

**University of Lethbridge - Department of Economics**  
**ECON 1010 - Introduction to Microeconomics**  
**Instructor: Michael G. Lanyi**

**Lab #1 - Chapter 1 & 1A**

1) Which of the following is the best definition of economics?

- A) The study of how consumers spend their income.
- B) The study of how individuals, businesses, governments, and entire societies make choices as they cope with scarcity and the incentives that influence and reconcile those choices.
- C) The study of how consumers and producers meet each other at the market.
- D) The study of how a provincial government allocates tax dollars.
- E) The study of how producers decide what inputs to hire and what outputs to produce.

Answer: B

User1:

2) Complete the following sentence. Scarcity refers to

- A) the fact that human wants cannot be fully satisfied with available resources.
- B) what to produce.
- C) normative economics only.
- D) what to consume.
- E) positive economics only.

Answer: A

User1:

3) In a world characterized by scarcity

- A) opportunity costs are zero.
- B) we need not sacrifice in order to obtain what we want.
- C) people must make choices among alternatives.
- D) individuals need not work in order to obtain goods.
- E) all goods would be free.

Answer: C

User1:

4) When a choice is made, we call the value of the best alternative choice the

- A) marginal choice.
- B) monetary cost.
- C) marginal cost.
- D) marginal benefit.
- E) opportunity cost.

Answer: E

User1:

- 5) Which one of the following is a part of the opportunity cost of attending college for an individual who lives on their own?
- A) cost of clothing
  - B) cost of transportation
  - C) cost of tuition
  - D) cost of meals
  - E) cost of renting movies

Answer: C

User1:

- 6) During the next hour John can choose one of the following three activities: playing basketball, watching television, or reading a book. The opportunity cost of reading a book
- A) is the value of playing basketball if John prefers that to watching television.
  - B) is the value of playing basketball *and* the value of watching television.
  - C) is the value of watching television if John prefers playing basketball to watching television.
  - D) depends on how much John enjoys the book.
  - E) depends on how much the book cost when it was purchased.

Answer: A

User1:

- 7) A welder makes \$20 an hour. He must take two hours off work (with pay) to go to the dentist to have a tooth extracted. The dentist charges \$100. The opportunity cost of the welder's trip to the dentist is
- A) \$140.
  - B) \$40.
  - C) \$100.
  - D) \$120.
  - E) \$60.

Answer: C

User1:

- 8) When the government of Alberta chooses to build more roads, the required resources are no longer available for spending on public education. This dilemma illustrates the concept of
- A) monetary cost.
  - B) Fallacy of Composition.
  - C) Post Hoc Fallacy.
  - D) opportunity cost.
  - E) marginal benefit.

Answer: D

User1:

- 9) The opportunity cost to a customer for getting a \$10 haircut is the
- A) customer's best alternative use of the \$10.
  - B) customer's best alternative use of both the \$10 and the time it takes to get a haircut.
  - C) value to the barber of the time it takes to give a haircut.
  - D) customer's best alternative use of the time it takes to get a haircut.
  - E) value of \$10 to the barber.

Answer: B

User1:

10) When asked in an interview what she missed the most because of the time she spent training for the Olympics, a rower, who lived on her own, answered "a normal social life." She also revealed that she had given up a job that paid \$30 000 per year to train full-time. She received a grant of \$8 000 per year from Sport Canada, but this failed to cover all her training expenses. Her food and rent were \$5 000 per year and training expenses were \$12 000 per year. Aside from the value of a normal social life, what is the annual opportunity cost, expressed in dollars, to this rower of "Going for Gold"?

- A) \$39 000
- B) \$25 000
- C) \$34 000
- D) \$4 000
- E) \$30 000

Answer: C

User1:

11) Harrison makes \$30 an hour as a plumber. He must take two hours off work to have a tooth extracted, but his contract specifies the firm still pays him. The dentist charges \$80. The opportunity cost to the *firm* of Harrison's trip to the dentist is

- A) \$140.
- B) \$50.
- C) \$110.
- D) \$80.
- E) \$60.

Answer: E

User1:

12) What is the definition of marginal benefit?

- A) the cost of an increase in an activity
- B) the benefit that arises from a decrease in an activity
- C) the benefit that arises from an increase in an activity
- D) the summation of benefit and cost that arises from an increase in an activity
- E) the cost of a decrease in an activity

Answer: C

User1:

13) Monika will choose to eat a seventh pizza slice if

- A) the marginal benefit of the seventh slice is less than its marginal cost.
- B) she is training to be a Sumo wrestler.
- C) the total benefit of all seven slices is less than their total cost.
- D) the total benefit of all seven slices is greater than their total cost.
- E) the marginal benefit of the seventh slice is greater than its marginal cost.

Answer: E

User1: Study Guide

14) If you take another class this term, you can graduate earlier. This is an illustration of

- A) marginal benefit.
- B) opportunity cost.
- C) social cost.
- D) total cost.
- E) the pursuit social interest.

Answer: A

User1:

15) If you take another class this term, it costs you \$250 plus the lost time you could have used to play racquetball.

This is an illustration of

- A) **marginal cost.**
- B) social cost.
- C) total cost.
- D) marginal benefit.
- E) the big payoff.

Answer: A

User1:

16) The Latin term *ceteris paribus* means

- A) "Innocent until proven guilty."
- B) **"If all other relevant things remain the same."**
- C) "Compositions are fallacious."
- D) "The whole is not the sum of the parts."
- E) "Fallacies are composed."

Answer: B

User1: Study Guide

17) Complete the following sentence. Microeconomics is

- A) concerned with normative issues only.
- B) concerned with the size of the total amount of income earned by all households in an economy.
- C) **the branch of economics that studies the decisions of individual households and firms.**
- D) unrelated to macroeconomics.
- E) concerned exclusively with the role of the government in the economy.

Answer: C

User1:

18) To earn income, people sell the services of the factors of production they own. Land earns \_\_\_\_\_; labour earns \_\_\_\_\_; capital earns \_\_\_\_\_ and entrepreneurship earns \_\_\_\_\_.

- A) interest; profit; rent; wages.
- B) **rent; wages; interest; profit.**
- C) wages; interest; profit; rent.
- D) profit; interest; wages; rent.
- E) profit; wages; rent; interest.

Answer: B

User1:

Use the figure below to answer the following question(s).

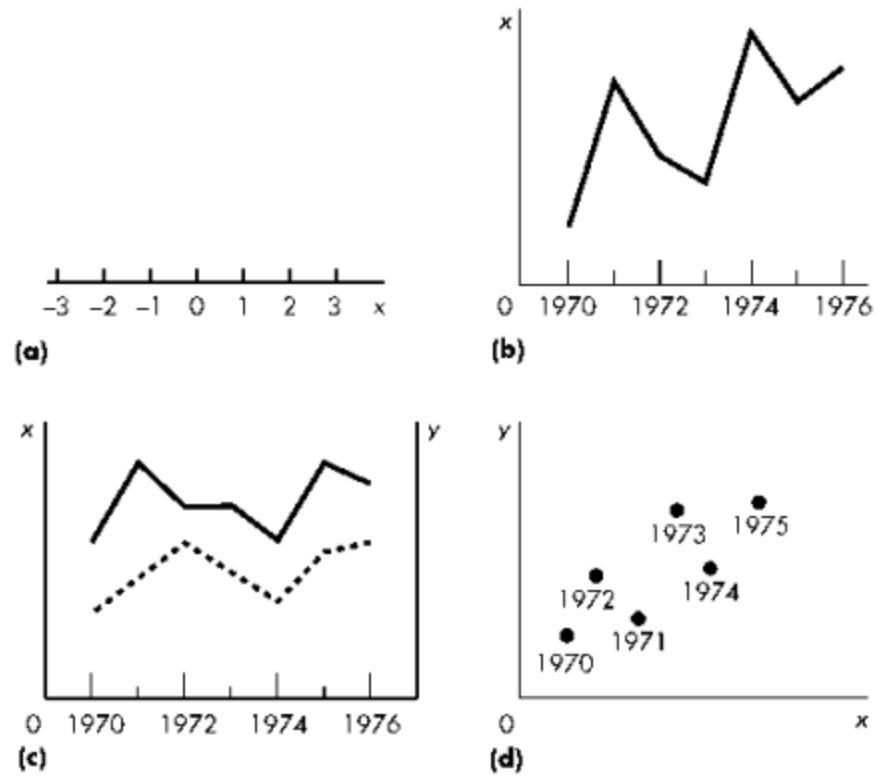


Figure A1.1

19) Refer to FigureA1.1. Which one of the graphs is a scatter diagram?

- A) (a).
- B) (b).
- C) (c).
- D) (d).
- E) (b) and (d).

Answer: D

User1:

20) Two variables are positively related if

- A) increases in one are associated with increases in the other.
- B) increases in one are associated with decreases in the other.
- C) decreases in one are associated with increases in the other.
- D) any change in one causes a decrease in the other.
- E) any change in one causes an increase in the other.

Answer: A

User1:

Use the figure below to answer the following question(s).

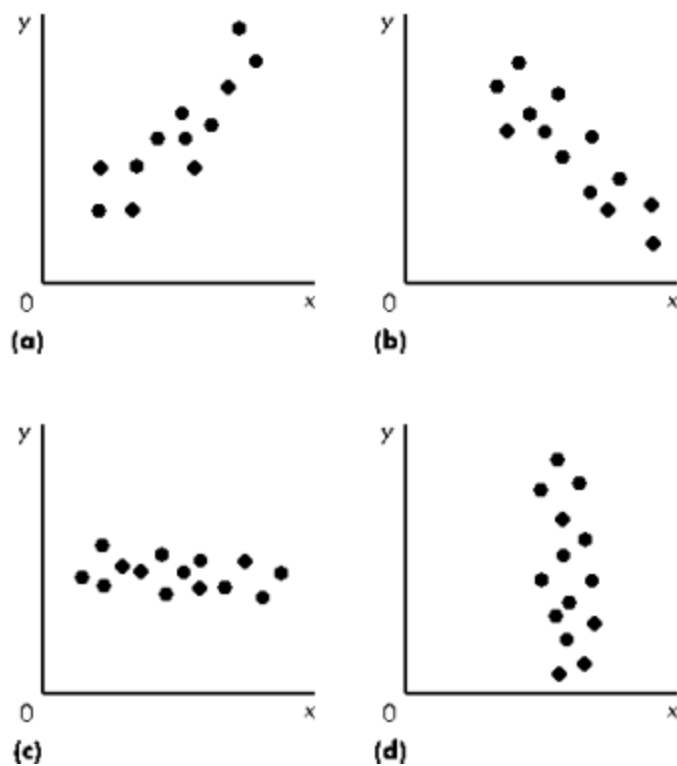


Figure A1.5

21) Refer to Figure A1.5. Which graph(s) indicates a negative relationship between  $x$  and  $y$ ?

- A) (a)
- B) (b)
- C) (c)
- D) (d)
- E) (b) and (d)

Answer: B

User1:

Use the figure below to answer the following question(s).

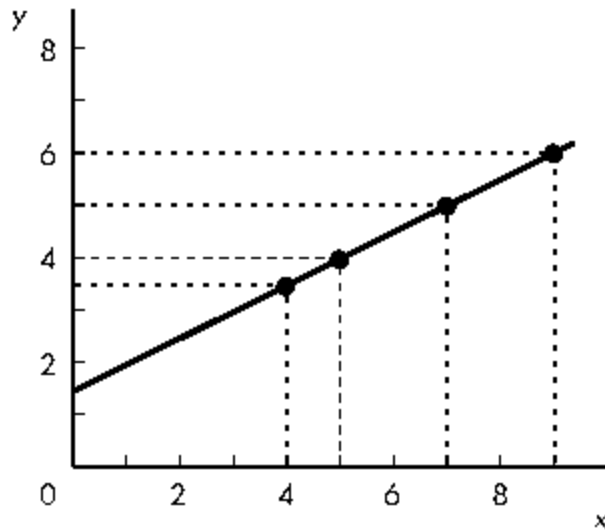


Figure A1.6

22) In Figure A1.6, the value of  $y$  is 5 when  $x$  is

- A) 4.
- B) 5.
- C) 6.
- D) 7.
- E) 8.

Answer: D

User1:

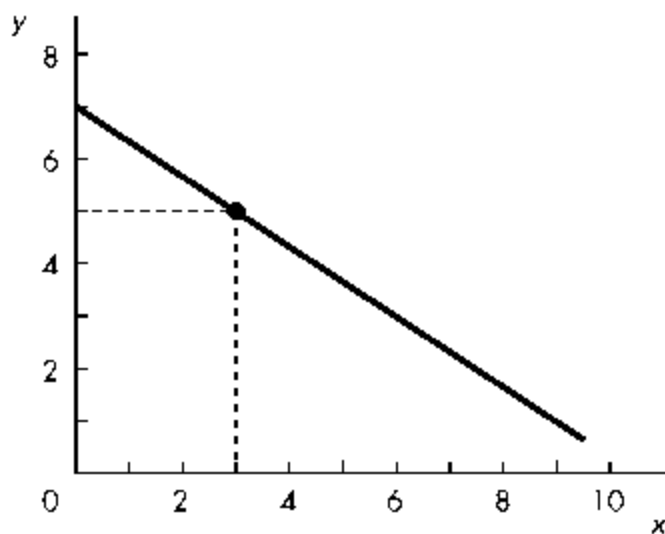
23) The slope of the line in Figure A1.6 is

- A)  $1/2$ .
- B) -1.
- C) 1.
- D) 2.
- E) dependent on where you measure it.

Answer: A

User1:

Use the figure below to answer the following question(s).



FigureA1.7

- 24) In FigureA1.7, the variables  $x$  and  $y$
- A) reach a maximum when  $x$  is zero.
  - B) are positively related.
  - C) move up and down together.
  - D) are time-series variables.
  - E) are negatively related.

Answer: E

User1:

- 25) The slope of the line in Figure A1.7 is
- A)  $-3/2$ .
  - B)  $-2/3$ .
  - C)  $2/3$ .
  - D)  $3/2$ .
  - E) none of the above.

Answer: B

User1:



Use the figure below to answer the following question(s).

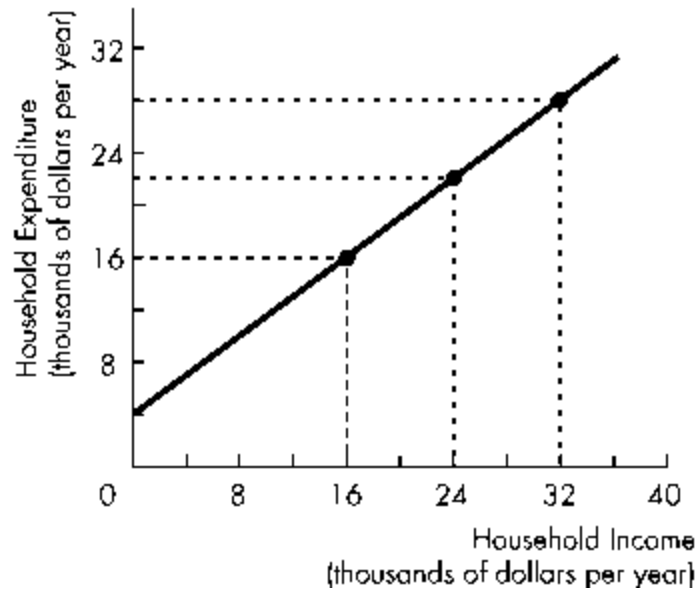


Figure A1.11

26) Refer to Figure A1.11. If household income is \$16 000, household expenditures will be

- A) \$10 000.
- B) \$20 000.
- C) \$18 000.
- D) \$12 000.
- E) \$16 000.

Answer: E

User1:

27) In Figure A1.11, if household income increases by \$1 000, household expenditure will

- A) increase by \$1 333.
- B) decrease by \$1 333.
- C) increase by \$1 000.
- D) increase by \$750.
- E) remain unchanged.

Answer: D

User1: Study Guide

Use the figure below to answer the following question(s).

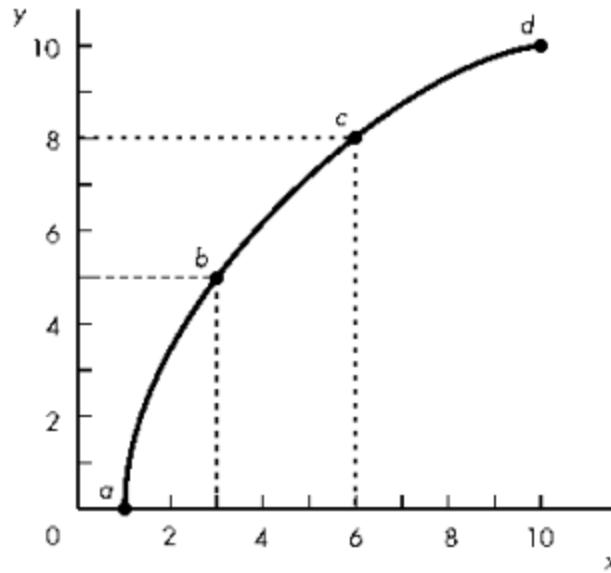


Figure A1.13

- 28) Figure A1.13 illustrates two variables,  $x$  and  $y$ , which are
- A) negatively related, with an increasing slope as  $x$  increases.
  - B) positively related, with a decreasing slope as  $x$  increases.
  - C) positively related, with an increasing slope as  $x$  increases.
  - D) positively related, with slope first increasing then decreasing.
  - E) negatively related, with a decreasing slope as  $x$  increases.

Answer: B

User1:

- 29) If the equation of a straight line is  $y = 8 - 2x$ , then the slope is
- A) -2 and the  $x$ -intercept is -4.
  - B) 2 and the  $x$ -intercept is 4.
  - C) 2 and the  $x$ -intercept is -4.
  - D) -2 and the  $x$ -intercept is 4.
  - E) -2 and the  $x$ -intercept is 8.

Answer: D

User1: Study Guide

- 30) The equation of a line is  $y = 4 + 2x$ . What is the  $y$ -intercept of this line?
- A) 0
  - B) -2
  - C)  $1/4$
  - D) 4
  - E)  $-1/2$ .

Answer: D

User1:

31) The equation of a line is  $y = 4 + 2x$ . What is the  $x$ -intercept of this line?

A)  $1/4$

B) 4

C) 0

D) -2

E)  $-1/2$ .

Answer: D

User1: