

Midterm Examination

Due Feb 17 at 11:59pm**Points** 140**Questions** 35**Available** Feb 16 at 12am - Feb 17 at 11:59pm 2 days**Time Limit** 80 Minutes

Instructions

This exam covers material from chapters 1, 2, 3, 4, 10, 11, 12, 13, and 14. Each question is worth 4 points each. You will have 80 minutes to complete this exam.

This quiz was locked Feb 17 at 11:59pm.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	33 minutes	128 out of 140

Score for this quiz: **128** out of 140

Submitted Feb 17 at 1:01pm

This attempt took 33 minutes.

Question 1

4 / 4 pts

Economics is the study of how society manages its

- ☐ limited wants and unlimited resources.
- ☐ unlimited wants and unlimited resources.
- ☐ limited wants and limited resources.
- ☒ unlimited wants and limited resources.

Correct!

Question 2**4 / 4 pts**

Cassie decides to spend four hours working overtime rather than going to the pool with her friends. She earns \$20 per hour for overtime work. Her opportunity cost of working is

- ☐ the \$80 she earns working.
- ☐ the \$80 minus the enjoyment she would have received from going to the pool.
- ☒ the enjoyment she would have received had she gone to the pool.
- ☐ nothing, since she would have received less than \$60 worth of enjoyment from going to the pool.

Correct!**Question 3****4 / 4 pts**

Efficiency

- ☐ and equality both refer to how much a society can produce with its resources.

Correct!

and equality both refer to how fairly the benefits from using resources are distributed between members of a society.



refers to how much a society can produce with its resources. Equality refers to how evenly the benefits from using resources are distributed among members of society.



refers to how evenly the benefits from using resources are distributed between members of society. Equality refers to how much a society can produce with its resources

Question 4**4 / 4 pts**

The opportunity cost of an item is



the number of hours needed to earn money to buy the item.



what you give up to get that item.



usually less than the dollar value of the item.



the dollar value of the item.

Correct!**Question 5****4 / 4 pts**

Production possibilities frontiers are usually bowed outward. This is because

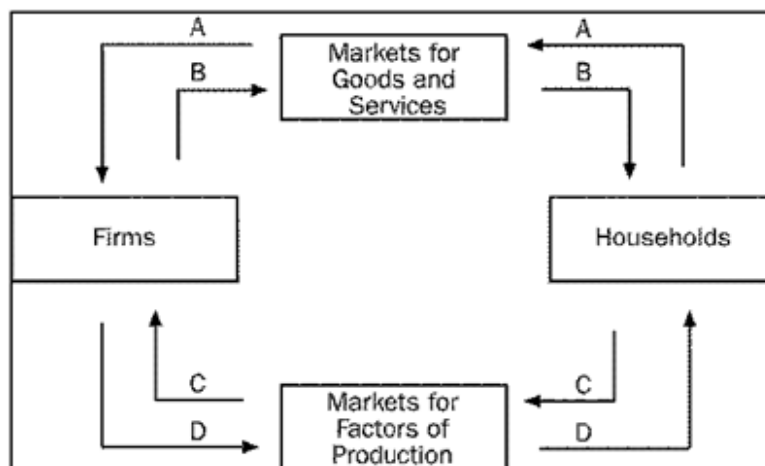
- ☐ the more resources a society uses to produce one good, the fewer resources it has available to produce another good.
- ☐ the opportunity cost of producing a good decreases as more and more of that good is produced.
- ☐ of the effects of technological change.
- ☒ resources are specialized; that is, some are better at producing particular goods rather than other goods.

Correct!

Question 6

4 / 4 pts

Figure 2-1



Refer to Figure 2-1. You buy new shoes at the mall. To which of the arrows does this transaction directly contribute?

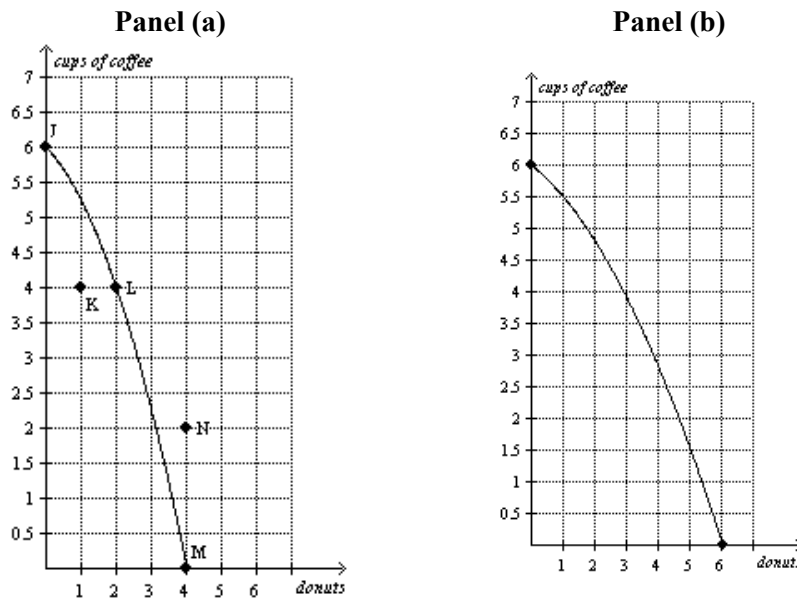
- ☐ A only
- ☒ A and B
- ☐ C only
- ☐ C and D

Correct!

Question 7

4 / 4 pts

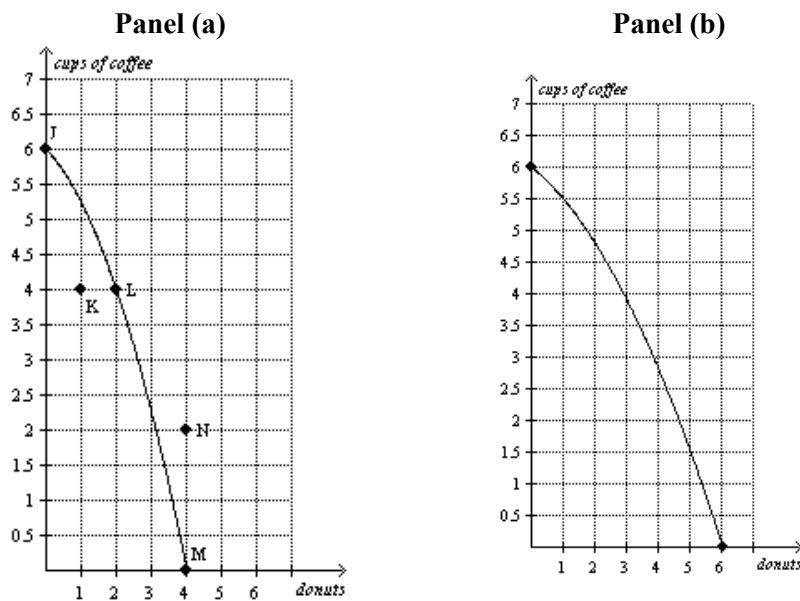
Figure 2-9



Refer to Figure 2-9, Panel (a). The opportunity cost of moving from point M to point L is

Correct!

- ☒ 2 donuts.
- ☐ 2 donuts and 4 cups of coffee.
- ☐ 4 donuts.
- ☐ 4 cups of coffee.

Question 8**4 / 4 pts****Figure 2-9**

Refer to Figure 2-9, Panel (a). The opportunity cost of moving from point K to point L is

Correct!

- ☒ 0 cups of coffee.

- ☐ 1 donut.
- ☐ 2 donuts.
- ☐ 4 cups of coffee.

Question 9**4 / 4 pts****Table 3-27**

Assume that Huang and Min can switch between producing parasols and producing porcelain plates at a constant rate.

	Labor Hours Needed to Make 1		Quantity Produced in 36 Hours	
	Parasol	Plate	Parasol	Plate
Huang	2	6	18	6
Min	2	4	18	9

Refer to Table 3-27. At which of the following prices would both Huang and Min gain from trade with each other?

- ☐ 15 parasols for 10 plates
- ☒ 15 parasols for 6 plates
- ☐ 15 parasols for 3 plates
- ☐ Huang and Min could not both gain from trade with each other at any price.

Correct!

Question 10**4 / 4 pts**

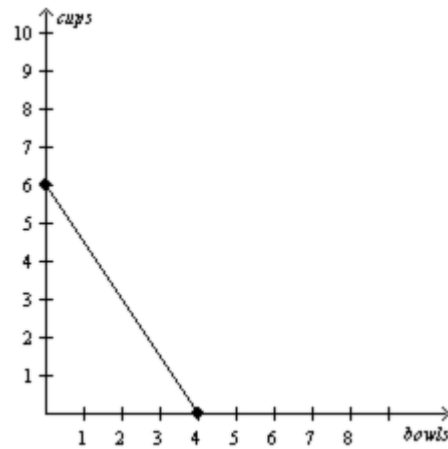
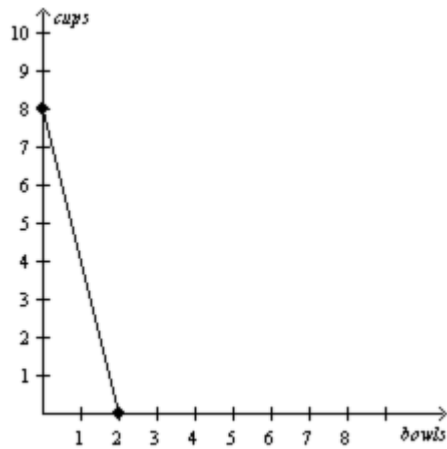
Total output in an economy increases when each person specializes because

- ☐ there is less competition for the same resources.
- ☒ each person spends more time producing that product in which he or she has a comparative advantage.
- ☐ a wider variety of products will be produced within each country due to specialization.
- ☐ government necessarily plays a larger role in the economy due to specialization.

Correct!**Question 11****4 / 4 pts**

Figure 3-18

Bintu's Production Possibilities Frontier Juba's Production Possibilities Frontier



Refer to Figure 3-18. Bintu has an absolute advantage in the production of

☐ bowls and Juba has an absolute advantage in the production of cups.

☒ cups and Juba has an absolute advantage in the production of bowls.

☐ both goods and Juba has an absolute advantage in the production of neither good.

☐ neither good and Juba has an absolute advantage in the production of both goods.

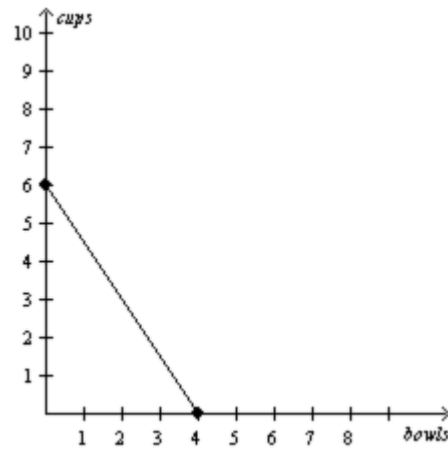
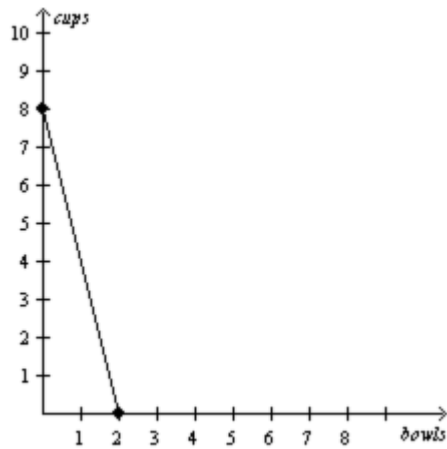
Correct!

Question 12

4 / 4 pts

Figure 3-18

Bintu's Production Possibilities Frontier Juba's Production Possibilities Frontier



Refer to Figure 3-18. Bintu has a comparative advantage in the production of



bowls and Juba has a comparative advantage in the production of cups.



cups and Juba has a comparative advantage in the production of bowls.



both goods and Juba has a comparative advantage in the production of neither good.



neither good and Juba has a comparative advantage in the production of both goods.

Correct!

Question 13

4 / 4 pts

The quantity demanded of a good is the amount that buyers are

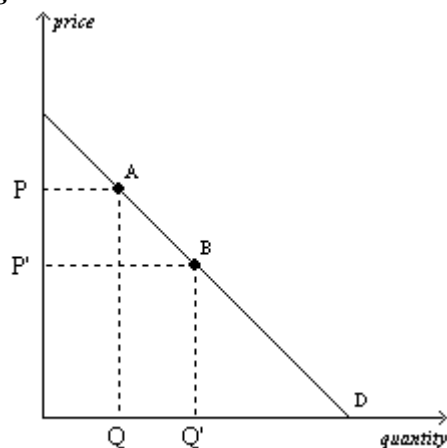
Correct!

- ☐ willing to purchase.
- ☒ willing and able to purchase.
- ☐ willing, able, and need to purchase.
- ☐ able to purchase.

Question 14

4 / 4 pts

Figure 4-1

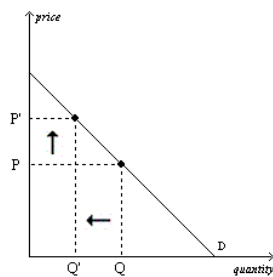
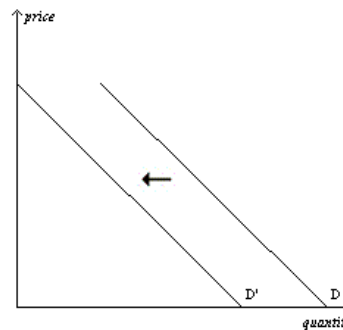


Refer to Figure 4-1. The movement from point A to point B on the graph shows a(n)

- ☐ decrease in demand.
- ☐ increase in demand.
- ☐ decrease in quantity demanded.

Correct!

- ☒ increase in quantity demanded.

Question 15**4 / 4 pts****Figure 4-9****Panel (a)****Panel (b)**

Refer to Figure 4-9. The graphs show the demand for watermelons. In Panel (b), the arrows are consistent with which of the following events?

- ☐ an increase in the price of watermelons.
- ☐ placing a subsidy on watermelon purchases.

Correct!

- ☒ decreasing the price of mangoes, given that mangoes and watermelons are substitutes
- ☐ decreasing the price of mangoes, given that mangoes and watermelons are complements

Question 16**4 / 4 pts**

The quantity supplied of a good is the amount that

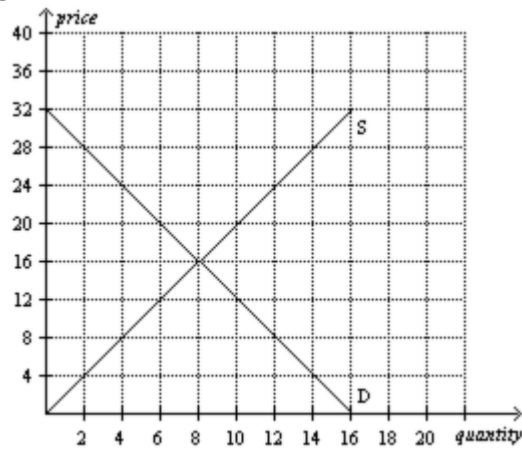
- ☐ buyers are willing and able to purchase.
- ☐ sellers are able to produce.
- ☐ buyers and sellers agree will be brought to market.
- ☒ sellers are willing and able to sell.

Correct!**Question 17****4 / 4 pts**

The signals that guide the allocation of resources in a market economy are

- ☐ surpluses and shortages.
- ☐ quantities.
- ☐ government policies.
- ☒ prices.

Correct!**Question 18****4 / 4 pts**

Figure 4-22

Refer to Figure 4-22. What is the equilibrium quantity in this market?

- ☐ 4 units
- ☒ 8 units
- ☐ 12 units
- ☐ 16 units

Correct!

Question 19

0 / 4 pts

A new and improved machine in a production factory will shift the

- ☐ supply curve of the final good to the right.
- ☐ supply curve of the final good to the left.

Correct Answer

You Answered

☒ demand curve of the final good to the right.☐ demand curve of the final good to the left.**Question 20****4 / 4 pts**

What would happen to the equilibrium price and quantity of peanut butter if the price of peanuts went up, the price of jelly fell, fewer firms decided to produce peanut butter, and health officials announced that eating peanut butter was good for you?

☐ Price will fall, and the effect on quantity is ambiguous.☒ Price will rise, and the effect on quantity is ambiguous.☐ Quantity will fall, and the effect on price is ambiguous.☐ Quantity will rise, and the effect on price is ambiguous.**Correct!****Question 21****4 / 4 pts**

GDP is equal to

☐ the market value of all final goods and services produced within a country in a given period of time.

Correct!

- ☐ Y.
- ☐ $C + I + G + NX$.
- ☒ All of the above are correct.

Question 22**4 / 4 pts**

GDP is defined as the

- ☐ value of all goods and services produced within a country in a given period of time.
- ☐ value of all goods and services produced by the citizens of a country, regardless of where they are living, in a given period of time.
- ☒ value of all final goods and services produced within a country in a given period of time.
- ☐ value of all final goods and services produced by the citizens of a country, regardless of where they are living, in a given period of time.

Correct!**Question 23****4 / 4 pts**

Table A

The table below pertains to Cali, an economy in which the typical consumer's basket consists of 4 pounds of chicken and 3 bushels of grapes.

Year	Price of Chicken	Price of Grapes
2012	\$20 per pound	\$12 per bushel
2013	\$25 per pound	\$18 per bushel

Refer to Table 24-3. The cost of the basket in 2012 was

☐ \$108.

☒ \$116.

☐ \$112.

☐ \$224.

Correct!

Question 24

4 / 4 pts

Table 24-3

The table below pertains to Cali, an economy in which the typical consumer's basket consists of 4 pounds of chicken and 3 bushels of grapes.

Year	Price of Chicken	Price of Grapes

2012	\$20 per pound	\$12 per bushel
2013	\$25 per pound	\$18 per bushel

Refer to Table 24-3. If 2012 is the base year, then the CPI for 2012 was

☐ 75.3.

☒ 100.0.

☐ 116.0.

☐ 132.8.

Correct!

Question 25

4 / 4 pts

Table R

The following table is a price index for the state of Calirodo. Assume the year 2005 is used as the base year.

Year	Consumer Price Index	Inflation Rate
2005	100	
2006	115	B
2007	125	C
2008	140	D

2009	A	10%
2010	160	E

Refer to Table R. What belongs in space C?

☐ 120

☐ 25%

☒ 8.7%

☐ 12%

Correct!

Question 26

4 / 4 pts

Suppose in 1931 the price of a sugary drink was a quarter (\$0.25). The consumer price index was 15.2 in 1931, and 210 in 2008. Using 2008 prices, the real price of the drink in 1931 was

☐ \$13.82.

☐ \$52.50.

☐ \$1.81.

☒ \$3.45.

Correct!

Question 27**4 / 4 pts**

The CPI is more commonly used as a gauge of inflation than the GDP deflator is because

- ☐ the CPI is easier to measure.
- ☐ the CPI is calculated more often than the GDP deflator is.
- ☒ the CPI better reflects the goods and services bought by consumers.
- ☐ the GDP deflator cannot be used to gauge inflation.

Correct!**Question 28****4 / 4 pts**

If the CPI was 108.00 in 1942 and is 336.96 today, then \$10 in 1942 purchased the same amount of goods and services as

- ☐ \$2.57 purchases today.
- ☐ \$28.89 purchases today.
- ☒ \$31.20 purchases today.
- ☐ \$38.89 purchases today.

Correct!**Question 29****4 / 4 pts**

The real interest rate tells you

Correct!

- ☐ how fast the number of dollars in your bank account rises over time.
- ☒ how fast the purchasing power of your bank account rises over time.
- ☐ the number of dollars in your bank account today.
- ☐ the purchasing power of your bank account today.

Question 30

4 / 4 pts

Based on data from the past century, U.S. real GDP per capita growth increased by

Correct!

- ☐ 3 percent per year, so that it is now 2 times as high as it was a century ago.
- ☒ 2 percent per year, so that it is now 8 times as high as it was a century ago.
- ☐ 4 percent per year, so that it is now 2 times as high as it was a century ago.
- ☐ 10 percent per year, so that it is now 8 times as high as it was a century ago.

Question 31**0 / 4 pts**

The primary economic function of the financial system is to

- ☐ keep interest rates low.
- ☐ provide expert advice to savers and investors.
- ☒ match one person's consumption expenditures with another person's capital expenditures.

ou Answered**orrect Answer**

- ☐ match one person's saving with another person's investment.

Question 32**4 / 4 pts**

Most entrepreneurs do not have enough money of their own to start their businesses. When they acquire the necessary funds from someone else,

- ☐ their consumption expenditures are being financed by someone else's saving.

Correct!

- ☐ their consumption expenditures are being financed by someone else's investment.
- ☒ their investments are being financed by someone else's saving.
- ☐ their saving is being financed by someone else's investment.

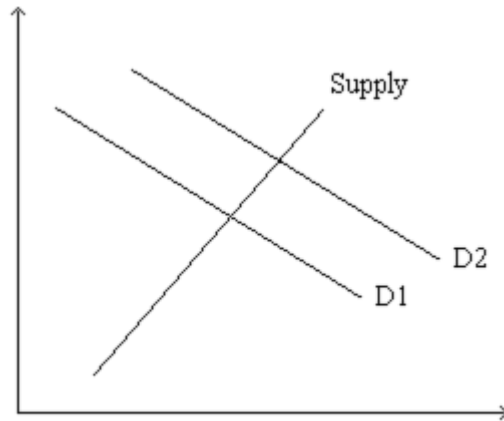
Question 33**0 / 4 pts**

Fundamental analysis shows that stock in a company has a present value that is lower than its price.

- ☐ This stock is overvalued; you should consider adding it to your portfolio.
- ☐ This stock is overvalued; you shouldn't consider adding it to your portfolio.
- ☒ This stock is undervalued; you should consider adding it to your portfolio.
- ☐ This stock is undervalued; you shouldn't consider adding it to your portfolio.

Correct Answer**You Answered****Question 34****4 / 4 pts**

Figure 26-2. The figure depicts a supply-of-loanable-funds curve and two demand-for-loanable-funds curves.



Refer to Figure 26-2. Which of the following events would shift the demand curve from D1 to D2?



The government goes from running a budget deficit to running a budget surplus.



Firms become optimistic about the future and, as a result, they plan to increase their purchases of new equipment and construction of new factories.



A change in the tax laws encourages people to consume less and save more.



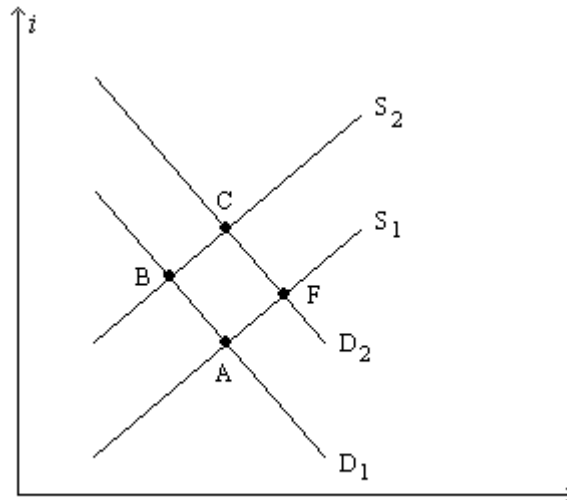
A change in the tax laws encourages people to consume more and save less.

Correct!

Question 35

4 / 4 pts

Figure 26-3. The figure shows two demand-for-loanable-funds curves and two supply-of-loanable-funds curves.



Refer to Figure 26-3. A shift of the supply curve from S_1 to S_2 is called

- ☐ an increase in the supply of loanable funds.
- ☐ an increase in the quantity of loanable funds supplied.
- ☒ a decrease in the supply of loanable funds.
- ☐ a decrease in the quantity of loanable funds supplied.

Correct!

Quiz Score: **128** out of 140