

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) The fact that some people can afford to live in beautiful homes while others are homeless is an example of an economy facing the _____ question.
 - A) "how"
 - B) "for whom"
 - C) "where"
 - D) "when"
 - E) "what"

- 2) 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) \$25 000
 - B) \$34 000
 - C) \$4 000
 - D) \$39 000
 - E) \$30 000

- 3) An economic model is
 - A) tested by the Testing Committee of the Canadian Economic Association.
 - B) not useful unless it predicts with 100 percent accuracy.
 - C) not useful because it simplifies real problems.
 - D) useful if it predicts well, even if its assumptions are not realistic.
 - E) tested by examining the realism of its assumptions.

Use the table below to answer the following question.

Table 1

Production possibilities for a society that produces only two goods — hockey sticks and maple leaves.

Possibility	Units of	Hockey Sticks	Units of Maple Leaves
<i>a</i>		3	0
<i>b</i>		2	3
<i>c</i>		0	9

- 4) Refer to Table 1. In moving from combination *c* to combination *b*, the opportunity cost of producing *one* additional hockey stick is
- A) 1/2 maple leaves.
 - B) 3 maple leaves.
 - C) 1/6 maple leaves.
 - D) 2 maple leaves.
 - E) 6 maple leaves.
- 5) Suppose the production possibilities frontier for skirts and pants is a straight line. As the production of skirts increases, the marginal benefit of skirts
- A) decreases and marginal cost decreases.
 - B) decreases and marginal cost increases.
 - C) is constant and marginal cost decreases.
 - D) increases and marginal cost is constant.
 - E) decreases and marginal cost is constant.
- 6) The opportunity cost of pushing the production possibilities frontier outward is
- A) the gain in future consumption.
 - B) capital accumulation.
 - C) technological change.
 - D) reduced current consumption.
 - E) all of the above.

Use the information below to answer the following question.

Fact 1

Agnes can produce either 1 unit of X or 1 unit of Y in an hour, while Brenda can produce either 2 units of X or 4 units of Y in an hour.

- 7) Given Fact 1, what would be the total output of X and Y in an eight-hour day if Agnes and Brenda each specialized in producing the good for which they have a comparative advantage?
- A) 24 units of X and 40 units of Y
 - B) 8 units of X and 16 units of Y
 - C) 16 units of X and 8 units of Y
 - D) 8 units of X and 32 units of Y
 - E) 3 units of X and 5 units of Y

Use the information below to answer the following question.

Fact 2

In an eight-hour day, Andy can produce either 24 loaves of bread or 8 kilograms of butter. In an eight-hour day, Rolfe can produce either 8 loaves of bread or 8 kilograms of butter.

- 8) Refer to Fact 2. The opportunity cost of producing 1 kilogram of butter is
- A) 1 hour for Andy and 1 hour for Rolfe.
 - B) 8 loaves of bread for Rolfe and 24 loaves of bread for Andy.
 - C) 3 loaves of bread for Andy and $\frac{1}{3}$ loaf of bread for Rolfe.
 - D) 3 loaves of bread for Andy and 1 loaf of bread for Rolfe.
 - E) 20 minutes ($\frac{1}{3}$ hour) for Andy and 1 hour for Rolfe.

Use the table below to answer the following question.

Table 2

Year	Coffee Price	Tea Price	Cola Price
2000	\$1.25	\$1.10	\$0.80
2001	\$1.50	\$1.00	\$1.00
2002	\$1.25	\$1.20	\$1.00

- 9) Consider Table 2. In 2000, the relative price of coffee in terms of tea is
- A) 0.88.
 - B) 1.10.
 - C) 1.25.
 - D) 1.00.
 - E) 1.14.

- 10) An increase in the price of ground beef will
- A) increase the demand for chicken, a substitute for beef.
 - B) increase the demand for hamburger buns, a complement for beef.
 - C) increase the quantity demanded of ground beef.
 - D) decrease the quantity demanded of ground beef.
 - E) both A and D.
- 11) Which one of the following could *not* cause an increase in demand for a good?
- A) a decrease in the price of a complement
 - B) an increase in income if the good is a normal good
 - C) a decrease in income if the good is an inferior good
 - D) an increase in preferences for the commodity
 - E) a decrease in the price of a substitute
- 12) Which one of the following would *not* shift the supply curve for good X to the right?
- A) an increase in the price of X
 - B) an increase in the price of Y , a complement in the production of X
 - C) an improvement in technology affecting the production of X
 - D) a reduction in the price of resources used in producing X
 - E) a decrease in the price of Y , a substitute for the production of X
- 13) A shift of the supply curve for rutabagas will be caused by
- A) a change in the price of rutabagas.
 - B) a change in preferences for rutabagas.
 - C) a change in the price of a related good that is a substitute for rutabagas.
 - D) a change in income.
 - E) none of the above.
- 14) Suppose we observe both a decrease in the price of good A and a decrease in the quantity of good A bought and sold. Which one of the following is a likely explanation?
- A) The demand for A has decreased.
 - B) The supply of A has decreased.
 - C) The supply of A has increased.
 - D) The demand for A has increased.
 - E) The law of demand is violated.
- 15) If A and B are substitutes in production and the price of A falls, the supply of B will
- A) increase, and the price of B will decrease.
 - B) decrease, and the price of B will decrease.
 - C) increase, and the price of B will increase.
 - D) decrease, and the price of B will increase.
 - E) shift depending on whether A and B are substitutes in consumption.