

QUIZ 1

VERSION 1

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- ____ 1. Both households and societies face many decisions because
 - a. resources are scarce.
 - b. populations may increase or decrease over time.
 - c. wages for households and therefore society fluctuate with business cycles.
 - d. people, by nature, tend to disagree.

- ____ 2. For society, a good is not scarce if
 - a. at least one individual in society can obtain all he or she wants of the good.
 - b. firms are producing at full capacity.
 - c. all members of society can have all they want of it.
 - d. those who have enough income can buy all they want of the good.

- ____ 3. Economics is defined as the study of
 - a. business.
 - b. how society manages its scarce resources.
 - c. central planning.
 - d. government regulation.

- ____ 4. The adage, "There is no such thing as a free lunch," is used to illustrate the concept of
 - a. tradeoffs.
 - b. scarcity.
 - c. productivity.
 - d. efficiency.

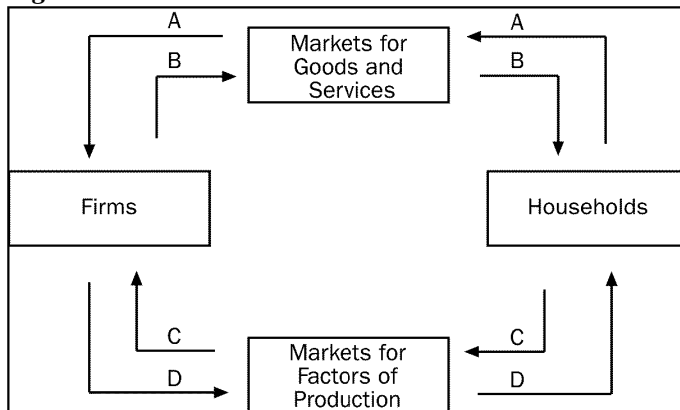
- ____ 5. Efficiency means that
 - a. society is conserving resources in order to save them for the future.
 - b. society's goods and services are distributed fairly among society's members.
 - c. society has lessened its dependence on foreign energy sources.
 - d. society is getting the most it can from its scarce resources.

- ____ 6. What you give up to obtain an item is called your
 - a. opportunity cost.
 - b. explicit cost.
 - c. true cost.
 - d. direct cost.

- ____ 7. The circular-flow diagram is a
 - a. visual model of how the economy is organized.
 - b. mathematical model of how the economy works.
 - c. model that shows the effects of government on the economy.
 - d. visual model of the relationship among money, prices, and businesses.

8. In the circular-flow diagram,
- firms are sellers in the resource market and the product market.
 - firms are buyers in the product market.
 - households are sellers in the resource market.
 - spending on goods and services flows from firms to households.
9. Which of the following would NOT be considered a factor of production?
- labour
 - land
 - capital
 - money

Figure 1



10. Refer to Figure 1. Which arrow shows the flow of goods and services?
- A
 - B
 - C
 - D

QUIZ 1

VERSION 2

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- ____ 1. Economics deals primarily with the concept of
 - a. scarcity.
 - b. poverty.
 - c. change.
 - d. power.

- ____ 2. Which product would be considered scarce?
 - a. Nike shoes
 - b. Monet paintings
 - c. 1-carat diamonds
 - d. All of the above are correct.

- ____ 3. Economics is the study of
 - a. how society manages its scarce resources.
 - b. the government's role in society.
 - c. how a market system functions.
 - d. how to increase production.

- ____ 4. The adage, "There is no such thing as a free lunch," means
 - a. even people on welfare have to pay for food.
 - b. the cost of living is always increasing.
 - c. to get something we like, we usually have to give up another thing we like.
 - d. all costs are included in the price of a product.

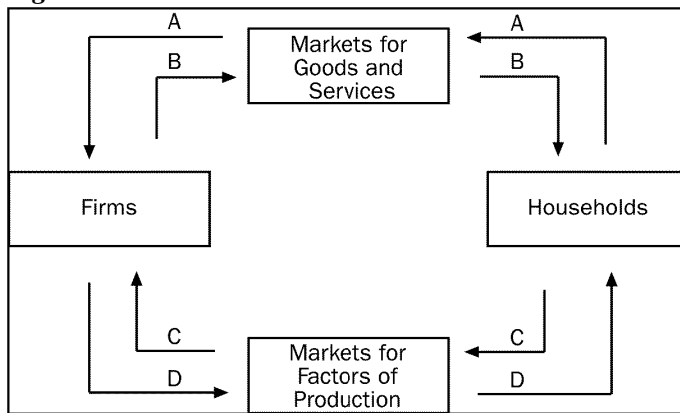
- ____ 5. Economists use the word equity to describe a situation in which
 - a. each member of society has the same income.
 - b. society is getting the most it can from its scarce resources.
 - c. those in society who have the least will receive the most.
 - d. the benefits of society's resources are distributed fairly among society's members.

- ____ 6. The opportunity cost of an item is
 - a. the number of hours needed to earn money to buy it.
 - b. what you give up to get that item.
 - c. usually less than the dollar value of the item.
 - d. the dollar value of the item.

- ____ 7. A circular-flow diagram is a model that
 - a. illustrates cost-benefit analysis.
 - b. explains how the economy is organized.
 - c. shows the flow of traffic in an economic region.
 - d. explains how banks circulate money in the economy.

8. In a circular-flow diagram,
- taxes flow from households to firms, and transfer payments flow from firms to households.
 - income payments flow from firms to households, and sales revenue flows from households to firms.
 - resources flow from firms to households, and goods and services flow from households to firms.
 - inputs and outputs flow in the same direction as the flow of dollars, from firms to households.
9. Another name for goods and services produced by firms is
- factors of production.
 - output.
 - inputs.
 - resources.

Figure-1



10. Refer to Figure 1. Which arrow shows the flow of spending by households?
- A
 - B
 - C
 - D

QUIZ 1

VERSION 3

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. A good is considered scarce in a society when
 - a. more output of the good is possible.
 - b. everyone in that society cannot have all they want of the good.
 - c. the government restricts production of the good.
 - d. only the richest people in the economy can buy all they want of the good.

- _____ 2. 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. communism.
 - c. externalities.
 - d. market failure.

- _____ 3. Economists study all of the following EXCEPT
 - a. how people make decisions.
 - b. how people interact with one another.
 - c. the forces and trends that affect the economy as a whole.
 - d. how societies change over time.

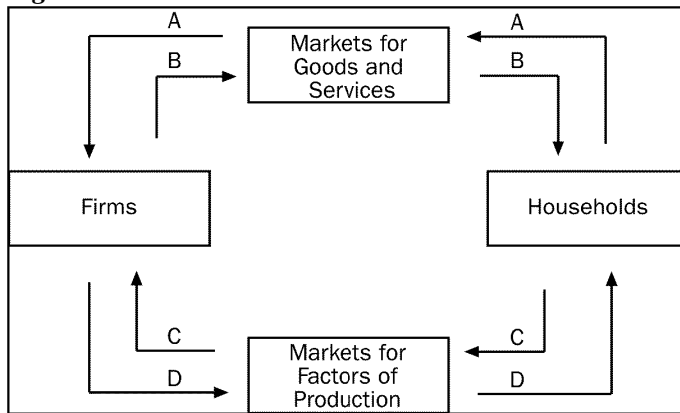
- _____ 4. Economists use the phrase "There is no such thing as a free lunch," to illustrate
 - a. how inflation increases prices.
 - b. that to get one thing, we must give up something else.
 - c. that nothing is free in a market economy.
 - d. that if something looks too good to be true, it probably is.

- _____ 5. Which of the following best defines efficiency?
 - a. absolute fairness
 - b. equal distribution
 - c. minimum waste
 - d. consumer sovereignty

- _____ 6. The opportunity cost of going to college is
 - a. the total spent on food, clothing, books, transportation, tuition, lodging, and other expenses.
 - b. the value of the best opportunity a student gives up to attend college.
 - c. zero for students who are fortunate enough to have all of their college expenses paid by someone else.
 - d. zero, since a college education will allow a student to earn a larger income after graduation.

7. Factors of production are
- the mathematical calculations firms make to determine production.
 - weather and social and political conditions that affect production.
 - the physical relationships between economic inputs and outputs.
 - inputs into the production process.
8. In the simple circular-flow diagram, the decision makers consist of
- firms and government.
 - households and firms.
 - households and government.
 - households, firms, and government.
9. Factors of production are
- used to produce goods and services.
 - owned by firms.
 - abundant in most economies.
 - used by both firms and households.

Figure 1



10. **Refer to Figure 1.** Which arrow shows the flow of the factors of production?
- A
 - B
 - C
 - D

QUIZ 1

VERSION 4

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. Scarcity exists when
 - a. there is less than an infinite amount of a resource or good.
 - b. society can meet the wants of every individual.
 - c. there is less of a good or resource available than people wish to have.
 - d. the government fails to produce goods.

- _____ 2. Which of the following would NOT be true in a world without scarcity?
 - a. There would be no need for the science of economics.
 - b. Everyone would have all the goods and services they wanted.
 - c. There would have to be an infinite supply of every resource.
 - d. There would be opportunity costs.

- _____ 3. Which of the following is NOT a major area of study for economists?
 - a. how people make decisions
 - b. how countries choose national leaders
 - c. how people interact with each other
 - d. how forces and trends affect the overall economy

- _____ 4. Which best represents the concept represented by the adage, "There is no such thing as a free lunch"?
 - a. Melissa can only attend the concert if she takes her sister with her.
 - b. Greg is hungry and homeless.
 - c. Brian must repair the tire on his bike before he can ride it to class.
 - d. Kendra must decide between going to Miami or Cancun for spring break.

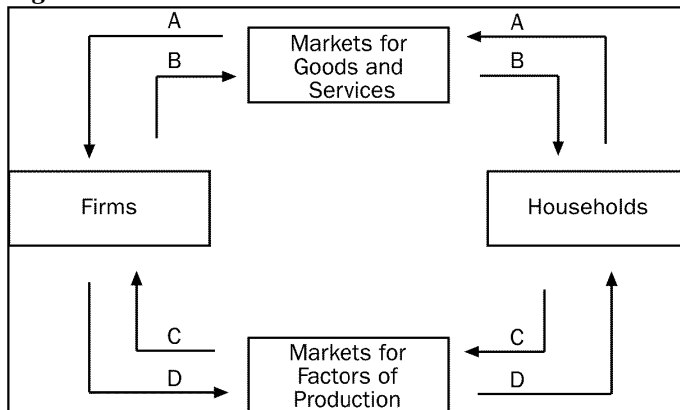
- _____ 5. One definition of equity would be
 - a. equality.
 - b. efficiency.
 - c. fairness.
 - d. similarity.

- _____ 6. In economics, the cost of something is
 - a. the dollar amount of obtaining it.
 - b. always measured in units of time given up to get it.
 - c. what you give up to get it.
 - d. usually higher than people think it will be.

- _____ 7. A circular-flow diagram is a model that
 - a. illustrates cost-benefit analysis.
 - b. explains how the economy is organized.
 - c. shows the flow of traffic in an economic region.
 - d. explains how banks circulate money in the economy.

8. The two loops in the circular-flow diagram represent the flow of
- goods and the flow of services.
 - dollars and the flow of financial assets.
 - inputs and outputs and the flow of dollars.
 - capital goods and the flow of consumer goods.
9. According to a simple circular-flow diagram, households and firms interact in
- only one type of market.
 - two types of markets.
 - three types of markets.
 - Households and firms do not interact.

Figure 1



10. Refer to Figure 1. Which arrow shows the flow of income payments?
- A
 - B
 - C
 - D

QUIZ 1 VERSION 1

Answer Section

MULTIPLE CHOICE

1. ANS: A
2. ANS: C
3. ANS: B
4. ANS: A
5. ANS: D
6. ANS: A
7. ANS: A
8. ANS: C
9. ANS: D
10. ANS: B

QUIZ 1 VERSION 2

Answer Section

MULTIPLE CHOICE

1. ANS: A
2. ANS: D
3. ANS: A
4. ANS: C
5. ANS: D
6. ANS: B
7. ANS: B
8. ANS: B
9. ANS: B
10. ANS: A

QUIZ 1 VERSION 3

Answer Section

MULTIPLE CHOICE

1. ANS: B
2. ANS: A
3. ANS: D
4. ANS: B
5. ANS: C
6. ANS: B
7. ANS: D
8. ANS: B
9. ANS: A
10. ANS: C

QUIZ 1 VERSION 4

Answer Section

MULTIPLE CHOICE

1. ANS: C
2. ANS: C
3. ANS: B
4. ANS: D
5. ANS: C
6. ANS: C
7. ANS: B
8. ANS: C
9. ANS: B
10. ANS: D