

1. Ceteris Paribus refers to:

- A. After this therefore this happens
- B. After all the adjustments
- C. With everything remaining constant
- D. With other things being equal

2. The PPC is concave because:

- A. Decreasing opportunity cost
- B. Stable opportunity cost
- C. Increasing opportunity cost
- D. Does not exist

3. Adam Smith states that:

- A. Government should be confined to providing only a few essential services, such as law and order, education, defence, canals, and roads
- B. government should actively promote public welfare through social services and help monitor industries
- C. Government should stay out of the economy
- D. It should intervene only when necessary to promote social welfare

4. Which of the following is the best example of a normative economic statement:

- A. Economic goods exist in sufficient quantity to satisfy all wants while free goods do not
- B. Economic goods are scarce, while free goods are sufficient to satisfy all wants for them
- C. Economic goods are not scarce, while free goods are
- D. Economic goods have a high value, while free goods have a low value

5. The invisible hand refers to:

- A. Businesses actively promoting public interest
- B. Businesses unconsciously promoting public interest
- C. The government's policies that affect market activity
- D. Consumers' behaviour that shapes the market

6. Opportunity cost is:

- A. The dollar price of goods and services
- B. The hidden cost imposed by inflation
- C. The value of the next best alternative
- D. The time you spend shopping

7. In the market oil the development of a new deep sea drilling technology. The demand curve for oil _____ and the supply curve _____

- A. Shifts rightward; shifts rightward
- B. Does not shift; shift rightward
- C. Shifts leftward; shifts leftward
- D. Does not shift; shifts leftward

8. If a product is a normal good and people's incomes rise, then the new equilibrium quantity is _____ the initial equilibrium quantity.

- A. Greater than
- B. Equal to
- C. Less than
- D. Perhaps greater than, less than, or equal to depending on how suppliers react to the change in demand

9. Effective rent controls:

- A. Increase search activity
- B. Increase the long-term housing supply
- C. Have no effect on the quantity of apartment rented
- D. Increase the vacancy rate of apartments

10. Some sales managers are talking. Which of the following quotations refers to a movement along the demand curve?

- A. "Since our competitors raised their prices, our sales have doubled"
- B. "It has been an unusual mild winter; our sales of wool scarves are down from last year"
- C. "We decided to cut our prices, and the increase in our sales has been remarkable"
- D. None of the above

11. A price floor set below the equilibrium price

- A. Decreases only the quantity demanded
- B. Decreases only the quantity supplied
- C. Decreases both the quantity supplied and the quantity demanded
- D. Has no effect

12. If an increase in the price of corn increases the total expenditure on corn, then it is definitely the case that the

- A. Supply of corn is elastic
- B. Supply of corn is inelastic
- C. Demand for corn is elastic

D. Demand for corn is inelastic

13. If the average variable cost of producing five units of a product is \$100 and the average variable cost of producing six units is \$125, then the marginal cost of producing the sixth unit is:

- A. \$125
- B. \$225
- C. \$250
- D. \$350

14. The kinked demand curve model explains:

- A. Rapid price fluctuations in monopoly markets
- B. Price rigidity in purely competitive markets
- C. Price rigidity in oligopolistic industries
- D. None of the above

15. A firm will shut down in the short-run if:

- A. $P < AVC$
- B. $P > AVC$
- C. $AVC > AFC$
- D. $TR < TC$

16. Oligopoly may be associated with all but

- A. Price leadership
- B. Collusive behaviour
- C. Advertising
- D. Lots of firms

17. The marginal revenue curve of a firm in monopolistic competition is

- A. Below AR
- B. Above AR
- C. Same as AR
- D. None of the above

18. Bid Rigging is

- A. Collusion by producers to decide the outcome of a tender bid
- B. Conspiracy by tender providers to determine the bid winner
- C. Dominant players exercising their power
- D. Collusion by employees to encourage nepotism in the workplace

19. If consumption increases by \$2 and investment rises by \$1, the multiplier must be:

- A. 1
- B. 2
- C. 0.5
- D. None of the above

20. A bank has \$20,000 in deposits. If the required reserve ratio is 20%, how much can the bank lend out?

- A. \$16,000
- B. \$4,000
- C. \$1,600
- D. None of the above

21. Isaac earns \$45,000 year one, \$55,000 year two, and \$60,000 year three. His taxes over the three years, respectively, are \$6,750, \$11,500, \$15,000. Based on the numbers, Isaac pays

- A. Regressive tax
- B. Prograssive tax
- C. Proportional tax
- D. Marginal tax

22. The GDP is \$550 billion and the potential full-employment GDP is \$700 billion . The multiplier for the economy is estimated to be 2. How much in government spending would be required to reach full employment?

- A. \$350 billion
- B. \$250 billion
- C. \$625 billion
- D. \$75 billion

23. What fiscal policies should the government implement?

- A. Expansionary monetary
- B. Contractionary fiscal
- C. Expansionary fiscal
- D. Contractionary monetary

24. Cleo receives a grad reward for \$500 and buys herself a gift for \$150 then saves the rest. What is the spending multiplier?

- A. 0.7

- B. 3
- C. 1.43
- D. 3.3

25. If a union negotiates a wage above the competitive level in a competitive industry, all but which of the following occur?

- A. Employment in the industry will fall
- B. The people employed will earn a higher wage rate than before
- C. A pool of unemployed workers will be created
- D. The supply curve of labour shifts to the right

26. The circular flow model includes all the following sectors except:

- A. Employees
- B. Governments
- C. Households
- D. Business firms
- E. No exceptions

27. The replacement of a business employee by a computer is an example of:

- A. Structural unemployment
- B. Mechanical unemployment
- C. Technological unemployment
- D. Frictional unemployment
- E. None of the above

28. The official unemployment rate is:

- A. The percentage of the total population that is not working
- B. The percentage of people in the labour force that is unemployed
- C. The ratio of unemployed workers to employed workers
- D. Those people over 15 years old who are not currently seeking employment
- E. None of the above

29. Withdrawal include:

- A. Investment and exports
- B. Savings and investment
- C. Government purchases and taxes
- D. Taxes and savings

30. If each country concentrated its production on what is produced best:

- A. World unemployment would rise
- B. World output would increase
- C. The result would be overspecialization by each nation
- D. Only highly developed nations would benefit

31. The Phillips curve expresses a trade-off between:

- A. The unemployment rate and real output
- B. The rate of inflation and the unemployment rate
- C. Inflation and interest rates
- D. None of the above

32. A rise in the value of the Canadian dollar generally benefits

- A. Canadian importers, because foreign goods become less expensive
- B. Canadian exporters, because demand for Canadian goods by foreigners rises
- C. Foreign tourists to Canada, because Canadian goods and services are cheaper
- D. Foreign investors, because the Canadian economy becomes a more attractive place to establish new plans

33. A budget deficit exists when:

- A. Imports exceed exports
- B. Exports exceed imports
- C. Government spending exceeds taxes
- D. Taxes exceeds government spending

34. What is stagflation?

- A. The combination of high inflation and low employment
- B. The combination of low inflation and low unemployment
- C. The combination of low inflation and high unemployment
- D. The combination of high inflation and high unemployment

35. After school, Isaac can either go play golf or spend time studying at home. What factors should he consider before making the decision. Use economic terms. (4 marks)

36. Adams Smith and Karl Marx have contrasting views on political economy. Describe their theories and comment on their real life applications. (10 marks)

37. If the elasticity of demand for a commodity is estimated to be 1.5, then a decrease in price from \$2.10 to \$1.90 would be expected to increase daily sales by _____. Show calculations. (2 marks)

38. “This supply and demand model is nonsense. It says that if demand for a product increases, the price of that good falls. But, come on - except for technology, how often do you set a price fall? Prices always rise, so don't try telling me that they fall”. Show the speaker’s error using economic terms and models. (6 marks)

39. Explain how it is possible to have diseconomies of scales when in the long run a company increases all inputs. (3 marks)

40. Andrea currently works for a corporate law firm earning \$140 000. She is considering opening her own legal practice where he expects to earn \$220,000. To run her own firm, she would need an office and a law clerk. She has found the perfect office, which rents for \$40,000. A law clerk could be hired for \$45,000. Would andrea’s legal practice be profitable? Consider implicit and explicit cost in your calculation. (3 marks)

41. The few firms which produce “widgets” are engaged in non-price competition. (8 marks)

- I. Give some examples of non-price competition that may exist
- II. What is the purpose does this non-price competition curve?
- III. As a consumer, what is the disadvantage of it.
- IV. This industry also have entry barriers. What does that mean?
- V. Provide examples of entry barriers
- VI. In what market structure does this firm belong?

42. What is the role of the Bank of Canada? (4 marks)

43. Describe the difference between automatic stabilizers and discretionary policy. Use examples and mention disadvantages and benefits for each. (7 marks)

44. Explain why perfect income equality is not an economic goal. (3 marks)

45. What is a value-added calculation? How does this impact the GDP? (3 marks)

46. In April 2018, you sold your 2009 GM car to one of your friends for \$1500. A few days later, you bought a new car for \$22000, which you sold a few weeks later to another friend for \$21000 because you decided to leave the country and travel. Which of these transactions would be included in the GDP for 2018? Why? (2 marks)

47. Does GDP measure the well-being of a country adequately? Explain in detail. (5 marks)

48. The CPI is not a perfect measure of the effects of inflation. In fact, Ms. Larson may be feeling the effects of inflation while Julia doesn't even notice. Explain how this could be? (3 marks)

49. If inflation is higher in Canada than in countries with which Canada trades, what will likely happen to Canadian exports? Why? (2 marks)

50. The following data shows the production of steel and textiles in Canada and New Zealand (output per worker):

Country:	Steel:	Textiles:
Canada	12	6
New Zealand	4	1

- I. Which country has the absolute advantage in steel?
- II. Which country has the absolute advantage in textiles?
- III. Complete the following chart to determine the opportunity costs for each country (4 marks):

Country:	For 1 unit of Steel:	For 1 unit of Textiles:
Canada	_____ textiles	_____ steels
New Zealand	_____ textiles	_____ steels

- IV. Which country has the comparative advantage in the production of steel? (1 mark)
- V. Which country has the comparative advantage in the production of textiles? (1 mark)
- VI. Determine the fairest terms of trade in terms of textiles between the two countries. (2 marks)

51. Becky is very concerned about inflation rates and her retirement plans. Explain why pensioners in Canada or abroad would be concerned about inflation rates. (3 marks)

52. Fill in the missing values. (10 marks)

Units Sold	Price per	Total	Marginal	Total Cost	Marginal
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	Unit	Revenue	Revenue		Cost
0	50			40	
1	50			70	
2	50			95	
3	50			125	
4	50			160	
5	50			200	
6	50			245	
7	50			300	
8	50			365	
9	50			440	

53. If a business earns negative economic profit, should the business consider closing? Explain your answer in detail. (3 marks)

54. Explain 3 determinants that would cause the demand curve to shift and explain why. (3 marks)

55. Explain 3 determinants that would cause the supply curve to shift and explain why. (3 marks)

56. Yesterday, the price of envelopes was \$3 a box, and Julie was willing to buy 10 boxes. Today, the price has gone up to \$3.75 a box, and Julie is not willing to buy 8 boxes. What is Julie's elasticity of demand? (4 marks)

57. Explain the concepts of increasing total utility and diminishing marginal utility. (4 marks)