged in a market.	6	(2.86 %)	
➡ the maximum legal price that can be charged in a market.	203	(96.67 %)	Average Grade: 0.97 / 1 (96.67 %) Standard Deviation: 17.99 % Point Biserial: 0.13 Discrimination Index: 7.14 %
higher than the initial equilibrium price.	1	(0.48 %)	
equal to the initial equilibrium price.	0	(0 %)	

Question 10 Difficulty: 1

Suppose the supply curve of a product is $Q = -10 + 10P$. The producer surplus will increase by the amount of _ if the price rises from 2 DKK to 3 DKK per unit.

5 DKK	31	(14.76 %)	Average Grade: 0.38 / 1 (37.62 %)
10 DKK	85	(40.48 %)	Standard Deviation: 48.56 %
➡ 15 DKK	79	(37.62 %)	Point Biserial: 0.40
20 DKK	15	(7.14 %)	Discrimination Index: 58.93 %

Question 11 Difficulty: 1

Suppose the production function is given by Q= min{3K, 4L}. What is name of this production function form and what is the average product of labor (AP_L) when 15 units of capital and 10 units of labor are employed?

Cobb-Douglas, AP_L=4	4	(1.9 %)	
➡ Leontief, AP_L=4	191	(90.95 %)	Average Grade: 0.91 / 1 (90.95 %) Standard Deviation: 28.75 % Point Biserial: 0.33 Discrimination Index: 25.00 %
Cobb-Douglas, AP_L=3	3	(1.43 %)	
Leontief, AP_L=3	12	(5.71 %)	

Question 12 Difficulty: 1

Suppose that a firm produces output according to the production function $Q = K^{1/4}L^{3/4}$, what is the marginal product of labor when 1 unit of capital and 16 units of labor are employed?

➡ 3/8	199	(94.76 %)	Average Grade: 0.95 / 1 (94.76 %)
5/8	1	(0.48 %)	Standard Deviation: 22.33 %

3/4	8	(3.81 %)	Point Biserial: 0.35
5/4	2	(0.95 %)	Discrimination Index: 14.29 %

Question 13 Difficulty: 1

Suppose the production function is Q=3K + 4L. The marginal rate of technical substitution is:

➡ 4/3	208	(99.05 %)	Average Grade: 0.99 / 1 (99.05 %)
2/3	0	(0 %)	Standard Deviation: 9.74 %
8/3	0	(0 %)	Point Biserial: 0.22
5/6	2	(0.95 %)	Discrimination Index: 3.57 %

Question 14 Difficulty: 1

A firm uses labor (L) and capital (K) as inputs to produce. If the price of inputs are w = 60 DKK, r = 200 DKK, and marginal products are MP_L = 30, MP_K = 100, the firm:

➡ is cost minimizing.	178	(84.76 %)	
should use less L and more K to cost minimize.	15	(7.14 %)	Average Grade: 0.85 / 1 (84.76 %)
should use less K and more L to cost minimize.	9	(4.29 %)	Standard Deviation: 36.02 % Point Biserial: 0.32
is profit maximizing but not cost minimizing.	8	(3.81 %)	Discrimination Index: 23.21 %

Question 15 Difficulty: 1

Regarding isoquants and isocosts, which of the followings is NOT correct?

An isoquant defines the combinations of inputs that yield the producer the same level of output.	7	(3.33 %)	
An isocost line defines the combinations of inputs that yield the producer the same cost.	10	(4.76 %)	Average Grade: 0.84 / 1 (84.29 %)
➡ An isoquant should never intersect with an isocost line.	177	(84.29 %)	Standard Deviation: 36.48 % Point Biserial: 0.30 Discrimination Index: 32.14 %
The producer is cost minimizing at the point of tangency between an isoquant and an isocost line.	16	(7.62 %)	

Question 16 Difficulty: 1

Regarding the average and marginal costs, which of the following is NOT correct?

Average total cost increases when marginal cost curve is above the average	6	(2.86 %)

total cost curve.

The marginal cost curve intersects the average total cost curve at the minimum point of average total cost curve. 11 (5.24 %)

The marginal cost curve intersects the average variable cost curve at the minimum point of average variable cost curve. 6 (2.86 %)

➡ Marginal cost decreases when average fixed cost decreases. 187 (89.05 %)

Average Grade: 0.89 / 1 (89.05 %)
Standard Deviation: 31.30 %
Point Biserial: 0.43
Discrimination Index: 26.79 %

Question 17 Difficulty: 1

Economies of scale exist when

➡ average total costs decline as output increases. 197 (93.81 %)

average total costs increase as output increases. 1 (0.48 %)

average total costs remains constant as output increases. 1 (0.48 %)

average fixed costs decline as output increases. 11 (5.24 %)

Average Grade: 0.94 / 1 (93.81 %)
Standard Deviation: 24.16 %
Point Biserial: 0.27
Discrimination Index: 12.50 %

Question 18 Difficulty: 1

Generally, an increase in the number of vegetarians will cause the demand curve for meat to

shift rightward. 14 (6.67 %)

➡ shift leftward. 194 (92.38 %)

become flatter. 1 (0.48 %)

become steeper. 1 (0.48 %)

Average Grade: 0.92 / 1 (92.38 %)
Standard Deviation: 26.59 %
Point Biserial: 0.27
Discrimination Index: 16.07 %

Question 19 Difficulty: 1

Which of the following would cause the current supply curve of iPhone to shift rightward?

an economic boom, which increases the amount that people are willing to spend on personal electronics 102 (48.57 %)

a decrease in the price of songs on Apple music 6 (2.86 %)

➡ the producer's

Average Grade: 0.41 / 1 (41.43 %)
Standard Deviation: 49.38 %
Point Biserial: 0.23

expectation that the future price of iPhone will decrease	87	(41.43 %)	Discrimination Index: 37.50 %
an increase in the wages of labor in iPhone manufacturers	15	(7.14 %)	

Question 20 Difficulty: 1

Regarding accounting and economic profits/costs, which of the following is NOT correct?

Accounting profits generally overstate economic profits.	7	(3.35 %)	
Accounting profits do not take opportunity cost into account.	15	(7.18 %)	Average Grade: 0.86 / 1 (85.71 %)
Economic costs include not only the accounting costs but also the opportunity costs of the resources used in production.	7	(3.35 %)	Standard Deviation: 35.08 % Point Biserial: 0.34 Discrimination Index: 30.36 %
➡ Managers should only care about accounting profits.	180	(86.12 %)	

Question 21 Difficulty: 1

A firm in a competitive market sells its product at a price of 60 DKK and its cost function is $C(Q) = 20 + 5Q^2$. The maximum profits for the firm would be:

➡ 160 DKK	159	(75.71 %)	Average Grade: 0.76 / 1 (75.71 %)
100 DKK	9	(4.29 %)	Standard Deviation: 42.98 %
360 DKK	27	(12.86 %)	Point Biserial: 0.24
200 DKK	15	(7.14 %)	Discrimination Index: 33.93 %

Question 22 Difficulty: 1

Suppose you are a supervisor of PhD student, which of the following is NOT a solution to the principle-agent problem of supervisor-student?

To give bonus for publication in journals/conferences	2	(0.95 %)	
To give bonus for project reports	3	(1.43 %)	Average Grade: 0.91 / 1 (90.95 %)
Spot checks at the office of PhD student	14	(6.67 %)	Standard Deviation: 28.75 % Point Biserial: 0.34 Discrimination Index: 26.79 %
➡ Fixed salary regardless of performance	191	(90.95 %)	

Question 23 Difficulty: 1

Regarding fixed costs and sunk costs, which of the following is NOT correct?

Sunk costs are those

Sunk costs are those costs that are forever lost after they have been paid.	5	(2.38 %)	
Fixed costs do not vary with output.	3	(1.43 %)	Average Grade: 0.94 / 1 (94.29 %)
A lost ticket before a movie starts is an example of sunk cost.	4	(1.9 %)	Standard Deviation: 23.27 % Point Biserial: 0.27 Discrimination Index: 14.29 %
➡ Sunk costs could be part of the marginal costs.	198	(94.29 %)	

Question 24 Difficulty: 1

The sources of monopoly power for a monopoly could be:

economies of scale.	5	(2.38 %)	Average Grade: 0.96 / 1 (95.71 %)
economies of scope.	1	(0.48 %)	Standard Deviation: 20.30 %
patents.	3	(1.43 %)	Point Biserial: 0.19
➡ all of the above.	201	(95.71 %)	Discrimination Index: 3.57 %

Question 25 Difficulty: 1

The long-run equilibrium of a perfectly competitive market is characterized by:

P > minimum of ATC (average total cost)	17	(8.1 %)	
P < AVC (average variable cost)	0	(0 %)	Average Grade: 0.89 / 1 (89.05 %)
➡ P = MC = minimum of ATC (average total cost)	187	(89.05 %)	Standard Deviation: 31.30 % Point Biserial: 0.24 Discrimination Index: 21.43 %
P > MR (marginal revenue)	6	(2.86 %)	

Question 26 Difficulty: 1

A perfectly competitive firm will shut down (stop producing) when:

market price is lower than the average total cost (ATC).	3	(1.43 %)	
total revenue is less than the total cost.	14	(6.67 %)	Average Grade: 0.9 / 1 (90.48 %) Standard Deviation: 29.42 %
➡ market price is lower than the average variable cost (AVC).	190	(90.48 %)	Point Biserial: 0.19 Discrimination Index: 17.86 %
fixed cost is too high.	3	(1.43 %)	

Question 27 Difficulty: 1

Which of the following statements about a monopoly is NOT correct?

A monopoly does not have a supply curve.	22	(10.48 %)	
The demand curve of a monopoly is the market demand curve.	7	(3.33 %)	Average Grade: 0.81 / 1 (80.95 %) Standard Deviation: 39.36 %

curve.

➡	A monopoly has no market power.	170	(80.95 %)
	A monopoly produces at MR = MC.	11	(5.24 %)

Point Biserial: 0.22
Discrimination Index: 32.14 %

Question 28 Difficulty: 1

A monopoly faces a demand curve described by P = 90 - 3Q and has a total cost of C(Q) = 5 + 10Q + Q^2. The profit-maximizing price for the monopoly is:

➡	60	152	(72.73 %)
	10	38	(18.18 %)
	30	12	(5.74 %)
	20	7	(3.35 %)

Average Grade: 0.72 / 1 (72.38 %)
Standard Deviation: 44.82 %
Point Biserial: 0.46
Discrimination Index: 58.93 %

Question 29 Difficulty: 1

Which of the following is NOT an example of negative externalities?

	Air pollution from a factory	0	(0 %)
	The neighbor's barking dog	2	(0.95 %)
	Health risk to others from second-hand smoke	1	(0.48 %)
➡	Being vaccinated against Covid-19 protects not only you, but also the people around you.	207	(98.57 %)

Average Grade: 0.99 / 1 (98.57 %)
Standard Deviation: 11.89 %
Point Biserial: 0.23
Discrimination Index: 5.36 %

Question 30 Difficulty: 1

Consider a monopoly where the inverse demand for its product is given by P = 50 - 2Q. Total costs for this monopolist is C(Q) = 100 + 2Q + Q^2. At the profit-maximizing combination of output and price, deadweight loss is:

➡	32	175	(83.73 %)
	64	11	(5.26 %)
	128	2	(0.96 %)
	cannot be determined with the given information.	21	(10.05 %)

Average Grade: 0.83 / 1 (83.33 %)
Standard Deviation: 37.36 %
Point Biserial: 0.44
Discrimination Index: 39.29 %

Question 31 Difficulty: 1

Which of the following is NOT a transaction cost associated with using inputs?

	Time spent negotiating labor contracts with union workers	11	(5.24 %)
	Opportunity costs of negotiating the price of renting machines	8	(3.81 %)
➡	Wages paid to labor	188	(89.52 %)
	Costs of searching for a new supplier of	3	(1.43 %)

Average Grade: 0.9 / 1 (89.52 %)
Standard Deviation: 30.70 %
Point Biserial: 0.28
Discrimination Index: 21.43 %

a new supplier of machines

Question 32 Difficulty: 1

In a free market in which an equilibrium price and quantity prevails:

consumer surplus is less than producer surplus.	2	(0.95 %)
consumer surplus is greater than producer surplus.	1	(0.48 %)
consumer surplus is the same as producer surplus.	26	(12.38 %)
➡ the sum of consumer surplus and producer surplus are maximized.	181	(86.19 %)

Average Grade: 0.86 / 1 (86.19 %)
Standard Deviation: 34.58 %
Point Biserial: 0.30
Discrimination Index: 23.21 %

Question 33 Difficulty: 1

You are a division manager at Toyota. If your marketing department estimates that the semiannual demand for the Highlander is Q = 150,000 – 1.5P, what price should you charge in order to maximize revenues from sales of the Highlander?

➡ 50,000	181	(86.6 %)
30,000	8	(3.83 %)
100,000	15	(7.18 %)
60,000	5	(2.39 %)

Average Grade: 0.86 / 1 (86.19 %)
Standard Deviation: 34.58 %
Point Biserial: 0.49
Discrimination Index: 39.29 %

Question 34 Difficulty: 1

In a competitive market, the market demand is $Q^d = 70 - 3P$ and the market supply is $Q^s = 6P$. A price ceiling of 4 will result in a

shortage of 24 units.	3	(1.44 %)
➡ shortage of 34 units.	189	(90.43 %)
surplus of 24 units.	2	(0.96 %)
surplus of 34 units.	15	(7.18 %)

Average Grade: 0.9 / 1 (90 %)
Standard Deviation: 30.07 %
Point Biserial: 0.36
Discrimination Index: 23.21 %

Question 35 Difficulty: 1

Andy, a college student, loves eating burger. As a college student with no income, he is used to eating at McDonald. After graduation, Andy gets a job. As such, his income is now 200,000 DKK a year. He ends up eating burger at Sporvejen. In economic terms, the burger at McDonald is a(n) _, while the burger at Sporvejen is a(n) _.

normal good; normal good.	2	(0.95 %)
inferior good; inferior good.	0	(0 %)
normal good; inferior good.	11	(5.24 %)
➡ inferior good; normal good.	197	(93.81 %)

Average Grade: 0.94 / 1 (93.81 %)
Standard Deviation: 24.16 %
Point Biserial: 0.14
Discrimination Index: 10.71 %

Question 36 Difficulty: 1

Consider a monopoly where the inverse demand for its product is given by P = 100 - 3Q. Base on this information, the marginal revenue function is:

MR(Q) = 200 - 1.5Q	2 (0.96 %)	Average Grade:	0.95 / 1 (94.76 %)
➡ MR(Q) = 100 - 6Q	199 (95.22 %)	Standard Deviation:	22.33 %
MR(Q) = 100 - 1.5Q	2 (0.96 %)	Point Biserial:	0.23
MR(Q) = 200 - 6Q	6 (2.87 %)	Discrimination Index:	12.50 %

Question 37 Difficulty: 1

The recipe that defines the maximum amount of output that can be produced with K units of capital and L units of labor is the

➡ production function.	209 (99.52 %)	Average Grade:	1 / 1 (99.52 %)
cost function.	0 (0 %)	Standard Deviation:	6.90 %
marginal product.	1 (0.48 %)	Point Biserial:	0.17
average product.	0 (0 %)	Discrimination Index:	1.79 %

Question 38 Difficulty: 1

Suppose the demand for a product is $\ln Q^d = 20 - 2\ln P$, then this product is

➡ elastic	164 (78.1 %)	Average Grade:	0.78 / 1 (78.1 %)
inelastic	21 (10 %)	Standard Deviation:	41.46 %
unitary elastic	19 (9.05 %)	Point Biserial:	0.43
cannot be determined.	6 (2.86 %)	Discrimination Index:	50.00 %

Question 39 Difficulty: 1

When a demand curve is linear,

the elasticity is the same as the slope of the demand curve.	10 (4.76 %)	Average Grade:	0.89 / 1 (89.05 %)
➡ demand is elastic at high prices.	187 (89.05 %)	Standard Deviation:	31.30 %
demand is unitary elastic at low prices.	2 (0.95 %)	Point Biserial:	0.40
the elasticity is constant at all prices.	11 (5.24 %)	Discrimination Index:	26.79 %

Question 40 Difficulty: 1

If a firm's production function is Leontief and the wage rates goes up, the

➡ cost minimizing combination of capital and labor does not change.	193 (92.34 %)	Average Grade:	0.92 / 1 (91.9 %)
firm would use more labor to minimize the cost for a given output	3 (1.44 %)	Standard Deviation:	27.34 %
firm would use more capital to minimize the cost for a given output	2 (0.96 %)	Point Biserial:	0.24
firm would use less labor to minimize the cost for a given output	11 (5.26 %)	Discrimination Index:	17.86 %