

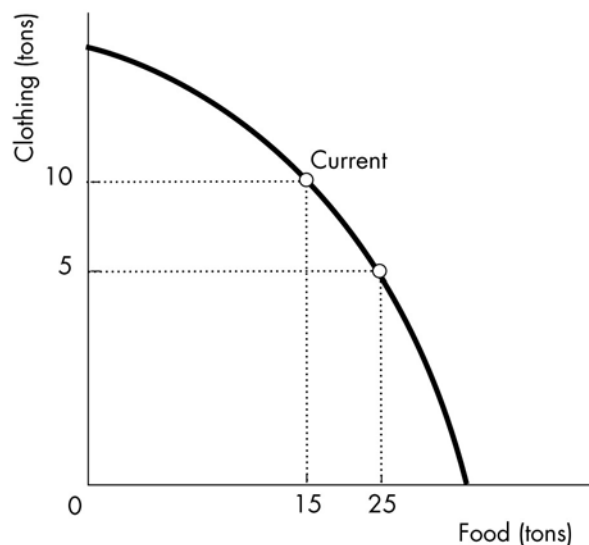
Quiz 1

Name: _____

Student ID#: _____

Instructions: Time: 9:00am~9:50am (50 minutes)

PART I. [60%]



1. The above figure illustrates that if this country wishes to move from its current production point (labeled "Current") and have 10 more tons of food, it can do this by producing

- A) 10 more tons of clothing.
- B) 10 fewer tons of clothing.
- C) 5 more tons of clothing.
- D) 5 fewer tons of clothing.

Answer: D

Point	Production of grain (tons)	Production of cars (cars)
A	0	30
B	2	28
C	4	24
D	6	18
E	8	10
F	10	0

2. The table above lists six points on the production possibilities frontier for grain and cars. Given this information,

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which of the following combinations is unattainable?

- A) 6 tons of grain and 18 cars
- B) 4 tons of grain and 26 cars
- C) 2 tons of grain and 27 cars
- D) 7 tons of grain and 10 cars

Answer: B

3. The law of demand states that the quantity of a good demanded varies

- A) inversely with its price.
- B) inversely with the price of substitute goods.
- C) directly with income.
- D) directly with population.

Answer: A

4. If the price of chicken falls, then in the market for beef,

- A) the demand curve for beef shifts rightward.
- B) the demand curve for beef shifts leftward.
- C) there is a movement downward along the demand curve for beef.
- D) there is a movement upward along the demand curve for beef.

Answer: B

	Plan A	Plan B	Plan C	Plan D
Anakin Skywalker	\$10	\$1000	\$0	\$1000
Darth Vader	\$10	\$20	\$2000	\$30

5. Refer to above table. Which plan should be chosen according to fairness?

- a. Plan A
- b. Plan B
- c. Plan C
- d. Plan D

ANSWER: A

6. To say that "supply increases" for any reason, means there is a

- A) movement rightward along a supply curve.
- B) movement leftward along a supply curve.
- C) shift rightward in the supply curve.

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D) shift leftward in the supply curve.

Answer: C

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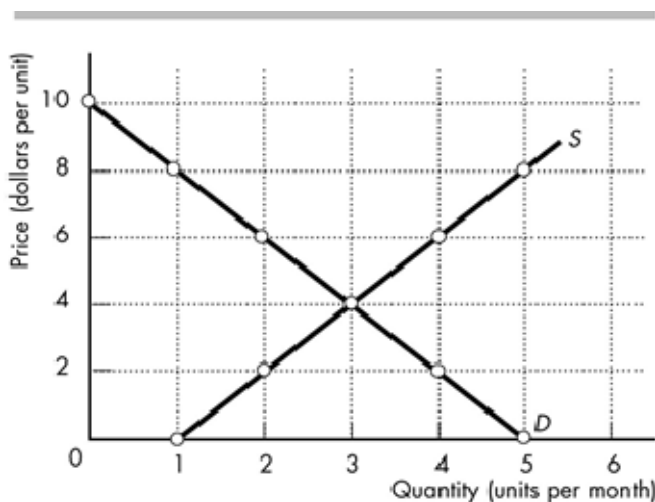
PART II. Short-Answer Question:

1. [10%] Why does it make sense for economies to specialize according to comparative advantage and trade?

Answer: A person has a comparative advantage in an activity that they can perform at a lower opportunity cost than other people. By participating in the activity in which they have a comparative advantage, less is given up. Because resources are scarce, more can be produced with available resources when less is given up. And, by trading people can consume more than just what they produce.

2. [10%] The above table gives the demand and supply schedules for cat food. If the price is \$3.00 per pound of cat food, will there be a shortage, a surplus, or is this price the equilibrium price? If there is a shortage, how much is the shortage? If there is a surplus, how much is the surplus? If \$3.00 is the equilibrium price, what is the equilibrium quantity?

Answer: At a price of \$3.00 per pound of cat food, there is a surplus. The surplus equals 44 tons (the quantity supplied) minus 35 tons (the quantity demanded), or 9 tons of cat food.



3. In the figure above, if the price is \$8 a unit, is there a shortage or surplus and what is the amount of any shortage or surplus? What is the equilibrium price and quantity?

Answer: At a price of \$8 there is a surplus because the quantity supplied exceeds the quantity demanded. The amount of the surplus is 4 units per month. The equilibrium price is \$4 a unit and the equilibrium quantity is 3 units per month.

Fall 2016

Principles of Economics (II)
10510ECON100103

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[Extra paper]