

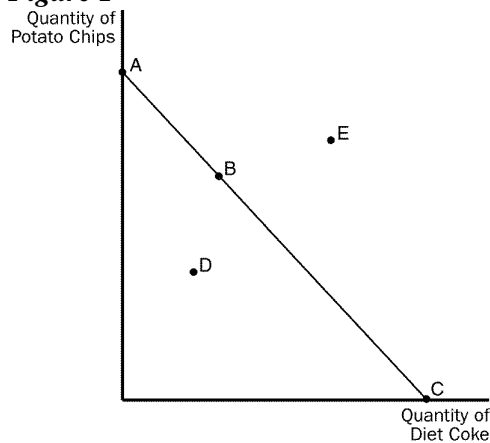
## QUIZ 10

## VERSION 1

- \_\_\_\_ 1. If a country allows trade and the domestic price of a good is higher than the world price,
  - a. the country will become an exporter of the good.
  - b. the country will become an importer of the good.
  - c. the country will neither export nor import the good.
  - d. additional information about demand is needed to determine whether the country will export or import the good.
  
- \_\_\_\_ 2. If Canada exports cars to France and imports cheese from Switzerland,
  - a. Canada has a comparative advantage in producing cars, and Switzerland has a comparative advantage in producing cheese.
  - b. Canada has a comparative advantage in producing cheese, and Switzerland has a comparative advantage in producing cars.
  - c. Canada and France would both be better off if they each produced cars and cheese.
  - d. Comparative advantage cannot be determined without knowing absolute prices.
  
- \_\_\_\_ 3. When a country allows trade and becomes an exporter of a good domestic producers
  - a. gain and domestic consumers lose.
  - b. lose and domestic consumers gain.
  - c. and domestic consumers both gain.
  - d. and domestic consumers both lose.
  
- \_\_\_\_ 4. When a country allows trade and becomes an exporter of a good, which of the following would NOT be true?
  - a. The price paid by domestic consumers of the good increases.
  - b. The price received by domestic producers of the good increases.
  - c. The losses of domestic consumers exceed the gains of domestic producers.
  - d. The gains of domestic producers exceed the losses of domestic consumers.
  
- \_\_\_\_ 5. Benefits from free trade include each of the following EXCEPT
  - a. increased variety of goods.
  - b. lower costs because of economies of scale.
  - c. enhanced flow of ideas.
  - d. reduced competition.
  
- \_\_\_\_ 6. The world price of yo-yo's is \$4.00 each. The pre-trade price of yo-yo's in Taiwan is \$3.50 each. If Taiwan allows trade in yo-yo's we know that Taiwan will
  - a. import yo-yo's and the price in Taiwan will be \$4.00 each.
  - b. import yo-yo's and the price in Taiwan will be \$3.50 each.
  - c. export yo-yo's and the price in Taiwan will be \$4.00 each.
  - d. export yo-yo's and the price in Taiwan will be \$3.50 each.
  
- \_\_\_\_ 7. A budget constraint
  - a. shows the prices that a consumer chooses to pay for products he consumes.
  - b. shows the purchases made by consumers.
  - c. shows the consumption bundles that a consumer can afford.
  - d. represents the bundles of consumption that makes a consumer equally happy.

8. Assume that a college student spends her income on Coke and Snickers. The price of a Snickers candy bar is \$0.50, and a can of Coke is \$0.75. If she has \$20 of income, she could choose to consume
- 10 Snickers bars and 20 cans of Coke.
  - 15 Snickers bars and 18 cans of Coke.
  - 22 Snickers bars and 14 cans of Coke.
  - 24 Snickers bars and 12 cans of Coke.
9. An increase in income will cause a consumer's budget constraint to
- shift outward, parallel to its initial position.
  - shift inward, parallel to its initial position.
  - pivot around the "Y" axis.
  - pivot around the "X" axis.

**Figure 1**



10. **Refer to Figure 1.** Which point in the figure represents the consumer's income divided by the price of Diet Coke?
- Point A
  - Point C
  - Point D
  - Point E

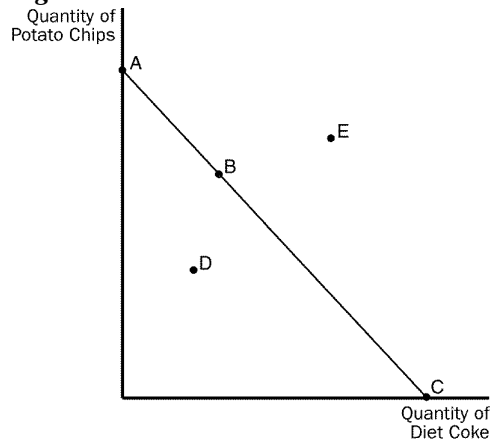
## QUIZ 10

## VERSION 2

- \_\_\_\_ 1. If a country allows trade and the domestic price of a good is lower than the world price,
  - a. the country will become an exporter of the good.
  - b. the country will become an importer of the good.
  - c. the country will neither export nor import the good.
  - d. additional information about demand is needed to determine whether the country will export or import the good.
  
- \_\_\_\_ 2. Trade among nations is ultimately based on
  - a. absolute advantage.
  - b. political advantage.
  - c. comparative advantage.
  - d. technical advantage.
  
- \_\_\_\_ 3. When a country allows trade and becomes an importer of a good,
  - a. both domestic producers and domestic consumers are better off.
  - b. domestic producers are better off, and domestic consumers are worse off.
  - c. domestic producers are worse off, and domestic consumers are better off.
  - d. both domestic producers and domestic consumers are worse off.
  
- \_\_\_\_ 4. When a country allows trade and becomes an exporter of a good consumer surplus
  - a. and producer surplus will increase.
  - b. and producer surplus will decrease.
  - c. will increase and producer surplus will decrease.
  - d. will decrease and producer surplus will increase.
  
- \_\_\_\_ 5. For any country which allows free trade,
  - a. domestic quantity demanded must equal domestic quantity supplied at the world price.
  - b. if the world price equals the domestic price for a product, the country can choose to either import or export the product.
  - c. both producers and consumers in that country will gain from trade.
  - d. the domestic price will equal the world price.
  
- \_\_\_\_ 6. The world price of yo-yo's is \$4.00 each. The pre-trade price of yo-yo's in Taiwan is \$3.50 each. If Taiwan allows trade in yo-yo's we know that Taiwan will
  - a. import yo-yo's and the price in Taiwan will be \$4.00 each.
  - b. import yo-yo's and the price in Taiwan will be \$3.50 each.
  - c. export yo-yo's and the price in Taiwan will be \$4.00 each.
  - d. export yo-yo's and the price in Taiwan will be \$3.50 each.
  
- \_\_\_\_ 7. If a consumer's income decreases, the budget constraint for Pepsi and pizza will
  - a. shift outward, parallel to the old budget constraint.
  - b. shift inward, parallel to the old budget constraint.
  - c. rotate outward towards pizza because we can afford more pizza.
  - d. rotate outward towards Pepsi because we can afford more Pepsi.

8. Assume that a college student spends her income on Coke and Snickers. During finals week, the price of a Snickers candy bar is \$0.75, and a can of Coke is \$1.00. If she has \$20 of income, she could choose to consume
- 8 Snickers bars and 15 cans of Coke.
  - 7 Snickers bars and 16 cans of Coke.
  - 4 Snickers bars and 17 cans of Coke.
  - 2 Snickers bars and 20 cans of Coke.
9. A consumer that doesn't spend all of her income
- would be at a point outside of her budget constraint.
  - would be at a point inside her budget constraint.
  - would not be consuming positive quantities of all goods.
  - must be consuming at a point where her budget constraint touches one of the axes.

**Figure 1**



10. **Refer to Figure 1.** A consumer that chooses to spend all of her income in the figure will be at point(s)
- B
  - E
  - C or E
  - A, B, or C

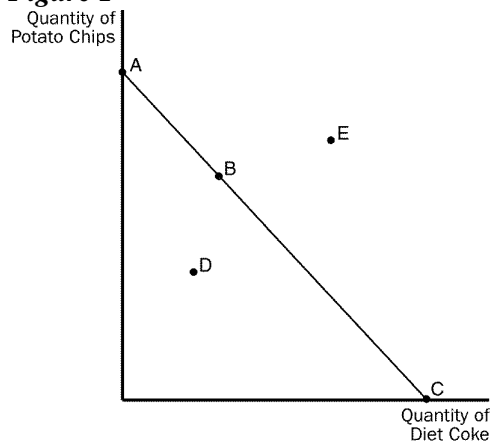
## QUIZ 10

## VERSION 3

- \_\_\_\_\_ 1. For any country, if the world price of computers is higher than the domestic price of computers, that country should
- export computers, since that country has a comparative advantage in computers.
  - import computers, since that country has a comparative advantage in computers.
  - not trade computers, since that country cannot gain from trade.
  - not trade, since they already produce computers cheaper than other countries.
- \_\_\_\_\_ 2. A country has a comparative advantage in a product if the world price is
- lower than its domestic price.
  - higher than its domestic price.
  - equal to its domestic price.
  - None of the above are correct.
- \_\_\_\_\_ 3. When a country allows trade and becomes an importer of a good,
- everyone in the country benefits.
  - the gains of the winners exceed the losses of the losers.
  - the losses of the losers exceed the gains of the winners.
  - everyone in the country loses.
- \_\_\_\_\_ 4. When a country allows trade and becomes an importer of a good consumer surplus
- and producer surplus will increase.
  - and producer surplus will decrease.
  - will increase and producer surplus will decrease.
  - will decrease and producer surplus will increase.
- \_\_\_\_\_ 5. The domestic price of a product will equal the world price
- when the domestic supply of the product increases.
  - when the country allows free trade.
  - when trade restrictions are imposed on the product.
  - if the country chooses to export and not import the product.
- \_\_\_\_\_ 6. The world price of yo-yo's is \$4.00 each. The pre-trade price of yo-yo's in Taiwan is \$3.50 each. If Taiwan allows trade in yo-yo's we know that Taiwan will
- import yo-yo's and the price in Taiwan will be \$4.00 each.
  - import yo-yo's and the price in Taiwan will be \$3.50 each.
  - export yo-yo's and the price in Taiwan will be \$4.00 each.
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- \_\_\_\_\_ 7. A budget constraint
- shows the prices that a consumer chooses to pay for products he consumes.
  - shows the purchases made by consumers.
  - shows the consumption bundles that a consumer can afford.
  - represents the bundles of consumption that makes a consumer equally happy.

8. Assume that a college student spends her income on Coke and Snickers. During finals week, the price of a Snickers candy bar is \$0.75, and a can of Coke is \$1.25. If she has \$32.50 of income, she could choose to consume
- 24 Snickers bars and 12 cans of Coke.
  - 22 Snickers bars and 14 cans of Coke.
  - 15 Snickers bars and 18 cans of Coke.
  - 10 Snickers bars and 20 cans of Coke.
9. An increase in income will cause a consumer's budget constraint to
- shift outward, parallel to its initial position.
  - shift inward, parallel to its initial position.
  - pivot around the "Y" axis.
  - pivot around the "X" axis.

**Figure 1**



10. **Refer to Figure 1.** Which point in the figure represents the consumer's income divided by the price of Diet Coke?
- Point A
  - Point C
  - Point D
  - Point E

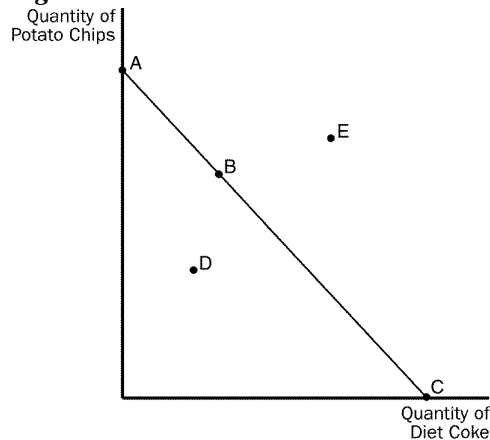
## QUIZ 10

## VERSION 4

- \_\_\_\_\_ 1. If the world price of a product is higher than a country's domestic price we know that country
  - a. should import that product.
  - b. should no longer produce that product.
  - c. has a comparative advantage in that product.
  - d. could benefit by imposing a tariff on that product.
  
- \_\_\_\_\_ 2. A country has a comparative advantage in a product if
  - a. it can produce a product more efficiently.
  - b. its domestic price is below the world price.
  - c. its domestic price is above the world price.
  - d. it can benefit from importing the product.
  
- \_\_\_\_\_ 3. When a country allows trade and becomes an exporter of a good,
  - a. everyone in the country benefits.
  - b. everyone in the country loses.
  - c. the gains of the winners exceed the losses of the losers.
  - d. the losses of the losers exceed the gains of the winners.
  
- \_\_\_\_\_ 4. When a country allows trade and becomes an importer of a good, which of the following would NOT be true?
  - a. The gains of domestic consumers exceed the losses of domestic producers.
  - b. The losses of domestic producers exceed the gains of domestic consumers.
  - c. The price paid by domestic consumers of the good decreases.
  - d. The price received by domestic producers of the good decreases.
  
- \_\_\_\_\_ 5. When a country allows free trade,
  - a. the domestic price will be greater than the world price.
  - b. the domestic price will be lower than the world price.
  - c. the domestic price will equal the world price.
  - d. it does not matter what the world price is; the domestic price is the prevailing price.
  
- \_\_\_\_\_ 6. The world price of yo-yo's is \$4.00 each. The pre-trade price of yo-yo's in Taiwan is \$3.50 each. If Taiwan allows trade in yo-yo's we know that Taiwan will
  - a. import yo-yo's and the price in Taiwan will be \$4.00 each.
  - b. import yo-yo's and the price in Taiwan will be \$3.50 each.
  - c. export yo-yo's and the price in Taiwan will be \$4.00 each.
  - d. export yo-yo's and the price in Taiwan will be \$3.50 each.
  
- \_\_\_\_\_ 7. If a consumer's income decreases, the budget constraint for Pepsi and pizza will
  - a. shift outward, parallel to the old budget constraint.
  - b. shift inward, parallel to the old budget constraint.
  - c. rotate outward towards pizza because we can afford more pizza.
  - d. rotate outward towards Pepsi because we can afford more Pepsi.

8. Assume that a college student spends her income on Coke and Snickers. The price of a Snickers candy bar is \$0.50, and a can of Coke is \$0.75. If she has \$20 of income, she could choose to consume
- 10 Snickers bars and 20 cans of Coke.
  - 15 Snickers bars and 18 cans of Coke.
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9. Assume that a college student spends her income on Coke and Snickers. During finals week, the price of a Snickers candy bar is \$0.75, and a can of Coke is \$1.00. If she has \$20 of income, she could choose to consume
- 8 Snickers bars and 15 cans of Coke.
  - 7 Snickers bars and 16 cans of Coke.
  - 4 Snickers bars and 17 cans of Coke.
  - 2 Snickers bars and 20 cans of Coke.

**Figure 1**



10. **Refer to Figure 1.** All of the points identified on the figure represent possible consumption options with the exception of
- point D.
  - point E.
  - point B.
  - None, all points are possible consumption options.



## **QUIZ 10 VERSION 1**

### **Answer Section**

#### **MULTIPLE CHOICE**

1. ANS: B	PTS: 1	DIF: Average	REF: 179
2. ANS: A	PTS: 1	DIF: Challenging	REF: 179
3. ANS: A	PTS: 1	DIF: Challenging	REF: 179
4. ANS: C	PTS: 1	DIF: Challenging	REF: 180
5. ANS: D	PTS: 1	DIF: Easy	REF: 179
6. ANS: C	PTS: 1	DIF: Challenging	REF: 179
7. ANS: C	PTS: 1	DIF: Average	REF: 466
8. ANS: A	PTS: 1	DIF: Average	REF: 466
9. ANS: A	PTS: 1	DIF: Average	REF: 466
10. ANS: B	PTS: 1	DIF: Average	REF: 466

## **QUIZ 10 VERSION 2**

### **Answer Section**

#### **MULTIPLE CHOICE**

1. ANS: A	PTS: 1	DIF: Average	REF: 179
2. ANS: C	PTS: 1	DIF: Easy	REF: 179
3. ANS: C	PTS: 1	DIF: Challenging	REF: 179
4. ANS: D	PTS: 1	DIF: Challenging	REF: 180
5. ANS: D	PTS: 1	DIF: Average	REF: 179
6. ANS: C	PTS: 1	DIF: Challenging	REF: 179
7. ANS: B	PTS: 1	DIF: Average	REF: 466
8. ANS: C	PTS: 1	DIF: Average	REF: 466
9. ANS: B	PTS: 1	DIF: Average	REF: 466
10. ANS: D	PTS: 1	DIF: Easy	REF: 466

## **QUIZ 10 VERSION 3**

### **Answer Section**

#### **MULTIPLE CHOICE**

1. ANS: A	PTS: 1	DIF: Average	REF: 179
2. ANS: B	PTS: 1	DIF: Average	REF: 179
3. ANS: B	PTS: 1	DIF: Average	REF: 179
4. ANS: C	PTS: 1	DIF: Challenging	REF: 183
5. ANS: B	PTS: 1	DIF: Average	REF: 179
6. ANS: C	PTS: 1	DIF: Challenging	REF: 179
7. ANS: C	PTS: 1	DIF: Average	REF: 466
8. ANS: D	PTS: 1	DIF: Average	REF: 466
9. ANS: A	PTS: 1	DIF: Average	REF: 466
10. ANS: B	PTS: 1	DIF: Average	REF: 466

## **QUIZ 10 VERSION 4**

### **Answer Section**

#### **MULTIPLE CHOICE**

1. ANS: C	PTS: 1	DIF: Average	REF: 179
2. ANS: B	PTS: 1	DIF: Average	REF: 179
3. ANS: C	PTS: 1	DIF: Average	REF: 180
4. ANS: B	PTS: 1	DIF: Challenging	REF: 183
5. ANS: C	PTS: 1	DIF: Average	REF: 179
6. ANS: C	PTS: 1	DIF: Challenging	REF: 179
7. ANS: B	PTS: 1	DIF: Average	REF: 466
8. ANS: A	PTS: 1	DIF: Average	REF: 466
9. ANS: C	PTS: 1	DIF: Average	REF: 466
10. ANS: B	PTS: 1	DIF: Easy	REF: 466