



Name: _____ Student Number: _____ Class: _____

Chapter 1 & Chapter 2

I. Define the following key economic concepts.

1. Opportunity cost

2. Demand:

3. Scarcity

4. Inferior Good

5. Substitutes

II. Draw and label various curves

1. Change in quantity demanded

2. Change in demand

1.

2.

3. Demand for second hand cloth as income increases

4. Demand for iPhone if the price of Huawei phone increase.

3.

4.



Name: _____

Student Number: _____

Class: _____

IV. Multiple Choice

1. When a society cannot produce all the goods and services people wish to have, it is said that the economy is experiencing
 - a) Scarcity.
 - b) Surpluses.
 - c) Inefficiencies.
 - d) Inequalities.

2. Mallory decides to spend three hours working overtime rather than watching a video with her friends. She earns \$8 an hour. Her opportunity cost of working is
 - a) The \$24 she earns working.
 - b) The \$24 minus the enjoyment she would have received from watching the video.
 - c) The enjoyment she would have received had she watched the video.
 - d) Nothing, since she would have received less than \$24 of enjoyment from the video.

3. In a market economy, economic activity is guided by
 - a) The government.
 - b) Corporations.
 - c) Central planners.
 - d) Self-interest and prices.

4. In economics, capital refers to
 - a) The finances necessary for firms to produce their products.
 - b) Buildings and machines used in the production process.
 - c) The money households use to purchase firms' output.
 - d) Stocks and bonds.

5. Today's demand curve for gasoline could shift in response to
 - a) A change in today's price of gasoline.
 - b) A change in the expected future price of gasoline.
 - c) A change in the number of sellers of gasoline.
 - d) A change in the supply of gasoline.

6. Which of the following is an example of a positive, as opposed to normative, statement?
 - a) Inflation is more harmful to the economy than unemployment is.
 - b) If welfare payments increase, the world will be a better place. .
 - c) Prices rise when the government prints too much money.
 - d) Government should tax less.



Name: _____ Student Number: _____ Class: _____

7. Suppose that a decrease in the price of good X results in more units of good Y being sold. This implies that X and Y are
 - a) Complementary goods.
 - b) Normal goods.
 - c) Inferior goods.
 - d) Substitute goods

8. What does the assumption 'ceteris paribus' mean when economists analyse the way in which the quantity demanded of a good changes?
 - a) Changes in quantity demanded can cause changes in any of the other variables
 - b) Consumer preferences are always assumed to remain unchanged.
 - c) Only one variable is assumed to change while the others remain the same.
 - d) Several variables change simultaneously.