

Question 1:

'Marginal revenue equals marginal cost at the point where', A. 'total revenue is greater than total cost at its greatest distance', B. 'total revenue is equal to total cost', C. 'marginal product is at its highest point',
D. 'total product is at its highest point'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 2:

'The price of labor is \$2, and the price of capital is \$1. The marginal product of labor is 200, and the marginal product of capital is 50. What should the firm do?', A. 'Increase capital and decrease labor so that the marginal product of capital falls and the marginal product of labor rises.', B. 'Increase capital and decrease labor so that the marginal product of capital rises and the marginal product of labor falls.', C. 'Decrease capital and increase labor so that the marginal product of capital rises and the marginal product of labor falls.', D. 'Decrease capital and increase labor so that the marginal product of capital falls and the marginal product of labor rises.'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

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Answer Option 5:

Final Answer: A

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Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 3:

'At a Nash equilibrium', A. 'the supply curve intersects the demand curve', B. 'neither party has an incentive to deviate from his or her strategy', C. 'the marginal revenue curve intersects the marginal cost curve', D. 'the equilibrium is unstable and each party would like to switch strategies'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

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Answer Option 5:

Final Answer: B

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Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 4:

'You are told that the cross-price elasticity between goods X and Y is +2.0. This means that', A. 'goods X and Y are normal goods.', B. 'goods X and Y are inferior goods.', C. 'goods X and Y are complementary goods.', D. 'goods X and Y are substitute goods.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 5:

'An externality', A. 'causes the equilibrium price to be artificially high', B. 'causes the equilibrium price to be artificially low', C. 'exists when markets cannot reach equilibrium', D. 'results in an equilibrium that does not maximize the total benefit to society'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 6:

'What is one reason why the government discourages collusion between large firms in the same industry?', A. 'Collusive output levels tend to increase, driving the price above competitive levels.', B. 'Consumer surplus falls as the price is driven downward.', C. 'Collusive output levels tend to decrease, driving the price down to competitive levels.', D. 'Joint profit maximization costs society consumer surplus as the price rises above competitive levels.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 7:

'Which of the following illustrates the demand curve facing an oligopolist when rival firms follow a price decrease but not a price increase?', A. 'Perfectly horizontal demand curve.', B. 'Highly inelastic demand curve.', C. 'Highly elastic demand curve.', D. 'A demand curve consisting of two discontinuous segments.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 8:

'Which of the following is not the basis for a wage differential?', A. 'Higher risk job.', B. 'Investment in human capital.', C. 'Increase in production of SUVs.', D. 'Racial discrimination.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 9:

'Patents, control of resources, economies of scale, and exclusive licenses are', A. 'all requirements for price discrimination', B. 'required in order for a firm to earn short-run profits', C. 'all sources of elastic demand', D. 'all barriers to entry'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 10:

The industry that makes plastic army figures uses a small fraction of the plastic demanded for all purposes. On this basis, we can conclude that the army-figures industry is most likely a(n), A. 'increasing-cost industry', B. 'constant-cost industry', C. 'decreasing-cost industry', D. 'profit-making industry'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 11:

'Which of the following is most likely an example of production inputs that can be adjusted in the long run, but not in the short run?', A. 'Amount of wood used to make a desk.', B. 'Number of pickles put on a sandwich.', C. 'The size of a McDonald's kitchen.', D. 'Number of teacher's assistants in local high schools.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 12:

The apple market is in equilibrium. Suppose we observe that apple growers are using more pesticides to increase apple production. At the same time, we hear that the price of pears, a substitute for apples, is rising. Which of the following is a reasonable prediction for the new price and quantity of apples? A. 'Price rises, but quantity is ambiguous.', B. 'Price falls, but quantity is ambiguous.', C. 'Price is ambiguous, but quantity rises.', D. 'Price is ambiguous, but quantity falls.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 13:

'Which of the following is most likely to result in a shift to the right in the demand curve for orange juice?', A. 'A bumper crop of oranges in Florida', B. 'A decrease in the price of Tang', C. 'Expectations of lower future prices for orange juice', D. 'Expectations of higher future income among juice drinkers'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 14:

'Which of the following statements is accurate in regard to a perfectly competitive firm?', A. 'Demand is downward-sloping.', B. 'The demand curve lies above the marginal revenue curve.', C. 'Price is determined by the equilibrium in the entire market.', D. 'Average revenue differs from price.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 15:

'Economists use the term "capital" to mean', A. 'money.', B. 'plant and equipment.', C. 'where the central government is located.', D. 'the center of the economy.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 16:

'Ray and Dorothy can both cook and can both pull weeds in the garden on a Saturday afternoon. For every hour of cooking, Ray can pull 50 weeds and Dorothy can pull 100 weeds. Based on this information,' A. 'Ray pulls weeds, since he has absolute advantage in cooking.', B. 'Dorothy pulls weeds, since she has absolute advantage in cooking.', C. 'Dorothy cooks, since she has comparative advantage in cooking.', D. 'Ray cooks, since he has comparative advantage in cooking.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 17:

'Your aunt runs a small firm from her home making apple pies. She hires some friends to help her. Which of the following situations would most likely increase her demand for labor?', A. 'The price of apple peelers/coreers rises.', B. 'Your aunt's friends gossip all day, slowing their dough-making process.', C. 'There is a sale on ovens.', D. 'A new study reveals that apples increase your risk of cancer.'

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Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

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Answer Option 5:

Final Answer: C

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Answer Option 6:

Final Answer: C

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Answer Option 7:

Final Answer: C

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Answer Option 8:

Final Answer: C

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Answer Option 9:

Final Answer: C

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Question 18:

'Mrs. Johnson spends her entire daily budget on potato chips, at a price of \$1 each, and onion dip at a price of \$2 each. At her current consumption bundle, the marginal utility of chips is 12 and the marginal utility of dip is 30. Mrs. Johnson should', A. 'do nothing; she is consuming her utility maximizing combination of chips and dip.', B. 'increase her consumption of chips until the marginal utility of chip consumption equals 30.', C. 'decrease her consumption of chips until the marginal utility of chip consumption equals 30.', D. 'decrease her consumption of chips and increase her consumption of dip until the marginal utility per dollar is equal for both goods.'

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Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

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Answer Option 3:

Final Answer: D

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Answer Option 4:

Final Answer: D

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Answer Option 5:

Final Answer: D

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Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: D

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Question 19:

'In the absence of intervention, imperfect competition, externalities, public goods, and imperfect information all result in which of the following?', A. 'Demand curves that should be added vertically', B. 'Market failure', C. 'Prices that are too low', D. 'Quantities of output that are too high'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 20:

'Marginal cost (MC) is equal to average variable cost (AVC) and average total cost (ATC) when:', A. 'marginal cost (MC) intersects AVC and ATC at their maximum points.', B. 'AVC and ATC intersect MC at its maximum point.', C. 'MC intersects AVC and ATC at their minimum points.', D. 'AVC and ATC intersect MC at its minimum point.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 21:

'After Julia received a raise in her income, she began purchasing more ice cream cones and fewer popsicles. For Julia, popsicles', A. 'disobey the law of demand', B. 'are a joint product', C. 'are a complementary good with ice cream', D. 'are an inferior good'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 22:

'Which of the following conditions is characteristic of oligopoly?', A. 'A rival firm matches price decreases of rivals, but fails to match any price increases of rivals.', B. 'A rival firm matches price increases of rivals, but fails to match any price decrease of rivals.', C. 'A rival firm fails to match both price increases or price decreases of rivals.', D. '(I) Rival firms act independently of each other.'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

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Answer Option 5:

Final Answer: A

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Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 23:

'Which of the following is characteristic of oligopoly? I. Formidable barriers to entry. II. Price (P) = Marginal Revenue (MR). III. Relatively few sellers.', A. 'I only.', B. 'II only.', C. 'III only.', D. 'I and III only.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 24:

'A monopoly is less efficient than a perfect competitor because', A. 'a monopoly produces more output and sells for a higher price', B. 'a monopoly produces less output and sells for a higher price', C. 'a monopoly can make profit in the short run but not in the long run', D. 'a perfect competitor breaks even in the short run and the monopoly does not'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

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Answer Option 5:

Final Answer: B

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Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 25:

'In the design of a competitive market system, which of the following does NOT describe how resources are allocated?', A. 'Price signals that guide producers on what, when, how, and for whom to produce goods and services.', B. 'Active government ownership and direction of production.', C. 'Voluntary market exchange between buyers and sellers.', D. 'Distribution of income and goods on the basis of contribution or productivity.'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

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Answer Option 5:

Final Answer: B

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Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 26:

'A production possibility frontier will be a straight line when', A. 'efficiency is achieved', B. 'the goods on the axes are perfect substitutes in consumption', C. 'utility is maximized', D. 'resources are not specialized'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 27:

'Which of the following statements is correct?', A. 'Economic Profits = Accounting Profits.', B. 'Economic Costs = Explicit Costs plus Implicit Costs.', C. 'Economic Costs = Explicit Costs minus Implicit Costs.', D. 'Opportunity Costs = Economic Profits.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 28:

'If the per unit price of labor, a variable resource, increases, it causes which of the following?', A. 'An upward shift in AFC.', B. 'An upward shift in MPL.', C. 'A downward shift in ATC.', D. 'An upward shift in MC.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 29:

'If the wage paid to all units of labor is \$4.50, how many units of labor are hired?', A. '1', B. '2', C. '3', D. '4'

=====

Answer Option 1:

This question does not provide enough information to determine the answer. Please provide additional details.

=====

Answer Option 2:

There's not enough information given to make a determination. Please provide the specifics of the situation or the labor market in question.

=====

Answer Option 3:

This question lacks the necessary context or information to provide an accurate answer. Please provide more details.

=====

Answer Option 4:

Not enough information is provided to select one of the options A, B, C, or D as the correct answer. This question requires additional details about the labor market or the company hiring.

=====

Answer Option 5:

The question does not provide enough information to determine the correct answer. More details like the labor demand curve or the company's budget for wages are needed to determine the number of units of labor hired.

=====

Answer Option 6:

Insufficient data provided to give a definite answer. The number of units of labor hired depends on factors such as the labor demand curve of the company, the productivity of the labor, and the budget constraints of the company, none of which are provided.

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Answer Option 7:

There is insufficient data to determine the number of units of labor hired. The wage rate is given but we don't have information about how many workers are needed, their productivity, the employer's budget, or the demand for the product or service being produced. Therefore, an accurate answer cannot be provided.

=====

Answer Option 8:

There is not enough information provided to answer the question. The number of units of labor hired depends on other factors such as the company's budget, the demand for the product, and the productivity of individual workers.

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Answer Option 9:

Final Answer: There isn't enough information to give a correct answer. The decision on how many units of labor are hired at a given wage rate depends on various factors such as the demand for labor, the marginal product of labor, and the total cost of production. Without knowing these factors, we can't determine the correct answer.

=====

Question 30:

'If consumers are advised that multigrained bread will substantially lessen the risk of cancer, which of the following will happen in the market for multigrained bread?', A. 'The demand curve will shift to the left, decreasing the price of multigrained bread.', B. 'The supply curve will shift to the left, increasing the price of multigrained bread.', C. 'The demand curve will shift to the right, increasing the price of multigrained bread.', D. 'The supply curve will shift to the right, decreasing the price of multigrained bread.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 31:

'The market structures of perfect competition and monopolistic competition share which of the following characteristics?', A. 'Ease of entry and exit in the long run', B. 'Homogenous products', C. 'Perfectly elastic demand for the firm's product', D. 'Long-run positive profits'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 32:

'When a negative externality exists as the result of the production of a good, the socially optimal quantity of output could be achieved by', A. 'free market capitalism', B. 'placing limits on the quantity that can be produced', C. 'government purchases of the good', D. 'setting a minimum on the quantity that can be produced'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 33:

'Jason cleans swimming pools in a perfectly competitive local market. A profit maximizer, he can charge \$10 per pool to clean 9 pools per day, incurring total variable costs of \$80 and total fixed costs of \$20.

Which of the following is true?', A. 'Jason should shut down in the short run, with economic losses of \$20.', B. 'Jason should shut down in the short run, with economic losses of \$10.', C. 'Jason should clean 9 pools per day, with economic losses of \$20.', D. 'Jason should clean 9 pools per day, with economic losses of \$10.'

=====

Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: D

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Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

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Answer Option 7:

Final Answer: C

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: C

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Question 34:

'Which of the following is not a characteristic of oligopoly?', A. 'P = MC.', B. 'Price-maker.', C. 'Strong barriers to entry.', D. 'Few firms.'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 35:

'The competitive market provides the best outcome for society because', A. 'consumer surplus is minimized, while producer surplus is maximized.', B. 'the total welfare is maximized.', C. 'producer surplus is minimized, while consumer surplus is maximized.', D. 'the difference between consumer and producer surplus is maximized.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 36:

'You are told that the income elasticity for DVDs is + 1.5. This means that', A. 'a 10 percent increase in income produces a 15 percent increase in consumption of DVDs. DVDs are a normal luxury good.', B. 'a 10 percent increase in income produces a 15 percent increase in consumption of DVDs. DVDs are an inferior good.', C. 'a 10 percent increase in income produces a 15 percent decrease in consumption of DVDs. DVDs are an inferior good.', D. 'a 10 percent increase in the price of DVDs produces a 15 percent decrease in consumption of DVDs. DVDs are a price elastic good.'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

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Answer Option 5:

Final Answer: A

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Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 37:

'If the price of a product decreases with the price of a substitute product remaining constant such that the consumer buys more of this product, this is called the', A. 'income effect.', B. 'substitution effect.', C. 'marginal effect.', D. 'supply effect.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 38:

'Which of the following is an example of a transfer earning?', A. 'A superstar basketball player's \$40 million earnings.', B. 'A social security retirement income.', C. 'A welfare payment from social services.', D.

'A cashier at a restaurant receiving the same \$8 an hour that other cashiers receive.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 39:

'A small business estimates price elasticity of demand for the product to be 3. To raise total revenue, owners should', A. 'decrease price as demand is elastic.', B. 'decrease price as demand is inelastic.', C. 'increase price as demand is elastic.', D. 'increase price as demand is inelastic.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 40:

'A bilateral monopoly exists when', A. 'a monopsony buys from a monopoly', B. 'a monopoly sells to two different types of consumers', C. 'a monopoly buys from a monopsony', D. 'a monopolist sells two different types of goods'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 41:

'If firms are entering an industry that is monopolistically competitive, we would expect', A. 'the demand for existing firms to shift rightward.', B. 'the market price of the product to increase.', C. 'the demand for existing firms to become more inelastic.', D. 'the demand for existing firms to shift leftward.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 42:

'The Law of Diminishing Marginal Returns is responsible for', A. 'AVC that first rises, but eventually falls, as output increases.', B. 'AFC that first rises, but eventually falls, as output increases.', C. 'MP that first falls, but eventually rises, as output increases.', D. 'MC that first falls, but eventually rises, as output increases.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 43:

'Which of the following would best complete a short definition of economics? "Economics is the study of . . .". A. 'how unlimited resources are allocated between scarce wants.', B. 'how money is circulated through the economy.', C. 'how corporations maximize the share price of their stock.', D. 'how scarce resources are allocated to satisfy unlimited wants.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 44:

'With capital fixed at one unit with 1, 2, 3 units of labor added in equal successive units, production of the output increases from 300 (1 unit of labor), to 350 (2 units of labor) to 375 (3 units of labor). Which of the following is a correct interpretation?', A. 'This is long run increasing returns to scale.', B. 'This is long run decreasing returns to scale.', C. 'This is long run constant returns to scale.', D. 'This is short run diminishing marginal productivity.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: D

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Question 45:

'Which of the following is the best example of a public good?', A. 'Private violin lessons', B. 'The volunteer fire department in your community', C. 'A \$1 ticket for admission to a museum', D. 'A bag of potato chips'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 46:

'Which of the following is the best example of a public good?', A. 'A visit to the orthodontist', B. 'A session at the tanning salon', C. 'A large pizza', D. 'The International Space Station'

=====

Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

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Question 47:

'When the cross-price elasticity of demand is negative, the goods in question are necessarily', A. 'normal', B. 'inferior', C. 'complements', D. 'substitutes'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 48:

'A competitive labor market is currently in equilibrium. Which of the following most likely increases the market wage?', A. 'More students graduate with the necessary skills for this labor market.', B. 'Demand for the good produced by this labor is stronger.', C. 'The price of a complementary resource increases.', D. 'The Department of Labor removes the need for workers to pass an exam before they can work in this field.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 49:

'One of the reasons that the government discourages and regulates monopolies is that', A. 'producer surplus is lost and consumer surplus is gained.', B. 'monopoly prices ensure productive efficiency but cost society allocative efficiency.', C. 'monopoly firms do not engage in significant research and development.', D. 'consumer surplus is lost with higher prices and lower levels of output.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 50:

'Which of the following is true of equilibrium in a purely (or perfectly) competitive market for good X?'. A. 'A shortage of good X exists.', B. 'The quantity demanded equals the quantity supplied of good X.', C.

'A surplus of good X exists.', D. 'The government regulates the quantity of good X produced at the market price.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B
