

## Assignment-I

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### Question-1

Microeconomics focuses on

- a) issues such as economics growth, inflation and unemployment.
- b) the working of the whole economy.
- c) factors that affect the total demand for goods and services.
- d) the behavior of individuals and organizations towards scarce resources.

### Question-2

Which of the following is concerned with microeconomics?

- a) The unemployment rate decrease by 3%.
- b) In 1994, the national income of a country is RM23, 200.00 million.
- c) The economic growth of the country is expected to be 6.5% in 1998.
- d) The price of chicken increases significantly during Hari Raya season.

### Question-3

"We cannot have all the things we want. The resources available to satisfy our wants are, at any time, limited in supply".

The above statement reflects the concepts of:

- a) opportunity cost.
- b) choice.
- c) scarcity.
- d) absolute advantages.

### Question-4

Economics behavior such as choice is the result of

- a) human greed.
- b) scarcity.
- c) poverty.
- d) a desire to possess or do (something).

### Question-5

Suppose a city block was going to be used for a parking lot. The opportunity cost would be

- a) greater in Toronto because the alternative uses of the block are more valuable.
- b) lower in Toronto because the alternative uses of the block are more varied.
- c) greater in a small city because the alternative uses of the block are more valuable.
- d) lower in a small city because the alternative uses of the block are more varied.

**Question-6**

You, as a student, will decide to attend class when

- a) there is an attendance policy.
- b) your marginal benefit of attending exceeds the marginal cost of attending.
- c) your marginal benefit is positive.
- d) none of the above.

**Question-7**

Which of the following best describes the concept of utility and economic behavior?

- a) Consumers' desires for products that are useful.
- b) The tradeoff between spending and saving.
- c) Satisfaction from consuming goods or services.
- d) The effort required to generate income.

**Question-8**

Which of the following is not a key element of the scientific method?

- a) Designing data
- b) Testing explanations
- c) Formulating explanations
- d) Determining the validity of explanations

**Question-9**

The scientific method is the technique used by economists to determine

- a) the price of a product.
- b) the size of government.
- c) the way in which consumers relate to each other.
- d) economic principles.

**Question-10**

Which of the following represents a positive economic statement?

- a) The government should extend unemployment benefits.
- b) Taxes should not be increased since that will lower spending.
- c) The government should extend unemployment benefits.
- d) The unemployment rate is 2.3%.

**Question-11**

Which of the following statements is correct?

- a) Economics is a natural science.
- b) In large measure, economics is the study of how people make choices.
- c) If poverty was eliminated there would be no reason to study economics.
- d) Economic analysis can be used to explain how societies, but not individuals, make decisions.

**Question-12**

The concept of opportunity cost can be applied to the analysis of \_\_\_\_\_ decision-making processes.

- a) any
- b) only global
- c) only economy-wide
- d) only-small-scale

**Question-13**

Economic resources are the

- a) natural, human, and manufactured inputs used to produce goods and services.
- b) technological, human, and manufactured inputs used to produce goods and services.
- c) natural, human, and technological inputs used to produce goods and services.
- d) natural, technological, and manufactured inputs used to produce goods and services.

**Question-14**

Suppose that you are given a \$100 budget at work that can be spent only on two items: staplers and pens. If staplers cost \$10 each and pens cost \$2.50 each, then the opportunity cost of purchasing one stapler is:

- a) 10 pens.
- b) 5 pens.
- c) 4 pens.
- d)  $\frac{1}{4}$  pens.

**Question-15**

What are the two major ways in which an economy can grow and push its production possibilities curve outward?

- a) Better weather and nicer cars.
- b) Higher taxes and lower spending.
- c) Increases in resource supplies and advances in technology.
- d) Decreases in scarcity and advances in auditing.

**Question-16**

As a consequence of the condition of scarcity:

- a) there is always enough of everything.
- b) production has to be centrally planned.
- c) things which are plentiful have relatively high prices.
- d) individuals and communities have to make choices among alternatives.

**Question-17**

Opportunity cost is best defined as:

- a) marginal cost minus marginal benefit.
- b) the time spent on an economic activity.
- c) the value of the best foregone alternative.
- d) the money cost of an economic decision.

**Question-18**

Sarah makes \$150 a day as a bank clerk. She takes off two days of work without pay to fly to another city to attend the concert of her favourite music group. The cost of transportation for the trip is \$250. The cost of the concert ticket is \$50. The opportunity cost of Sarah's trip to the concert is:

- a) \$300
- b) \$400
- c) \$450
- d) \$600

**Question-19**

Specialization and trade are beneficial to society because:

- a) the output of economic goods may be increased with no increase in resources.
- b) scarce resources are utilized more efficiently.
- c) a division of labour lowers prices for products.
- d) all of the above are correct.

**Question-20**

When economists describe "a market," they mean:

- a) a place where stocks and bonds are traded.
- b) information networks that allow individuals to keep in touch with each other.
- c) a hypothetical place where the production of goods and services takes place.
- d) mechanism which coordinates actions of consumers and producers to establish equilibrium prices and quantities.

**Question-21**

A major argument for economic growth is that it:

- a) creates an equal distribution of income.
- b) protects common property resources.
- c) leads to a higher standard of living.
- d) reduces the amount of taxation.

**Question-22**

Assume that a tradeoff exists in the short run between inflation and unemployment. This relationship means that:

- a) a low rate of unemployment causes a low rate of inflation.
- b) the unemployment rate always equals the inflation rate.
- c) less unemployment can be achieved with more inflation.
- d) less unemployment can be achieved with less inflation.

**Question-23**

Purposeful behaviour suggests that:

- a) everyone will make identical choices.
- b) resource availability exceeds material wants.
- c) individuals make decisions with some desired outcome in mind.
- d) an individual's economic goals cannot involve tradeoffs.

**Question-24**

Consumers might leave a fast-food restaurant without being served because:

- a) they are misinformed about the marginal cost and marginal benefits of the food being served.
- b) they conclude that the marginal cost (monetary plus time costs) exceeds the marginal benefit.
- c) the environment is not conducive to a rational choice.
- d) the lines waiting for service are not of equal length.

**Question-25**

A "hypothesis" is:

- a) a fundamental truth which all economists accept.
- b) a tentative, untested principle.
- c) the same as a normative statement.
- d) always the result of induction.

**Question-26**

In constructing models, economists:

- a) make simplifying assumptions.
- b) include all available information.
- c) must use mathematical equations.
- d) attempt to duplicate the real world.

**Question-27**

The term "ceteris paribus" means:

- a) that if event A precedes event B, A has caused B.
- b) that economics deals with facts, not values.
- c) other things equal.
- d) prosperity inevitably follows recession.

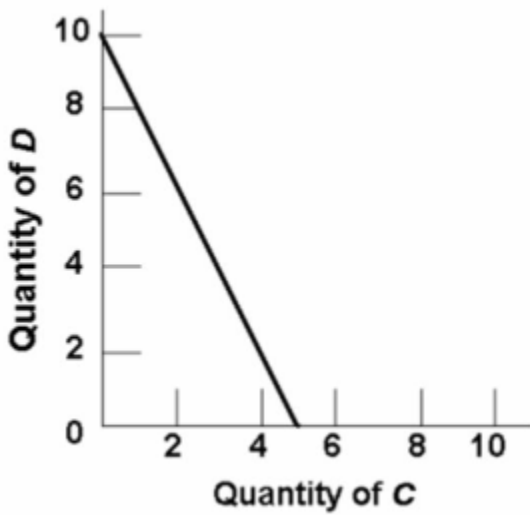
**Question-28**

Which of the following is a macroeconomic statement?

- a) The gross profit of all Canadian business were \$70 billion last year
- b) The price of beef declined by 3 percent last year.
- c) General Motors' profits increased in 2012.
- d) The productivity of steelworkers increased by 1 percent in 2012.

**Question-29**

Refer to the budget line shown in the diagram below. If the consumer's money income is \$20, the:



- a) prices of C and D cannot be determined.
- b) price of C is \$2 and the price of D is \$4.
- c) consumer can obtain a combination of 5 units of both C and D.
- d) price of C is \$4 and the price of D is \$2.

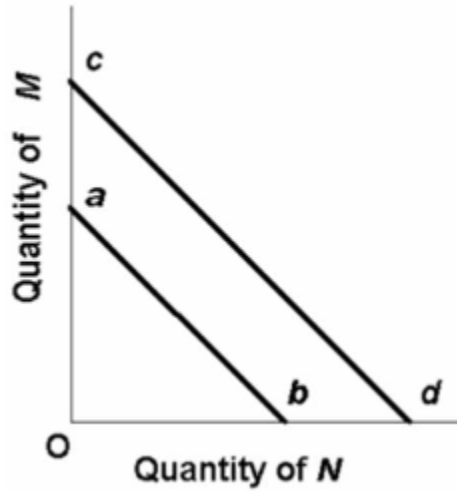
**Question-30**

In moving along a given budget line:

- a) the prices of both products and money income are assumed to be constant.
- b) each point on the line will be equally satisfactory to consumers.
- c) money income varies, but the prices of the two goods are constant.
- d) the prices of both products are assumed to vary, but money income is constant.

**Question-31**

The budget line shift from *cd* to *ab* in the below figure is consistent with:



- a) decreases in the prices of both M and N.
- b) an increase in the price of M and a decrease in the price of N.
- c) a decrease in money income.
- d) an increase in money income.

**Question-32**

The following production possibilities table represents an economy which is producing two products, tanks and autos. Refer to the table, in moving from possibility C to D, the cost of a tank in terms of autos is:

<b>Product</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Tanks	0	1	2	3	4	5
Autos	1000	950	850	650	350	0

- a) 50
- b) 100
- c) 200
- d) 300

**Question-33**

The production possibilities curve represents which of the following?

- a) the amount of goods attainable with variable resources.
- b) the maximum amount of goods attainable with variable resources.
- c) maximum combinations of goods attainable with fixed resources.
- d) the amount of goods attainable if prices decline.

**Question-34**

The construction of a production possibilities curve assumes:

- a) the quantities of all resources are fixed.
- b) technology is fixed.
- c) full employment and full production are being realized.
- d) all of the above.

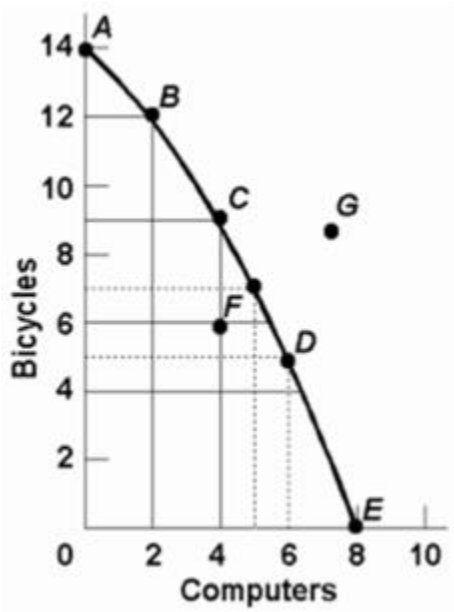
**Question-35**

A production possibilities curve illustrates:

- a) scarcity.
- b) market prices.
- c) consumer preferences.
- d) the distribution of income.

**Question-36**

Refer to the diagram below. Points A, B, C, D, and E show:



- a) that the opportunity cost of bicycles increases, while that of computers is constant.
- b) combinations of bicycles and computers which society can produce by using its resources efficiently.
- c) that the opportunity cost of computers increases, while that of bicycles is constant.
- d) that society's demand for computers is greater than its demand for bicycles.

**Question-37**

Refer to the below table. If the economy is producing at production alternative C, the opportunity cost of the tenth unit of consumer goods will be

Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	5	9	12	14	15

- a) 4 units of capital goods.
- b) 2 units of capital goods.
- c) 3 units of capital goods.
- d) 1/3 of a unit of capital goods.

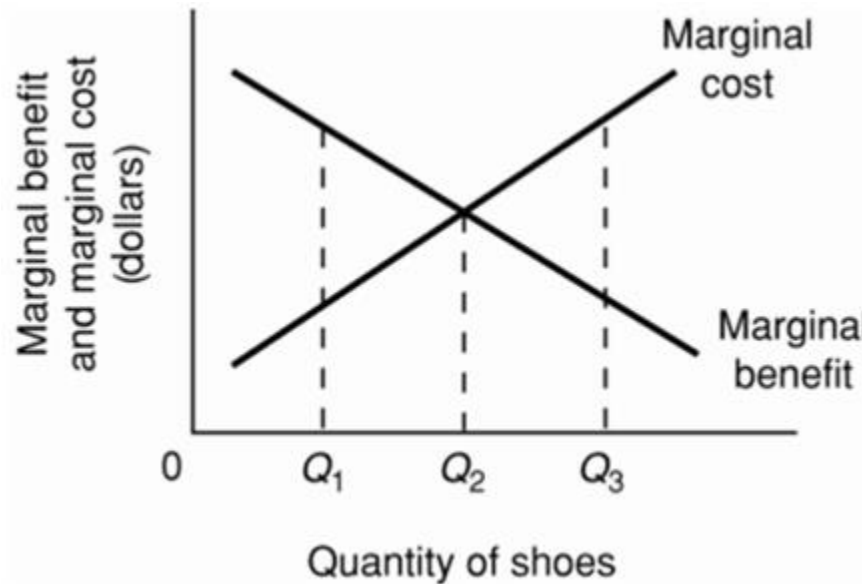
**Question-38**

A typical concave production possibilities curve implies:

- a) that economic resources are scarce.
- b) that society must choose among various attainable combinations of goods.
- c) increasing opportunity costs.
- d) all of the above.

**Question-39**

Refer to the below diagram for athletic shoes. The optimal output of shoes:



- a) is  $Q_1$ .
- b) is  $Q_2$ .
- c) is  $Q_3$ .
- d) is greater than  $Q_3$ .

**Question-40**

Refer to the diagram below. Other things equal, this economy will achieve the most rapid rate of growth if:



- a) the ratio of capital to consumer goods is minimized.
- b) it chooses point C.
- c) it chooses point B.
- d) it chooses point A.

QUESTIONS	ANSWERS
1	D
2	D
3	C
4	B
5	A
6	B
7	C
8	A
9	D
10	D
11	B
12	A
13	A
14	C
15	C
16	D
17	C
18	D
19	D
20	D
21	C
22	C
23	C
24	B
25	B
26	A
27	C
28	A
29	D
30	A
31	C
32	C
33	C
34	D
35	A
36	B
37	D
38	D
39	B
40	D