

Unit 1 Progress Check: MCQ

1. Which of the following is not a scarce resource?

- (A) Land
- (B) Labor
- (C) Capital
- (D) Entrepreneurship
- (E) Stocks

2. Which of the following contributes to the economic problem of scarcity?

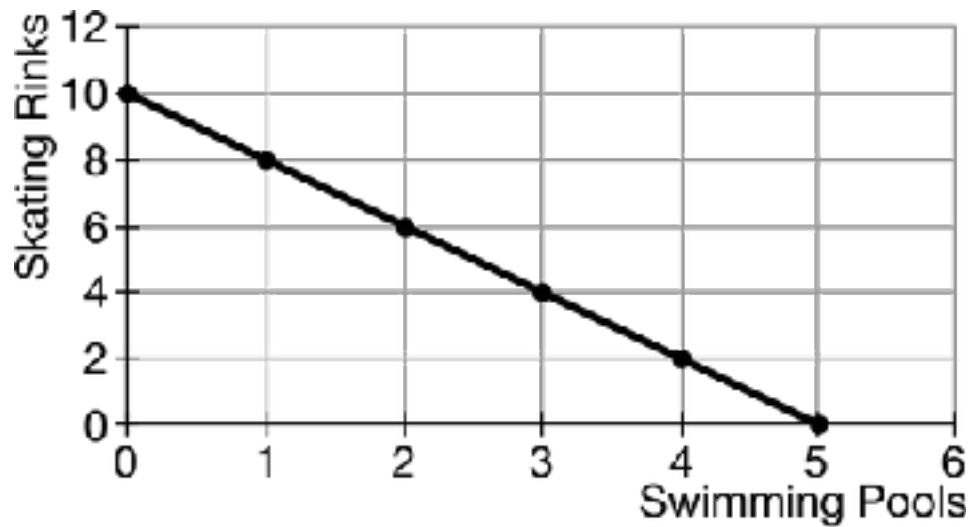
- (A) Human wants are insufficient.
- (B) Resources are unlimited.
- (C) Resources are efficient.
- (D) Resources are expensive.
- (E) Resources have alternative uses.

3. Which of the following illustrates the effect of a decrease in an economy's resources using a production possibilities curve (PPC)?

- (A) The economy's PPC will shift inward and to the left.
- (B) The economy's PPC will shift outward and to the right.
- (C) The economy's PPC will become steeper.
- (D) The economy's PPC will become flatter.
- (E) The economy's PPC will remain the same.

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4. Use the given production possibilities curve (PPC) to answer the following question.



A city government received a \$1 million grant to build swimming pools and skating rinks for youth. Based on the data provided in the graph, what is the opportunity cost of building one swimming pool?

- (A) 0.5 skating rink
- (B) 0.5 swimming pools
- (C) 2 skating rink
- (D) 2 swimming pools
- (E) 5 skating rink

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5. Use the table to answer the question below.

	Trucks	Coffee (in tons)
China	250	50
Malaysia	300	100

The table above shows the daily production possibilities for China and Malaysia in producing trucks and coffee using the same amount of resources. Based on the data provided, which of the following terms of trade are mutually beneficial for the two countries?

- (A) 1 ton of coffee for 3 trucks
- (B) 1 ton of coffee for 4 trucks
- (C) 1 ton of coffee for 5 trucks
- (D) 1 truck for 1 ton of coffee
- (E) 1 truck for 5 tons of coffee

6. Michael and Martha run a mechanic shop. In one hour Michael can perform eight oil changes or change ten tires. In one hour Martha can perform seven oil changes or change fourteen tires. Given this information which of the following is true?

- (A) Martha has a comparative advantage in changing oil.
- (B) Martha has an absolute advantage in changing oil.
- (C) Michael has a comparative advantage in changing tires.
- (D) Michael has an absolute advantage in changing tires.
- (E) Michael has an absolute and a comparative advantage in changing oil.

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7. Which of the following will increase the market supply for new automobiles?

- (A) An increase in the price of steel, an input in the production of automobiles
- (B) An increase in taxes on automobile manufacturers
- (C) An increase in subsidies to automobile manufacturers
- (D) An increase in consumers' income
- (E) An increase in the price of gasoline, a complementary good

8.

Use the table to answer the question below.

Price of Candy Bar	Quantity Demanded	Quantity Supplied
.00	1000	0
\$2.00	775	100
\$4.00	600	250
\$5.00	525	525
\$6.00	375	700
\$7.00	200	975
\$8.00	50	1200

When the price of a candy bar is \$6.00, which of the following is true?

- (A) The market does not clear because the price is lower than the equilibrium price and there will be a surplus in the market.
- (B) The market does not clear because the price is lower than the equilibrium price and there will be a shortage in the market.
- (C) The market clears because buyers and sellers are in agreement on the price.
- (D) The market does not clear because the price is higher than the equilibrium price and there will be a surplus in the market.
- (E) The market does not clear because the price is higher than the equilibrium price and there will be a shortage in the market.



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9. Assume household income has fallen dramatically in Country X and the cost of construction materials for building new houses has increased. How will these changes affect the equilibrium price and equilibrium quantity for new houses?

- (A) **The equilibrium price will increase, and the equilibrium quantity will decrease.**
- (B) **The equilibrium price will decrease, and the equilibrium quantity will decrease.**
- (C) The equilibrium price will decrease, and the equilibrium quantity will increase.
- (D) The equilibrium price will decrease, and the equilibrium quantity will be indeterminate.
- (E) The equilibrium price will be indeterminate, and the equilibrium quantity will decrease.

10. Which of the following describes the relationship between price and quantity demanded according to the law of demand.

- (A) Positive relationship, illustrated by an upward-sloping demand curve.
- (B) Positive relationship, illustrated by a downward-sloping demand curve.
- (C) Negative relationship, illustrated by a horizontal demand curve.
- (D) Negative relationship, illustrated by a upward-sloping demand curve.
- (E) Negative relationship, illustrated by a downward-sloping demand curve.