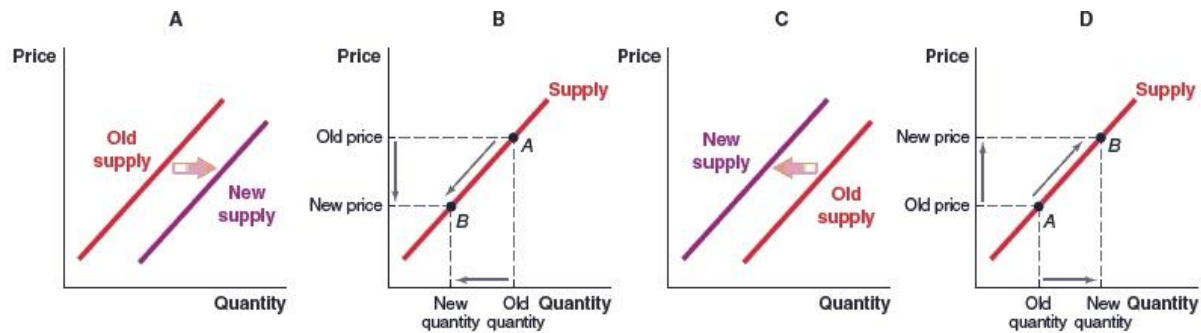


Practice Exam 1

NOTE: When taking the actual exam, you will only be able to move forward through the questions – once you have submitted an answer you can NOT go back to that question.

1. Stevia is a natural sweetener that is used as a substitute for sugar. Which of the following graphs shows the effect on the supply of bakery desserts made with stevia when the price of stevia rises?



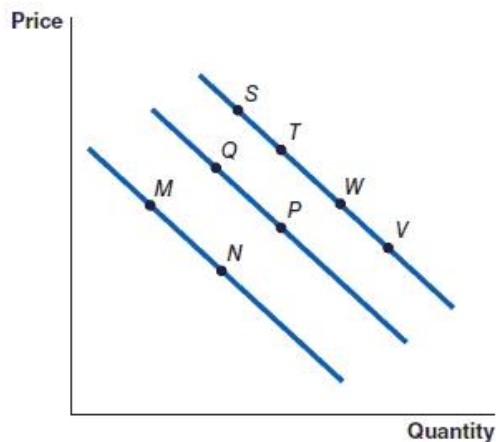
- a. None of the answers
 - b. Graph A
 - c. Graph B
 - d. Graph C
 - e. Graph D
2. Marie Johnston is a manager at an electronics store and has to decide how many workers to hire. If she hires one worker, her revenue is \$800 per day. If she hires another worker, she can make another \$600 per day. The marginal benefit of hiring another worker decreases by \$200 with each additional hire. Assuming that workers are paid \$20 per hour and work eight hours, how many employees should Marie hire, and what will be the total revenue of her store?
- a. She will hire two workers and the revenue of the store will be \$1,400
 - b. None of the answers
 - c. She will hire three workers and the revenue of the store will be \$1,800
 - d. She will hire four workers and the revenue of the store will be \$2,000
 - e. She will hire five workers and the revenue of the store will be \$2,000
3. Diminishing marginal product leads to
- a. Rising marginal costs for a seller
 - b. Decreased profitability for a seller
 - c. Increased supply of the item in the market
 - d. Lower opportunity costs of producing the item
 - e. None of the answers

4. You are thinking of starting a tutoring service. You already have a part-time job on campus that pays \$10 per hour. You think you can tutor fellow students for five hours each Saturday at \$25 per hour. If you were not tutoring, you could work another five hours at your campus job. How much economic surplus will you generate each week if you start tutoring?
 - a. \$125
 - b. \$75
 - c. None of the answers
 - d. \$65
 - e. \$50
5. According the American Economic Association video, Economics intersects with which of these disciplines?
 - a. Medicine
 - b. Linguistics
 - c. Chemistry
 - d. All of the answers (except None of the answers)
 - e. None of the answers
6. If Canadian consumers expect the value of the Canadian dollar to rise against the US dollar, what impact would we expect this to have on Canadians' demand for American made products?
 - a. The demand for American-made items would fall
 - b. None of the answers
 - c. The demand for American-made items would not change
 - d. The demand for American-made items would rise
 - e. The demand for American-made items would double
7. As consumers consume more units of an item, the marginal benefit of each additional unit decreases at an increasing rate. This can be seen through:
 - a. demand curves that are flatter at lower quantities and steeper at higher quantities
 - b. demand curves that are steeper at lower quantities and flatter at higher quantities
 - c. demand curves that are vertical
 - d. demand curves that are positively sloped
 - e. None of the answers
8. According to Colin Camerer, which of the following best describes neuroeconomics?
 - a. None of the answers
 - b. Uses psychology to study economic decisions
 - c. All of these (except None of these)
 - d. Studying brain function when people are making decisions
 - e. Studying brain development important for economic reasoning

9. Consider your decision to attend class each day or skip it. Which of the four core principles of economics applies to the notion that by attending class you are not doing the next best activity you would prefer to do, such as napping or going to the gym?
- None of the answers
 - Cost-benefit principle
 - Opportunity cost principle
 - Marginal principle
 - Interdependence principle
10. The table shows the monthly individual demand schedules of four students for soda. What is the change in the total market demand for soda when the price changes from \$1.50 per can to \$2 per can?

Price per can of soda	Quantity of soda cans demanded per month			
	Joanna	Jeffrey	Jason	Jeremy
\$1.50	50	15	8	75
\$2.00	40	11	4	70
\$2.50	30	7	2	60
\$3.00	20	3	0	40
\$3.50	10	0	0	35

- The total quantity demanded in the market falls by 23 cans
 - The total quantity demanded in the market rises by 26 cans
 - The total quantity demanded in the market falls by 18 cans
 - The total quantity demanded in the market rises by 23 cans
 - None of the answers
11. Refer to the graph to answer the question. The movement from point S to point T is caused by:



- None of the answers
- an increase in the price of the item
- a decrease in the demand for the item
- an increase in the demand for the item
- a decrease in the price of the item

12. Which of the following lists only factors that would cause an increase in the supply of an item?
- A decrease in input prices; a technological innovation; a fall in the price of a substitute-in-production
 - A rise in the price of a substitute-in-production; an increase in the price of a complement-in-production; an expectation that the price of the item will increase in the future
 - A decrease in the number of sellers in the market; a fall in the price of a complement-in-production; a technological setback
 - An increase in input prices; a decrease in the number of sellers in the market; an increase in the price of a substitute-in-production
 - None of the answers
13. As a part of a market research project, you survey six food trucks across the city to gather data on how many meals they would plan to sale at various prices. The data you collect is in the accompanying table. What is the change in the total supply of meals in your survey when the price falls from \$7 per meal to \$6 per meal?

Quantity of Meals Supplied Per Week

Price per meal	Mario's Taco Stand	Curbside Chargrilled Burgers	Chuckin' Clouds BBQ	Burrito Dan's	La Jefa Cubanos	What a Jerk Jamaican Food
\$6.00	100	150	125	200	100	160
\$7.00	120	180	150	220	120	190
\$8.00	140	210	175	240	150	220
\$9.00	160	240	200	260	190	250
\$10.00	180	270	225	280	250	280

- The quantity supplied rises by 165
 - The quantity supplied falls by 155
 - The quantity supplied rises by 155
 - The quantity supplied falls by 145
 - None of the answers
14. According to Hal Varian, productivity growth is or results in which of the following?
- All of the answers (except None of the answers)
 - Higher standard of living
 - More consumption
 - What we leave to the future
 - None of the answers

15. Rose Riley's parents have booked and paid for a family trip to Aspen, Colorado, during her spring break. Rose's friends recently decided to drive to Destin, Florida, for spring break. Rose needs to decide whether to join her parents in Aspen or drive to the beach with her friends. The opportunity costs of joining her friends on the trip to Destin include each of the following EXCEPT
- a. Her parents' anger if she skips the family trip to Aspen
 - b. Her contribution to gas money for the drive to Destin
 - c. The hotel costs she will split with her friends in Destin
 - d. The ski lift ticket her parents have already purchased for her
 - e. None of the answers

Answer Key

1 d	6 d	11 e
2 d	7 a	12 a
3 a	8 d	13 d
4 b	9 c	14 a
5 a	10 a	15 d