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Economics 201-University of Calgary

The final exam is cumulative but with greater emphasis on the last half of the class. The following quiz only cover the materials after the midterm exam. However, please try both quizzes when studying for the final.

Economics (ECON 201-UCAL) Final Exam

Question 1

What is consumer theory?

- A It explains the Supply and Demand according to macroeconomic level.
- B It is a theory that explains how consumers interact with the producers in market economy.
- C Study of how consumers behave to changes in income and price of commodities.
- D It explains the supply curve according to the changes in quantity demanded.

Question 2

What is NOT an assumption of Indifference Curve?

- A Two items in analysis makes the consumer equally happy.
- B Indifference between bundles may exists.
- C At each point, less of on item is preferred over the other.
- D Utility is ordinarily measurable.

Question 3

A textbook company produced 500 textbooks and sold each for \$100. By producing the 500 textbooks, the company incurred a variable cost of \$40,000 and a total cost of

\$55,000. What is the firm's total fixed costs?

- A \$50,000
- B \$40,000
- C \$15,000
- D \$55,000

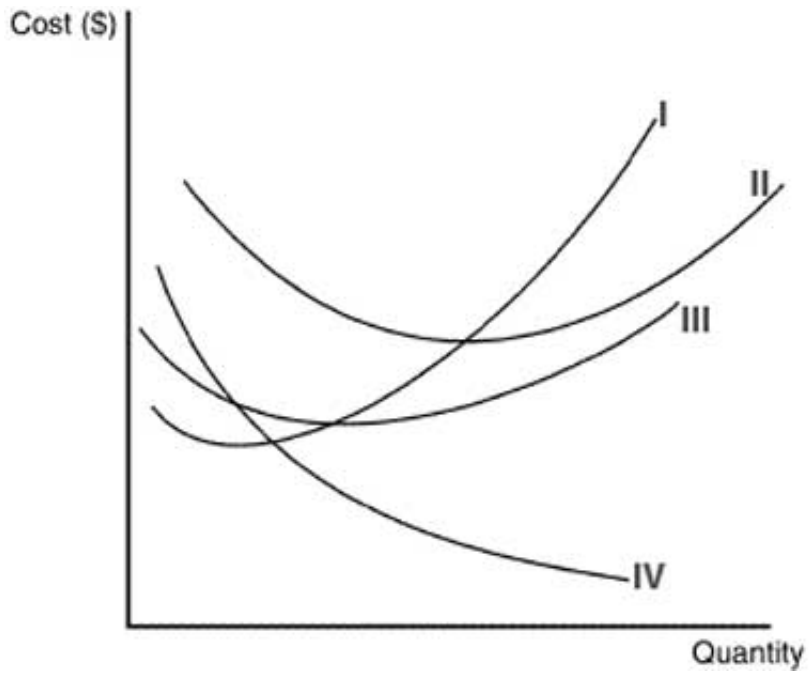
Question 4

A textbook company produced 500 textbooks and sold each for \$100. By producing the 500 textbooks, the company incurred a variable cost of \$40,000 and a total cost of \$55,000. What is the firm's average total cost?

- A \$55
- B \$110
- C \$100
- D \$80

Question 5

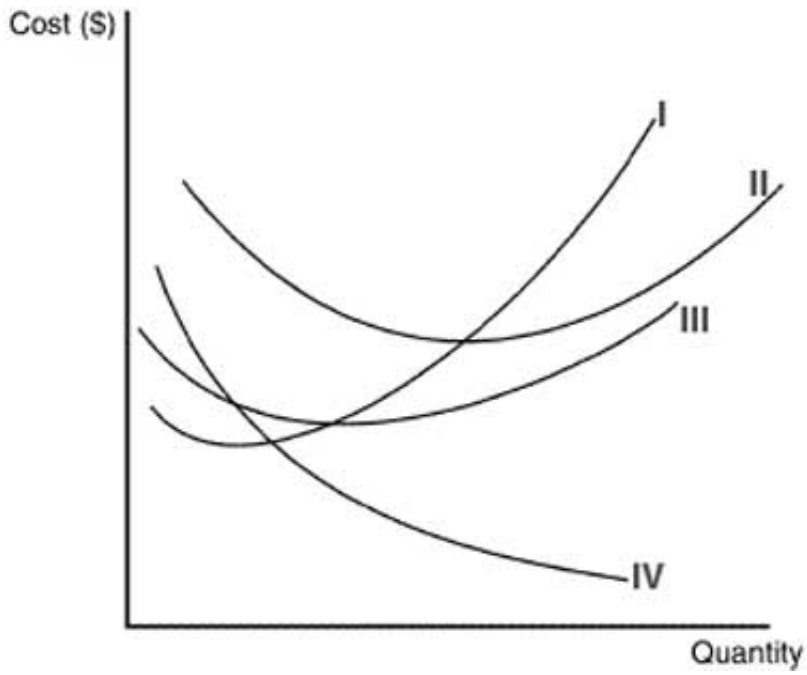
Which curve most likely represent marginal cost?



- A II
- B It is not shown on the given graph.
- C IV
- D I
- E III

Question 6

Which curve most likely represent budget line?



A I

B IV

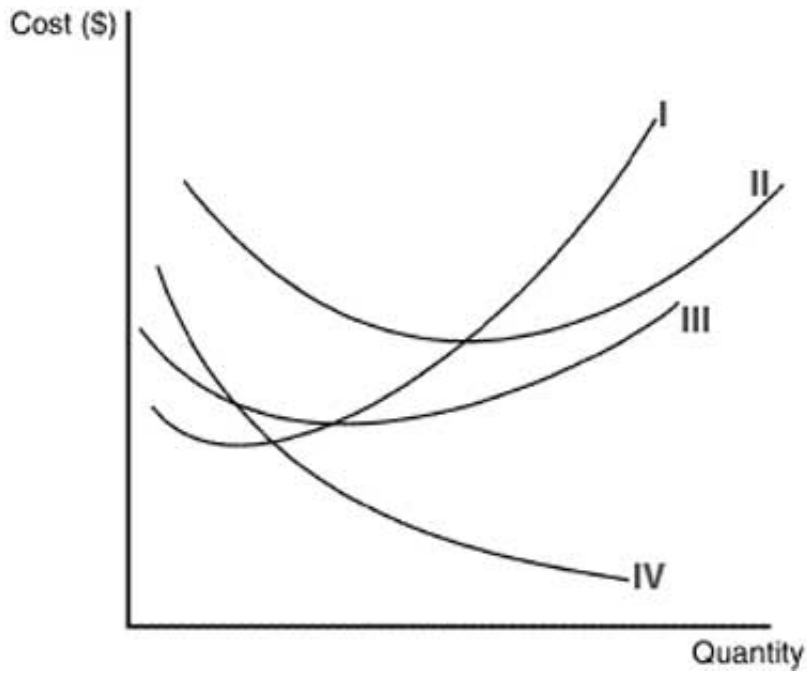
C III

D It is not shown on the given graph.

E II

Question 7

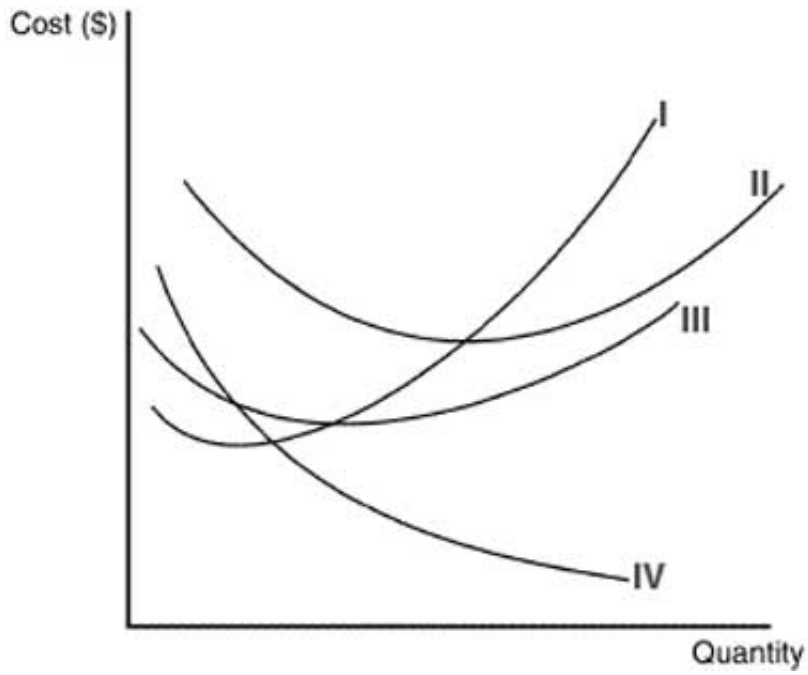
What is represented in curve II (second from the top) on the following diagram?



- A Marginal Costs
- B Average Variable Cost
- C Average Fixed Cost
- D Average Total Cost
- E Budget Line

Question 8

Which curve most likely represent average variable cost?



A III

B It is not shown on the given graph.

C I

D IV

E II

Question 9

Which of the following is a property of Indifference Curves?

- A Indifference curves are do NOT always reach the origin ($x,y=0$) but always has a linear relationship to between two items.
- B Indifference curves are upwards sloping.
- C Indifference curves are both upwards and downwards sloping.
- D Consumers always prefer higher indifference curves than the lower ones.
- E Consumers always prefer one item more than than the other at any given point on the indifference curve.

Question 10

The **marginal rate of substitution** can be best described as...

- A ...the slope at any point on a given indifference curve.
- B ...the rate of new products introduced to the market to replace another.
- C ...the rate at which a consumer can substitute one good for another to increase consumer surplus.
- D ...the quantity of products available for substitution.
- E ...the rate at which a producer can substitute one good for another to increase profits.

Question 11

If the two goods compared can be easily substitute for one another, what is the most possible shape of the indifference curve?

- A Highly curved and bowed inwards (towards the origin).
- B Highly curved and bowed outwards (away from the origin).
- C More horizontal and linear towards one end.
- D Straight line or less bowed curve.

Question 12

Given that all other factors are equal, as income increase the budget line shifts to left.

- A True.
- B False; it starts to curve towards the origin.
- C False; it moves up.
- D False; it moves to the right.

Question 13

The marginal cost (MC) curve crosses the average total cost (ATC) curve at the minimum point on the average cost curve.

- A False because MC never crosses ATC.
- B True
- C False because MC crosses ATC at the maximum point.
- D False because MC crosses ATC at the rising point of MC.

Question 14

What is profit?

- A It is the total revenue minus the total capital.
- B It is the total revenue minus the total average cost.
- C It is the total average cost divided by the quantity produced.
- D It is the total revenue minus the total cost.
- E It is the total revenue minus the total marginal cost.

Question 15

What is efficient scale?

- A It describes the quantity of output that minimizes the average total cost.
- B It is the total of both fixed costs and variable costs divided by the quantity of the good produced.
- C It is the total of both fixed costs and variable costs.
- D It is the the point, above which the average total cost curve start to fall.

Question 16

Marginal product can be best described as...

- A ...the increase in output that raises from an additional unit of input.
- B ...the maximum quantity of an item a consumer can afford at a given price.
- C ...the difference between what a producer can afford to produce and the market demand for the good.
- D ...the increase in input to have an additional unit of output.

Question 17

In the Production Theory, the constant return to scale refers to a situation where...

- A ...a firm cannot produce additional units of an item regardless of the increase in input.
- B ...the long run average cost stays the same as the quantity of input changes.
- C ...it is no longer suitable for a firm to integration to take control over the entire production process.
- D ...the long run total cost stays the same as the quantity of input changes.
- E ...a firm uses diversification of products to reduce economic loss.

Question 18

If you draw an indifference curve for two goods that are perfect compliments, what kind of general shape would you expect from the curve?

- A A curve that bends outward away from the origin.
- B A curve that increase its' slope on one side when moving away from the origin.
- C A straight line perfectly parallel to the y-axis.
- D A curve with a right angle 90-degree bend towards the origin.
- E A straight line perfectly parallel to the x-axis.

Question 19

Given the following scenario, please choose the best possible answer.

You buy a movie ticket for \$15. However, you lose the ticket. On the day of the screening, you can buy another ticket for \$20. Assuming you brought the new ticket, what statement best describe the situation?

- A The total opportunity cost of the movie is \$20.
- B The \$15 lost on the original ticket is a sunk cost.
- C The \$5 additional you paid is a consumer surplus.
- D The decision to buy the second ticket was a mistake.

Question 20

It is possible to operate a firm with negative accounting profits if, somehow, the economic profits are positive.

- A True
- B False

Question 21

A student decided to take a degree in Geology instead of Computer Engineering. The amount of money this student would have earned if he had went with Computer Engineering degree is...

- A ...an accounting cost.
- B ...an explicit cost.
- C ...an implicit cost.
- D ...a fixed cost.
- E ...a variable cost.

Question 22

According to production theory, which of the following can be one of many causes for increasing "return to scale"?

- A Short term investments.
- B Increase in investments.
- C Decrease in taxes.
- D Labor specialization.

Question 23

In diseconomies of scale...

- A ...the Return to Scale Average Cost curve decreases and the long-run Average Total Cost falls as input increases.
- B ...the Return to Scale Average Cost curve decreases and the long-run Average Total Cost rises as input increases.
- C ...the Return to Scale Average Cost curve increases and the long-run Average Total Cost falls as input increases.
- D ...the Return to Scale Average Cost curve increases and the long-run Average Total Cost rises as input increases.

Question 24

Over Long Run Average Cost (LRAC), a firm initially faces __I__, but eventually experiences __II__.

- A I. economies of scale
II. diseconomies of scale
- B I. increased competition
II. limited competition
- C I. profit rise
II. profit fall
- D I. profit fall
II. profit rise
- E I. diseconomies of scale
II. economies of scale
- F I. limited competition
II. increased competition

Question 25

On a P-Q diagram; with the development of new technologies, the Long Run Average Cost (LRAC) curve to move __I__ and with increase in input cost, the LRAC curve will move __II__. Assume all other factors remains unchanged.

- A I. down
II. up
- B I. left
II. right
- C I. right
II. left
- D I. up
II. down

Question 26

Under Perfect Competition market model, we assume the following **except**...

- A ...that we have very large number of very large firms.
- B ...extremely limited or no barriers to entry.
- C ...all firms are price takers and there are no price setters.
- D ...produce a standardized product.

Question 27

Profit maximization point occurs when...

- A ...marginal cost equals to the marginal revenue.
- B ...the demand is higher than the supply.
- C ...marginal cost is higher than the marginal revenue.
- D ...marginal cost is lower than the marginal revenue.
- E ...the supply is higher than the demand.

Question 28

All of the following statements are correct about market collusion, except...

- A Under international laws, collusion is NOT always illegal.
- B It prevents cheating among members of the organization.
- C Organizations that promotes collusion could fail a market (lead a market to a failure).
- D Members of a given collusion group are price setters.

Question 29

If a firm would like to price discriminate a product or service, which of the following criteria **must be met**?

- A The firm must have the ability to control all steps of the production process of a product. A firm cannot price discriminate a service.
- B The market type must be a free unregulated market.
- C The firm must have a significant market power.
- D The firm must have a specialized product or service.

Question 30

In a monopoly market, an economic loss occurs when the Average Revenue is _____ the Average Total Cost.

- A equal to
- B greater than
- C smaller than
- D cannot be answered

Question 31

If a firm is in a revenue losing position and shutdown/exit is not an option, what will be the next best course of action?

- A Improve the quality of product/service.
- B Increase implicit costs.
- C Reduce spending on advertisements and terminate promotional programs.
- D Price the product/service at the equilibrium point.

Question 32

Which of the following scenarios is **not** an example of price discrimination?

- A Cheaper price for last year version of the Economics textbook (new/unused) than the price for the this years' version (new/unused).
- B Calgary Transit offering lower ticket price for children compared to higher priced adult tickets.
- C A travel agency selling the identical travel package to you for cheaper than for your friend who brought it later.
- D Different prices a Geologic Consultation company charging their customers for soil testing.

Question 33

The government can reduce the environmental impact of heavy industries by...

- A ...controlling the industries by selling licenses for releasing harmful chemicals.
- B ...artificially increasing the price of goods by creating a binding floor price.
- C ...banning the operation of such industries.
- D ...increasing the tax on the industry.

Question 34

Which of the following is a true statement about oligopoly?

- A All firms are price takers in this market.
- B This type of structure will result in more competitive market than any other type of market structure.
- C Only produce a standardized product but by different firms.
- D At least two firms have majority of control in the market.

Question 35

Brand proliferation is an advantage to the consumer/buyer.

- A False; it will reduce the competition because of product specialization.
- B May or may not be beneficial to the consumer.
- C True; it will provide the consumers with more choices.
- D True; it will create more competition.

Question 36

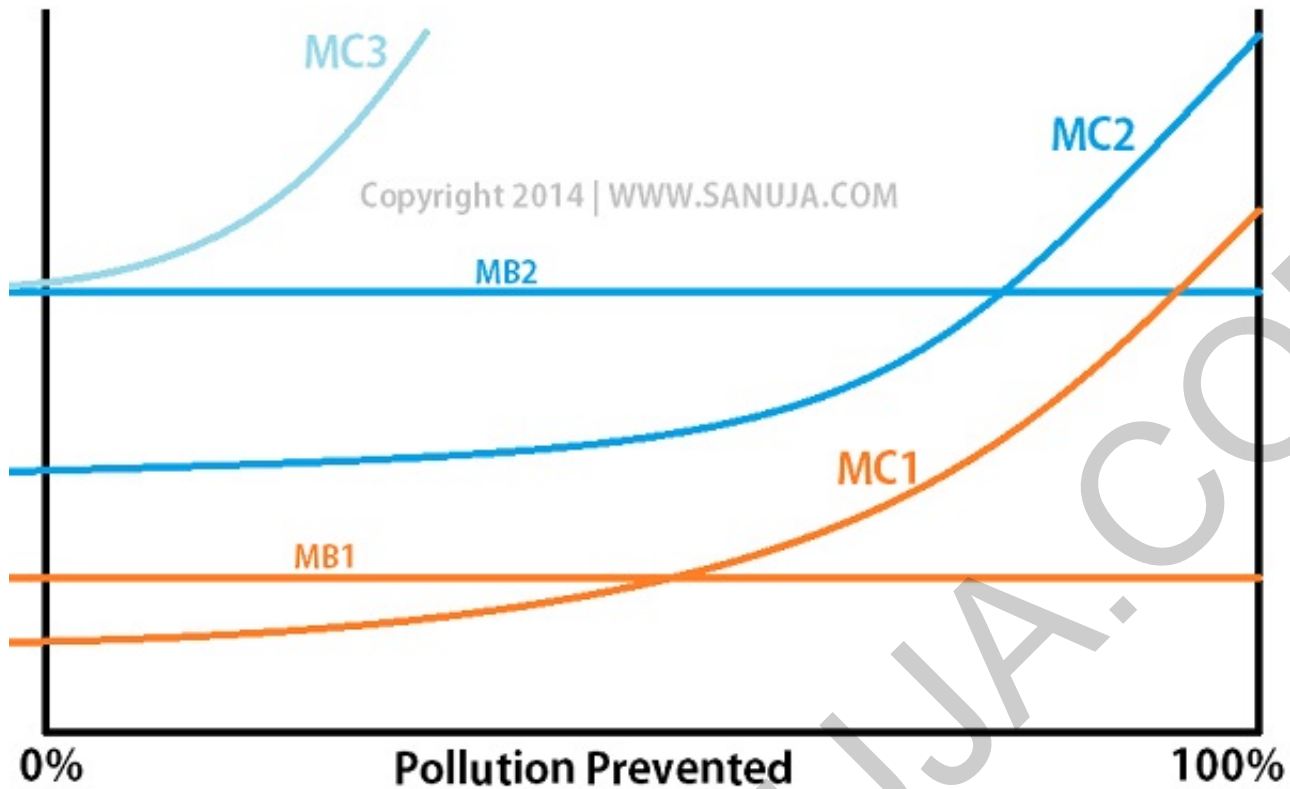
The Air Traffic Control program can be best described as a...

- A ...public good.
- B ...excludable good.
- C ...non-excludable good.
- D ...private good.

Question 37

The following graph is shows Marginal Benefit (MB) and Marginal Costs (MC) associated with pollution prevention for few different scenarios. Given all other things remain

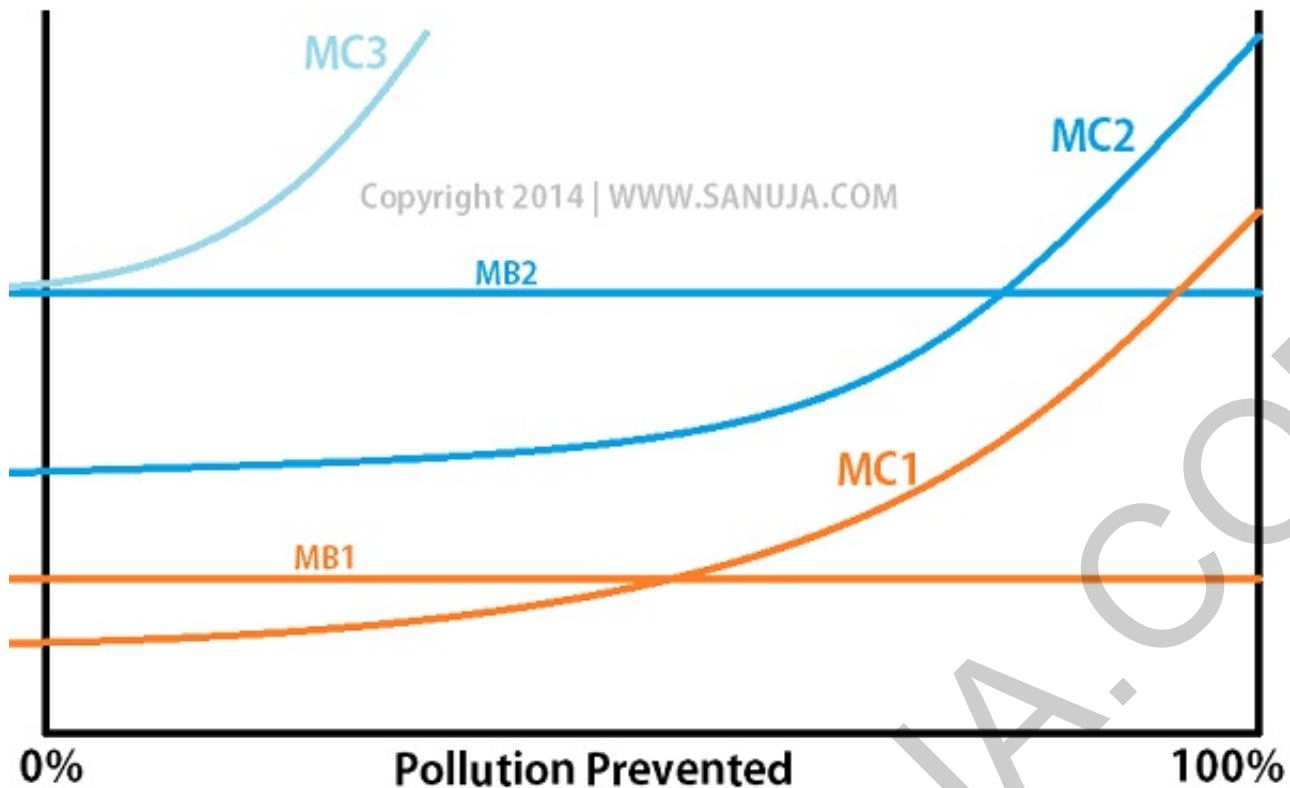
constant, what is the optimal intervention point for the first situation (orange)?



- A Any point left of the intersection between MB1 and MC1 where MC1 is below the MB1.
- B Any point right of the intersection between MB1 and MC1 where MC1 is above the MB1.
- C Not enough data is provided to answer this question because the cost of pollution prevented is not shown.
- D Not enough data is provided to answer this question because the quantity of pollution prevented is not shown.
- E At the intersection between MB1 and MC1

Question 38

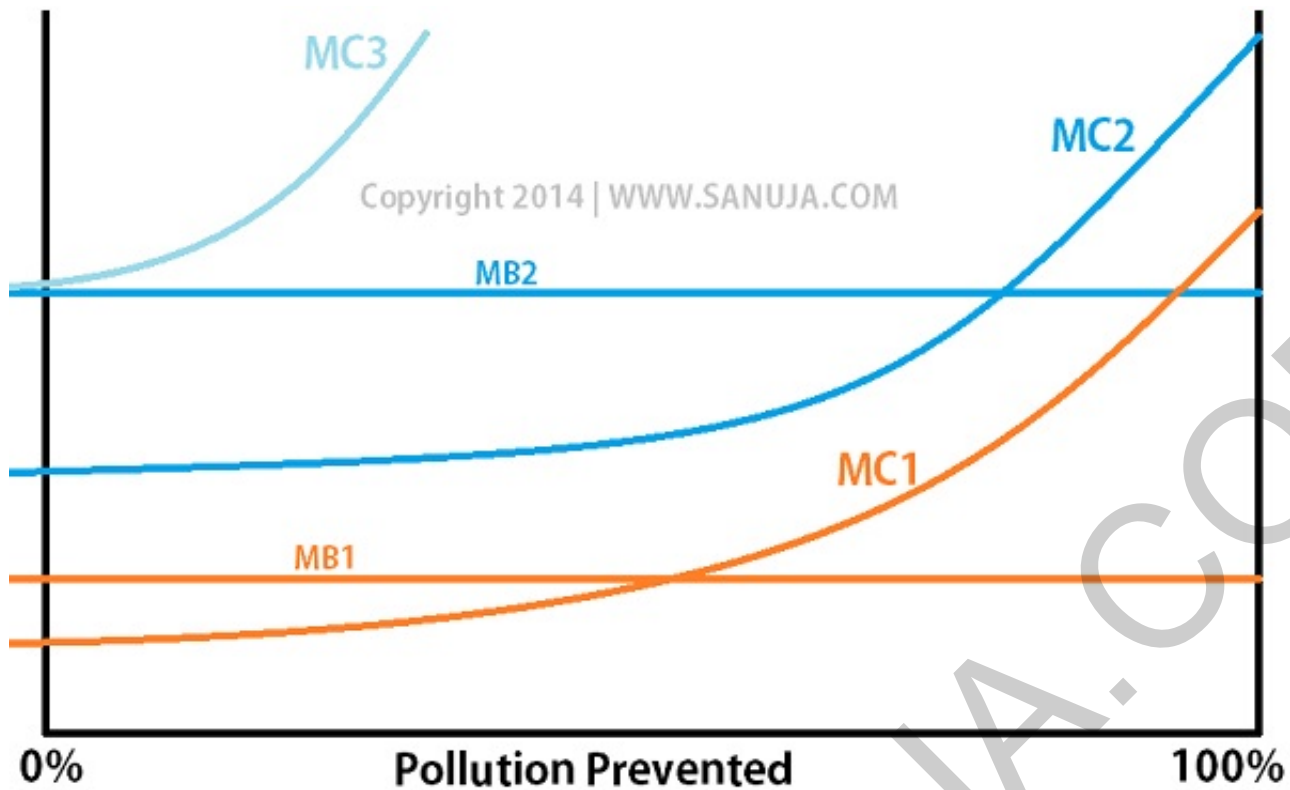
The following graph shows Marginal Benefit (MB) and Marginal Costs (MC) associated with pollution prevention for few different scenarios. Given all other things remain constant, which of the following statements is correct?



- A The best intervention point for pollution prevention for the second scenario (MC2, MB2, MC3) is at the intersection occur closer to 80% between MB2 and MC2.
- B At the optimum intervention point for both scenarios, the first scenario is always the best option because the intersection (MC1-MB1) is lower than the second one.
- C The best intervention point for pollution prevention for the second scenario (MC2, MB2, MC3) is at the intersection occur closer to 0% between MB2 and MC3.
- D At the optimum intervention point for both scenarios, the second scenario is always the best option because the intersection (MC2-MB2) prevent higher % of pollution than the first one.

Question 39

The following graph is shows Marginal Benefit (MB) and Marginal Costs (MC) associated with pollution prevention for few different scenarios. Given all other things remain constant, which of the following statements is correct?



- A The MC3 curve is a situation where pollution prevention costs are too high compared to the economic benefits of industries.
- B The increase in marginal benefits (MB) from MB1 to MB2 most likely cause by a depletion in technological advancements.
- C The MC3 curve is a situation where the market will experience a failure.
- D The increase in marginal benefits (MB) from MB1 to MB2 most likely cause by an economic collapse.

Question 40

When the supply curve with the social costs are lower than the supply curve with private cost of an item... (at the private cost level)

- A ...the price will be artificially higher and larger quantities are produced.
- B ...the price will be artificially higher and smaller quantities are produced.
- C ...the price will be artificially lower and smaller quantities are produced.
- D ...the price will be content higher and larger quantities are produced.
- E ...the price will be content higher and lower quantities are produced.

Question 41

If you have a higher social cost than a private cost, the best way to reduce or eliminate the difference is to...

- A ...do nothing and wait for the market equilibrium to occur.
- B ...subsidize the industry in question.
- C ...tax the industry in question.
- D ...deregulate industry in question.

Question 42

Which of the following can be considered as a non-excludable resource?

- A A farmhouse build by a farmer to keep his/her livestock.
- B A private road an oil company built in Alberta to access a remote location.
- C A groundwater remediation treatment facility near a major city.
- D A Economics textbook written by you.
- E A private owned solar energy farm.

Question 43

Economic profit...

- A ...is not very useful measure of how well a firm is performing in the market.
- B ...will always be equals to the accounting profit if the firm is producing a positive average revenue.
- C ...will always be lower than the accounting profit.
- D ...is the total revenue minus the explicit cost.

Question 44

No party can be better off without making making another party worse off in this type of equilibrium.

- A Dominant Strategy Equilibrium
- B Nash Equilibrium
- C Supply-Demand Equilibrium
- D Pareto Equilibrium

Question 45

What is Cournot competition?

- A It is a situation in which a powerful group of companies such as OPEC sets the market price.
- B It is a situation in which one company takes the leadership in the majority quantity of output.
- C It is a situation in which all firms sets the price at the same time hence creating very high competition.
- D It is a situation in which a powerful group of companies or a company sets the market price.
- E It is a situation in which companies compete on the amount of output they will produce.

Question 46

What is Bertrand competition?

- A It is a situation in which one company takes the leadership in the majority quantity of output.
- B It is a situation in which all firms sets the price at the same time hence creating very high competition.
- C It is a situation in which a powerful group of companies or a company sets the market price.
- D It is a situation in which a powerful group of companies such as OPEC sets the market price.
- E It is a situation in which one firms takes the leadership in the majority quantity of output.

Question 47

What term or phrase is used to describe the study of how people behave in strategic situations?

- A Decision theory
- B Dependency theory
- C Game theory
- D Strategic planning

Question 48

What is the concentration ratio of Firm 1?

... Firm 1 Firm 2

- I 70 18
- II 5 18
- III 5 18
- IV 5 18
- V 5 18

- A 70
- B 180
- C 90
- D 5

Question 49

What is the concentration ratio of Firm 2?

... Firm 1 Firm 2

- I 70 18
- II 5 18
- III 5 18
- IV 5 18
- V 5 18

A 90

B 5

C 70

D 18

Question 50

What is the Herfindahl Index for Firm 2?

... Firm 1 Firm 2

I 70 18

II 5 18

III 5 18

IV 5 18

V 5 18

A 1450

B 4820

C 1820

D 5000

E 1620

Question 51

What is the Herfindahl Index for Firm 1?

... Firm 1 Firm 2

I 70 18

II 5 18

III 5 18

IV 5 18

V 5 18

A 1450

B 1620

C 1820

D 5000

E 4820

Question 52

In a monopolistic economy, the positive profit is the always above the ATC curve.

A True

B False

Question 53

As firms exits the market, the demand curve shifts ___ for the firms remaining.

- A up
- B right
- C down
- D left

Question 54

Public goods can benefit society but it can also harm firms.

- A True
- B False

Once you are finished, click the button below. Any items you have not completed will be marked incorrect.

Get Results

There are 54 questions to complete.

Credits: Based on the excellent class notes provided by, [Schlenker](#) during Summer 2014.

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