

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

- 1) The economic concept that serves as the basis for the study of economics is: 1) \_\_\_\_\_
- A) scarcity.
  - B) money.
  - C) unemployment.
  - D) inflation.

Answer: A

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-01 Ten Key Concepts to Retain for a Lifetime

- 2) As a consequence of the condition of scarcity: 2) \_\_\_\_\_
- A) individuals and communities have to make choices among alternatives.
  - B) things which are plentiful have relatively high prices.
  - C) production has to be centrally planned.
  - D) there is always enough of everything.

Answer: A

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-06 Scarcity and Choice

- 3) In every economic system, choices must be made because resources are: 3) \_\_\_\_\_
- A) unlimited, but economic wants are limited.
  - B) infinite, but economic wants are finite.
  - C) limited, and so are economic wants.
  - D) finite, but economic wants are insatiable.

Answer: D

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-06 Scarcity and Choice

- 4) Opportunity cost is best defined as: 4) \_\_\_\_\_
- A) the money cost of an economic decision.
  - B) the time spent on an economic activity.
  - C) the value of the best foregone alternative.
  - D) marginal cost minus marginal benefit.

Answer: C

Explanation: A)  
B)  
C)  
D)

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Topic: 01-02 The Individual

- 5) Tammie 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 trip is \$250. The cost of the concert ticket is \$50. The opportunity cost of Tammie's trip to the concert is: 5) \_\_\_\_\_
- A) \$300                      B) \$500                      C) \$450                      D) \$600

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-07 Purposeful Behaviour

- 6) When a provincial government chooses to build more roads, the required resources are no longer available for spending on public education. This dilemma illustrates the concept of: 6) \_\_\_\_\_
- A) opportunity cost.                      B) full production.  
C) marginal analysis.                      D) full employment.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-07 Purposeful Behaviour

7) Specialization and trade are beneficial to society because:

7) \_\_\_\_\_

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

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-03 Interaction Among Individuals

8) When economists describe "a market," they mean:

8) \_\_\_\_\_

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

Answer: A

Explanation: A)  
B)  
C)  
D)

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Topic: 01-03 Interaction Among Individuals

9) The institution that coordinates actions of consumers and producers to establish prices for goods and services is known as:

9) \_\_\_\_\_

- A) a market.
- B) a production possibilities curve.
- C) consumer sovereignty.
- D) a monopoly.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-03 Interaction Among Individuals

- 10) A major argument for economic growth is that it: 10) \_\_\_\_\_
- A) reduces the amount of taxation.
  - B) creates an equal distribution of income.
  - C) leads to a higher standard of living.
  - D) protects common property resources.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-12 Macroeconomics

- 11) One of the basic economic defences of economic growth rests on the conclusion that: 11) \_\_\_\_\_
- A) growth makes workers less obsolete and more secure in employment.
  - B) a growth-oriented society has a relatively equitable income distribution.
  - C) growth makes the gap between unlimited wants and scarce resources less acute.
  - D) growth reduces the cost of "common property" resources to society.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-14 The Individual's Economic Problem

- 12) Concern about the general level of prices in an economy is primarily a concern about the economic goal of: 12) \_\_\_\_\_
- A) economic security.
  - B) price-level stability.
  - C) equity.
  - D) economic efficiency.

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-12 Macroeconomics

- 13) Assume that a tradeoff exists in the short run between inflation and unemployment. This relationship means that: 13) \_\_\_\_\_
- A) the unemployment rate always equals the inflation rate.
  - B) a low rate of unemployment causes a low rate of inflation.
  - C) less unemployment can be achieved with more inflation.
  - D) less unemployment can be achieved with less inflation.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-12 Macroeconomics

- 14) The study of economics is primarily concerned with: 14) \_\_\_\_\_
- A) determining the most equitable distribution of society's output.
  - B) demonstrating that capitalistic economies are superior to socialistic economies.
  - C) keeping private businesses from losing money.
  - D) choices which are made in seeking to use scarce resources efficiently.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-12 Macroeconomics

- 15) The assertion that "There is no free lunch" means: 15) \_\_\_\_\_
- A) all production involves the use of scarce resources and thus the sacrifice of alternative goods.
  - B) choices do not need be made if behaviour is rational.
  - C) there are always tradeoffs between economic goals.
  - D) marginal analysis is not used in economic reasoning.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-06 Scarcity and Choice

- 16) The study of economics exists because: 16) \_\_\_\_\_
- A) resources are scarce in relation to human material wants.
  - B) government interferes with the efficient allocation of scarce resources.
  - C) resources are overly abundant as compared to wants; thus, an allocation problem exists.
  - D) the market system is an obstacle to the efficient use of plentiful resources to satisfy constrained wants.

Answer: A

Explanation: A)  
B)  
C)  
D)

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Topic: 01-06 Scarcity and Choice

- 17) Economics may best be defined as: 17) \_\_\_\_\_
- A) the empirical testing of value judgments through the use of induction and deduction.
  - B) the use of policy to refute facts and hypotheses.
  - C) the study of the behaviour of people and institutions in the production, distribution, and consumption of scarce goods.
  - D) the interaction between macro and micro considerations.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-05 The Economic Way of Thinking

- 18) Purposeful behaviour suggests that: 18) \_\_\_\_\_
- A) resource availability exceeds material wants.
  - B) an individual's economic goals cannot involve tradeoffs.
  - C) everyone will make identical choices.
  - D) individuals make decisions with some desired outcome in mind.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-07 Purposeful Behaviour

- 19) Consumers spend their incomes to get the maximum benefit or satisfaction from the goods and services they purchase. This is a reflection of: 19) \_\_\_\_\_
- A) purposeful behaviour.
  - B) resource scarcity and the necessity of choice.
  - C) marginal costs which exceed marginal benefits.
  - D) the tradeoff problem which exists between competing goals.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-07 Purposeful Behaviour

- 20) The "economic perspective" refers to: 20) \_\_\_\_\_
- A) microeconomic phenomena, but not macroeconomic phenomena.
  - B) the making of rational decisions in a context of marginal costs and marginal benefits.
  - C) unlimited resources in a context of limited material wants.
  - D) macroeconomic phenomena, but not microeconomic phenomena.

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 21) The "economic perspective" entails: 21) \_\_\_\_\_
- A) rational behaviour by individuals and institutions.
  - B) the altering of behaviour when marginal benefits and marginal costs change.
  - C) a comparison of marginal benefits and marginal costs in decision making.
  - D) all of the above.

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 22) The economic perspective used in customer decision making at fast-food restaurants is reflected in: 22) \_\_\_\_\_
- A) customers leaving rather than waiting if all lines are long.
  - B) customers selecting the shortest line.
  - C) all customer lines tending to be of equal length.
  - D) all of the above.

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 23) How is the economic perspective reflected in lines for fast food? 23) \_\_\_\_\_
- A) Lines will typically be of unequal length because of the inefficiencies in counter service.
  - B) Customers select the shortest line because they have perfect information.
  - C) Customers select the shortest line because they believe it will reduce their time cost of obtaining food.
  - D) The set of food choices is often too complex for most customers and thus creates long lines.

Answer: C

Explanation: A)  
B)  
C)  
D)

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Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 24) From an economic perspective, when consumers leave a fast-food restaurant because the lines to be served are too long, they have concluded that the: 24) \_\_\_\_\_
- A) management is exhibiting irrational behaviour by not maximizing profits.
  - B) management is making an assumption that other things are equal.
  - C) marginal cost of waiting is greater than the marginal benefit of being served.
  - D) marginal cost of waiting is less than the marginal benefit of being served.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs



- 25) Consumers might leave a fast-food restaurant without being served because: 25) \_\_\_\_\_
- A) they conclude that the marginal cost (monetary plus time costs) exceeds the marginal benefit.
  - B) the environment is not conducive to a rational choice.
  - C) they are misinformed about the marginal cost and marginal benefits of the food being served.
  - D) the lines waiting for service are not of equal length.

Answer: A

- Explanation: A)  
B)  
C)  
D)

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Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 26) At fast-food restaurants: 26) \_\_\_\_\_
- A) decisions entail comparisons of marginal costs and marginal benefits.
  - B) benefits always exceed costs.
  - C) consumers enjoy complete and accurate information.
  - D) decisions are usually made by trial and error.

Answer: A

- Explanation: A)  
B)  
C)  
D)

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Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 27) Economics involves "marginal analysis" because: 27) \_\_\_\_\_
- A) marginal benefits always exceed marginal costs.
  - B) much economic behaviour is irrational.
  - C) marginal costs always exceed marginal benefits.
  - D) most decisions involve changes in the status quo.

Answer: D

- Explanation: A)  
B)  
C)  
D)

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Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 28) You should decide to go to a movie: 28) \_\_\_\_\_
- A) because movies are inherently good products.
  - B) if the marginal cost of the movie exceeds its marginal benefit.
  - C) if the marginal benefit of the movie exceeds its marginal cost.
  - D) if your income will allow you to buy a ticket

Answer: C

Explanation: A)  
B)  
C)  
D)

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Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 29) Marginal costs exist because: 29) \_\_\_\_\_
- A) households and businesses make rational decisions.
  - B) wants are scarce relative to resources.
  - C) most decisions do not involve sacrifices or tradeoffs.
  - D) the decision to produce more of some product means the sacrifice of other products.

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 30) Even though local newspapers are very inexpensive, people rarely buy more than one of them each day. This fact: 30) \_\_\_\_\_
- A) is an example of irrational behaviour.
  - B) contradicts the economic perspective.
  - C) implies that, for most people, the marginal benefit of reading a second newspaper is less than the marginal cost.
  - D) implies that reading should be taught through phonics rather than the whole language method.

Answer: C

Explanation: A)  
B)  
C)  
D)

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Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 31) The process of developing hypotheses, testing them against facts, and using the results to construct theories is called: 31) \_\_\_\_\_
- A) the scientific method.
  - B) microeconomics.
  - C) opportunity cost calculation.
  - D) marginal analysis.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-09 Theories, Principles, and Models

- 32) A "hypothesis" is: 32) \_\_\_\_\_
- A) the same as a normative statement.
  - B) a fundamental truth which all economists accept.
  - C) always the result of induction.
  - D) a tentative, untested principle.

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-09 Theories, Principles, and Models

- 33) From the perspective of economists, which term provides the highest degree of confidence for explaining economic behaviour? 33) \_\_\_\_\_
- A) a hypothesis
  - B) an economic principle or a law
  - C) an assumption
  - D) a fact

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-09 Theories, Principles, and Models

- 34) In constructing models, economists: 34) \_\_\_\_\_
- A) include all available information.
  - B) make simplifying assumptions.
  - C) must use mathematical equations.
  - D) attempt to duplicate the real world.

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-09 Theories, Principles, and Models

- 35) Economic models: 35) \_\_\_\_\_
- A) are of limited use because they cannot be tested empirically.
  - B) emphasize basic economic relationships by abstracting from the complexities of the real world.
  - C) are limited to variables which are directly related to one another.
  - D) are unrealistic and therefore of no practical consequence.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-09 Theories, Principles, and Models

- 36) An economic model is: 36) \_\_\_\_\_
- A) built on correlations.
  - B) built using theory.
  - C) a fact.
  - D) a value judgment.

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-09 Theories, Principles, and Models

- 37) The term "ceteris paribus" means:
- A) that economics deals with facts, not values.
  - B) other things equal.
  - C) prosperity inevitably follows recession.
  - D) that if event A precedes event B, A has caused B.

37) \_\_\_\_\_

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-09 Theories, Principles, and Models

- 38) Suppose an economist says that "Other things equal, the lower the price of bananas, the greater the amount of bananas purchased." This statement indicates that:
- A) one cannot generalize about the relationship between the price of bananas and the quantity purchased.
  - B) the quantity of bananas purchased determines the price of bananas.
  - C) economists can conduct controlled laboratory experiments.
  - D) all factors other than the price of bananas (for example, consumer tastes and incomes) are assumed to be constant.

38) \_\_\_\_\_

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-09 Theories, Principles, and Models

- 39) The term "other things equal" means that:
- A) the associated statement is normative.
  - B) when variable X increases so does related variable Y.
  - C) many variables affect the variable under consideration.
  - D) the assumption that factors other than those being considered do not change.

39) \_\_\_\_\_

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-09 Theories, Principles, and Models

- 40) The basic purpose of the "other things equal" assumption is to: 40) \_\_\_\_\_
- A) allow one to focus upon micro variables by ignoring macro variables.
  - B) allow one to focus upon macro variables by ignoring micro variables.
  - C) allow one to reason about the relationship between variables X and Y without the intrusion of variable Z.
  - D) determine whether X causes Y or vice versa.

Answer: C

Explanation: A)  
B)  
C)  
D)

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Topic: 01-09 Theories, Principles, and Models

- 41) Microeconomics is concerned with: 41) \_\_\_\_\_
- A) a detailed examination of specific economic units which comprise the economic system.
  - B) the aggregate or total levels of income, employment, and output.
  - C) the establishing of an overall view of the operation of the economic system.
  - D) the concealing of detailed information about specific segments of the economy.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-11 Microeconomics

- 42) Microeconomics: 42) \_\_\_\_\_
- A) is concerned with individual economic units and specific markets.
  - B) describes the aggregate flows of output and income.
  - C) is not concerned with details, but only with the overall "big picture" of the economy.
  - D) is concerned with the aggregate or total levels of income, employment, and output.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-11 Microeconomics

- 43) Which of the following is a microeconomic statement? 43) \_\_\_\_\_
- A) Unemployment was 8.3 percent of the labour force last year.
  - B) The price of personal computers declined last year.
  - C) The general price level increased by 4 percent last year.
  - D) The real domestic output increased by 2.5 percent last year.

Answer: B

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-11 Microeconomics

- 44) Macroeconomics approaches the study of economics from the viewpoint of: 44) \_\_\_\_\_
- A) the operation of specific product and resource markets.
  - B) the entire economy.
  - C) individual firms.
  - D) governmental units.

Answer: B

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-12 Macroeconomics

- 45) Which of the following is associated with macroeconomics? 45) \_\_\_\_\_
- A) an empirical investigation of the general price level and unemployment rates in the 2000s
  - B) a case study of pricing and production in the textbook industry
  - C) a study of the trend of pecan prices since World War II
  - D) an examination of the incomes of the University of Toronto Business School graduates

Answer: A

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-12 Macroeconomics

46) The problems of aggregate inflation and unemployment are:

46) \_\_\_\_\_

- A) not relevant to the Canadian economy.
- B) peculiar to socialistic economies.
- C) major topics of macroeconomics.
- D) major topics of microeconomics.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-12 Macroeconomics

47) Which of the following statements pertains to macroeconomics?

47) \_\_\_\_\_

- A) The Pumpkin Center Chartered Bank increased its interest rate on consumer loans by 1 percent.
- B) The national productivity rate grew by 1.4 percent last year.
- C) A decline in the price of soybeans caused farmer Wanek to plant more land in wheat.
- D) Because the minimum wage was raised, Mrs. Beepath decided to enter the labour force.

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-12 Macroeconomics

48) Macroeconomics can best be described as the:

48) \_\_\_\_\_

- A) study of how supply and demand determine prices in individual markets.
- B) study of the large aggregates of the economy or the economy as a whole.
- C) analysis of how a consumer tries to spend income.
- D) analysis of how firms attempt to maximize their profits.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-12 Macroeconomics



- 49) Which of the following is a macroeconomic statement? 49) \_\_\_\_\_
- A) The productivity of steelworkers increased by 1 percent in 2012.
  - B) The price of beef declined by 3 percent last year.
  - C) General Motors' profits increased in 2012.
  - D) The gross profits of all Canadian businesses were \$70 billion last year.

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-12 Macroeconomics

- 50) A positive statement is one which is: 50) \_\_\_\_\_
- A) subjective and is based on a value judgment.
  - B) derived by an abstract generalization.
  - C) suggestive of what should be done.
  - D) objective and is based on facts.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-13 Positive and Normative Economics

- 51) Which of the following is a positive statement? 51) \_\_\_\_\_
- A) The temperature is 30 degrees today.
  - B) The humidity is too high today.
  - C) I enjoy summer evenings when it cools off.
  - D) It is too hot to jog today.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-13 Positive and Normative Economics

- 52) A positive statement is concerned with:
- A) the formulation of economic policy.
  - B) what is.
  - C) some goal which is desirable to society.
  - D) what should be.

52) \_\_\_\_\_

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-13 Positive and Normative Economics

- 53) A normative statement is one which:
- A) is based on the law of averages.
  - C) is based upon value judgments.

- B) pertains only to macroeconomics.
- D) pertains only to microeconomics.

53) \_\_\_\_\_

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-13 Positive and Normative Economics

- 54) Which of the following is a normative statement?

- A) The temperature is high today.
- C) It will cool off later this evening.

- B) It is too hot to play tennis today.
- D) The humidity is high today.

54) \_\_\_\_\_

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-13 Positive and Normative Economics

55) Normative statements are concerned with: 55) \_\_\_\_\_  
A) facts and theories.  
B) what is.  
C) what ought to be.  
D) rational choice involving costs and benefits.

Answer: C

Explanation: A)  
B)  
C)  
D)

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Topic: 01-13 Positive and Normative Economics

56) Most of the disagreement among economists involves: 56) \_\_\_\_\_  
A) positive statements. B) facts.  
C) normative statements. D) theories.

Answer: C

Explanation: A)  
B)  
C)  
D)

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Topic: 01-13 Positive and Normative Economics

57) Economics is concerned with using scarce productive resources efficiently in attempting to satisfy society's material wants. This statement is: 57) \_\_\_\_\_  
A) normative and correct. B) positive and correct.  
C) positive, but incorrect. D) normative, but incorrect.

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-13 Positive and Normative Economics

58) Ben says that "An increase in the tax on beer will raise its price." Holly argues that "Taxes should be increased on beer because college students drink too much." We can conclude that: 58) \_\_\_\_\_

- A) Holly's statement is normative, but Ben's is positive.
- B) Both statements are positive.
- C) Both statements are normative.
- D) Ben's statement is normative, but Holly's is positive.

Answer: A

Explanation: A)  
B)  
C)  
D)

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Topic: 01-13 Positive and Normative Economics

59) The global financial crisis that spread to Canada in late 2008 has been dubbed: 59) \_\_\_\_\_

- A) The great recession.
- B) The housing bubble crash.
- C) The great financial crisis.
- D) The great depression.

Answer: A

Explanation: A)  
B)  
C)  
D)

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Topic: 01-12 Macroeconomics

60) The individuals and society both face an economic problem. This problem arises from the fact that: 60) \_\_\_\_\_

- A) wants are limited but the resources are not.
- B) resources are scarce relative to individual's wants.
- C) both wants and resources are unlimited.
- D) individuals and institutions behave only in their self-interest.

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-14 The Individual's Economic Problem

- 61) The individual's limited income problem: 61) \_\_\_\_\_
- A) has been eliminated in affluent societies such as Canada and the United States.
  - B) persists only because countries have failed to achieve continuous full employment.
  - C) has been solved in all industrialized nations.
  - D) exists because material wants are limited.

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-15 Limited Income

- 62) When an economist says that material wants are insatiable, this means that: 62) \_\_\_\_\_
- A) these wants are virtually unlimited and therefore incapable of complete satisfaction.
  - B) the structure of consumer demand varies from time to time and from country to country.
  - C) economic resources are valuable only because they can be used to produce consumer goods.
  - D) economic resources—land, labour, capital, and entrepreneurial ability—are scarce.

Answer: A

Explanation: A)  
B)  
C)  
D)

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Topic: 01-14 The Individual's Economic Problem

- 63) As used in economics, the notion of scarce resources means that: 63) \_\_\_\_\_
- A) the quantities available of some resources exceed the demand for them.
  - B) mineral deposits are only available in finite amounts.
  - C) some resources are free while others have price tags on them.
  - D) resources are not so plentiful that all individuals' material wants can be fulfilled.

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-14 The Individual's Economic Problem

64) The budget line shows:

64) \_\_\_\_\_

- A) the amount of product A which a consumer is willing to give up to obtain one more unit of product B.
- B) all equilibrium points on an indifference map.
- C) all possible combinations of two goods which can be purchased, given money income and the prices of the goods.
- D) all possible combinations of two goods which yield the same level of utility to the consumer.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-17 The Budget Line

65) The price ratio of the two products is the:

65) \_\_\_\_\_

- A) elasticity of demand for the two products.
- B) marginal rate of substitution.
- C) point of tangency for equilibrium.
- D) slope of the budget line.

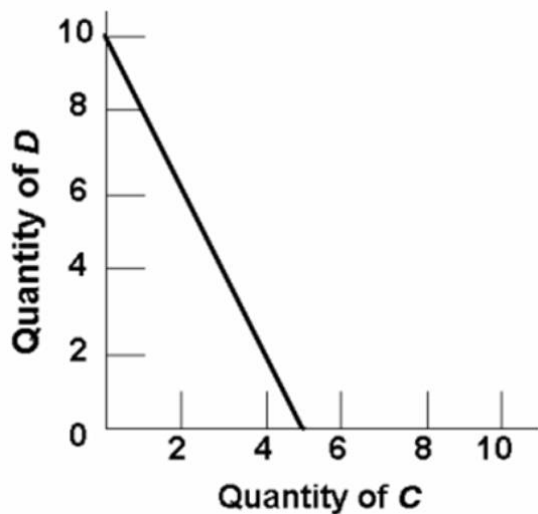
Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-17 The Budget Line

66) Refer to the budget line shown in the diagram below. If the consumer's money income is \$20, the: 66) \_\_\_\_\_



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

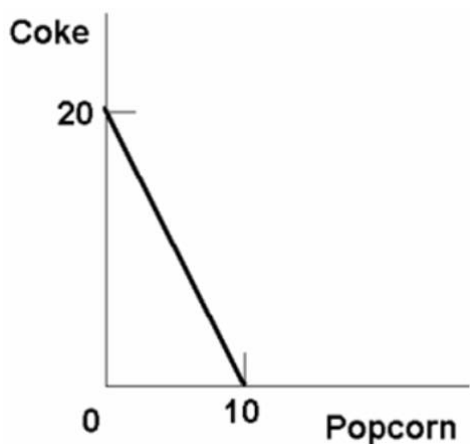
Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-17 The Budget Line

67) Refer to the diagram below, suppose you have a money income of \$10 all of which you spend on Coke and boxes of popcorn. The prices of Coke and popcorn respectively are: 67) \_\_\_\_\_



- A) \$.50 and \$1.00.
- B) \$.40 and \$.50.
- C) \$1.00 and \$.50.
- D) \$1.00 and \$2.00.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-17 The Budget Line

68) In moving along a given budget line: 68) \_\_\_\_\_

- A) money income varies, but the prices of the two goods are constant.
- B) each point on the line will be equally satisfactory to consumers.
- C) the prices of both products and money income are assumed to be constant.
- D) the prices of both products are assumed to vary, but money income is constant.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-17 The Budget Line



69) In drawing a budget line it is assumed that:

69) \_\_\_\_\_

- A) the prices of the two products are variable.
- B) consumer willingness to substitute between the two products is fixed.
- C) money income is fixed.
- D) consumer preferences are fixed.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-17 The Budget Line

70) Any combination of goods lying outside of the budget line:

70) \_\_\_\_\_

- A) yields less utility than any point on the budget line.
- B) is unattainable, given the consumer's income.
- C) implies that the consumer is not spending all of his income.
- D) yields less utility than any point inside the budget line.

Answer: B

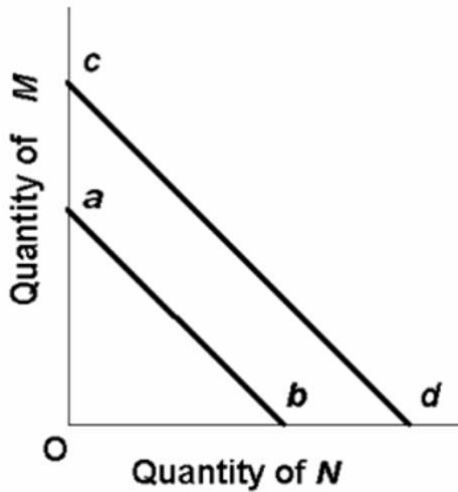
Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-17 The Budget Line

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

71) \_\_\_\_\_



- A) decreases in the prices of both M and N.
- B) an increase in money income.
- C) an increase in the price of M and a decrease in the price of N.
- D) a decrease in money income.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-17 The Budget Line

72) A leftward shift of a consumer's budget line to a position parallel with the original one could indicate that the:

72) \_\_\_\_\_

- A) consumer's money income has increased but the prices of both products have increased proportionately more.
- B) marginal utilities derived from both products have decreased.
- C) price of one product has decreased in relation to the other.
- D) prices of both products have decreased in the same proportion.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-17 The Budget Line

- 73) Which of the following statements is not correct? 73) \_\_\_\_\_
- A) An increase in product prices will shift the budget line to the left.
  - B) An increase in money income will shift the budget line to the right.
  - C) A reduction in money income accompanied by an increase in product prices will necessarily shift the budget line to the left.
  - D) A reduction in money income will shift the budget line to the right.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-17 The Budget Line

- 74) The society must also make choices under conditions of scarcity. This problem arises from the fact that: 74) \_\_\_\_\_
- A) resources are scarce relative to society's wants.
  - B) society's wants and resources are both unlimited.
  - C) societies behave only in their self-interest.
  - D) society's wants are limited but the resources are not.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-19 Scarce Resources

- 75) The fundamental problem of economics is: 75) \_\_\_\_\_
- A) the scarcity of productive resources relative to material wants.
  - B) to achieve a more equitable distribution of money income in order to mitigate poverty.
  - C) the establishment of prices which accurately reflect the relative scarcities of products and resources.
  - D) to establish a democratic political framework for the provision of social goods and services.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-19 Scarce Resources

76) Economic resources are also called:

- A) consumption goods.
- C) units of money capital.

- B) free gifts of nature.
- D) factors of production.

76) \_\_\_\_\_

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-20 Resource Categories

77) Money is not considered to be an economic resource because:

- A) the terms of trade can be determined in non-monetary terms.
- B) money is a free gift of nature.
- C) money, as such, is not productive.
- D) idle money balances do not earn interest income.

77) \_\_\_\_\_

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-20 Resource Categories

78) Which of the following is real capital?

- A) a share of TD Bank stock
- C) a pair of stockings

- B) a savings account
- D) a dump truck

78) \_\_\_\_\_

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-20 Resource Categories

79) The main function of the entrepreneur is to:

79) \_\_\_\_\_

A) innovate.

B) make routine pricing decisions.

C) purchase capital.

D) create market demand.

Answer: A

Explanation: A)

B)

C)

D)

Page Ref:

Topic: 01-20 Resource Categories

80) 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 production in terms of autos is:

80) \_\_\_\_\_

<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) 100                      B) 50                                      C) 200                                      D) 300

Answer: C

Explanation: A)

B)

C)

D)

Page Ref:

Topic: 01-22 Production Possibilities Table

(The following economy produces two products.)

Production Possibilities Table

---

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

---

81) Refer to the above table. A change from possibility C to B means that:

81) \_\_\_\_\_

- A) 2 units of steel are given up to get 75 units of wheat.
- B) 1 unit of steel is given up to get 75 units of wheat.
- C) 1 unit of steel is given up to get 15 more units of wheat.
- D) 2 units of steel are given up to get 15 more units of wheat.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-22 Production Possibilities Table

82) Refer to the above table. In moving from possibility C to D, the cost of a unit of steel in terms of a unit of wheat is:

82) \_\_\_\_\_

- A) 30
- B) 10
- C) 20
- D) 25

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-22 Production Possibilities Table

- 83) Refer to the above table. A change from possibility B to C means that: 83) \_\_\_\_\_
- A) 15 units of wheat are given up to get one more unit of steel.
  - B) 15 units of wheat are equal to one unit of steel.
  - C) 75 units of wheat are equal to one unit of steel.
  - D) 10 units of wheat are given up to get one more unit of steel.

Answer: A

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-22 Production Possibilities Table

- 84) The production possibilities curve represents which of the following? 84) \_\_\_\_\_
- A) the amount of goods attainable if prices decline
  - B) the amount of goods attainable with variable resources
  - C) maximum combinations of goods attainable with fixed resources
  - D) the maximum amount of goods attainable with variable resources

Answer: C

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 85) The production possibilities curve represents: 85) \_\_\_\_\_
- A) combinations of goods and services among which consumers are indifferent.
  - B) the maximum rate of growth of capital and labour in an economy.
  - C) the maximum amount of labour and capital available for production.
  - D) maximum combinations of products available with fixed resources and technology.

Answer: D

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

86) The construction of a production possibilities curve assumes:

86) \_\_\_\_\_

- A) full employment and full production are being realized.
- B) the quantities of all resources are fixed.
- C) technology is fixed.
- D) all of the above.

Answer: D

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

87) Assume an economy is operating at some point on its production possibilities curve which shows civilian and military goods. If the output of military goods is increased, the output of civilian goods:

87) \_\_\_\_\_

- A) must be decreased.
- B) may be either increased or decreased.
- C) will remain unchanged.
- D) must also be increased.

Answer: A

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

88) The production possibilities curve shows:

88) \_\_\_\_\_

- A) the various combinations of two goods which can be produced when society uses its scarce resources efficiently.
- B) the minimum outputs of two goods which will sustain a society.
- C) the ideal, but unattainable, combinations of two goods which would maximize consumer satisfactions.
- D) the various combinations of two goods which can be produced when some resources are unemployed.

Answer: A

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve



- 89) The negative slope of the production possibilities curve is a graphical way of indicating that: 89) \_\_\_\_\_
- A) to produce more of one product we must accept less of another.
  - B) consumers buy more when prices are low than they do when prices are high.
  - C) the principle of increasing opportunity costs does not apply to the economy as a whole.
  - D) any economy "can have its cake and eat it too."

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 90) If an economy is operating on its production possibilities curve for consumer goods and capital goods, this means that: 90) \_\_\_\_\_
- A) resources cannot be reallocated between the two goods.
  - B) more consumer goods can only be produced at the cost of fewer capital goods.
  - C) it is impossible to produce more consumer goods.
  - D) it is impossible to produce more capital goods.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 91) In drawing a production possibilities curve we hold constant: 91) \_\_\_\_\_
- A) the consumer price index.
  - B) the money supply.
  - C) resource supplies only.
  - D) both technology and resource supplies

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 92) The production possibilities curve tells us: 92) \_\_\_\_\_
- A) what specific combinations of two products is most desired by society.
  - B) what combinations of two goods can be produced with society's available resources.
  - C) costs are irrelevant in a society which has fixed resources.
  - D) that costs do not change as society varies its output.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 93) When an economy is operating with maximum efficiency, the production of more of commodity A will mean the production of less of commodity B because: 93) \_\_\_\_\_
- A) of the law of decreasing opportunity costs.
  - B) resources are limited.
  - C) resources are not specialized and are imperfectly substitutable.
  - D) material wants are insatiable.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 94) The production possibilities curve: 94) \_\_\_\_\_
- A) is a frontier between all combinations of two goods which can be produced and those combinations which cannot be produced.
  - B) shows all of those levels of production which are consistent with a stable price level.
  - C) shows all of those combinations of two goods which are most preferred by society.
  - D) indicates that any combination of goods lying outside the curve is economically inefficient.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 95) The production possibilities curve illustrates the basic principle that: 95) \_\_\_\_\_
- A) the production of more of any one good will in time require smaller and smaller sacrifices of other goods.
  - B) an economy's capacity to produce increases in proportion to its population size.
  - C) an economy will automatically seek that level of output at which all of its resources are employed.
  - D) if all the resources of an economy are in use, more of one good can be produced only if less of another good is produced.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 96) A production possibilities curve illustrates: 96) \_\_\_\_\_
- A) the distribution of income.
  - B) consumer preferences.
  - C) market prices.
  - D) scarcity.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 97) A production possibilities curve shows: 97) \_\_\_\_\_
- A) the maximum amounts of two goods which can be produced assuming the full and efficient use of available resources.
  - B) combinations of capital and labour necessary to produce specific levels of output.
  - C) that resources are unlimited.
  - D) that people prefer one of the goods more than the other.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 98) In drawing the production possibilities curve we assume that: 98) \_\_\_\_\_
- A) technology is fixed.
  - B) economic resources are unlimited.
  - C) unemployment exists.
  - D) wants are limited.

Answer: A

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 99) Which of the following is assumed in constructing a typical production possibilities curve? 99) \_\_\_\_\_
- A) resources are perfectly shiftable among alternative uses.
  - B) the economy is engaging in international trade.
  - C) the economy is using its resources inefficiently.
  - D) production technology is fixed.

Answer: D

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 100) Which of the following is not correct? A typical production possibilities curve: 100) \_\_\_\_\_
- A) specifies how much of each product society should produce.
  - B) indicates that to produce more of one product society must give up larger and larger amounts of the other product.
  - C) reveals how much each additional unit of one product will cost in terms of the other product.
  - D) indicates how much of two products a society can produce.

Answer: A

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

101) Which one of the following statements is correct?

101) \_\_\_\_\_

- A) Relative scarcity is no longer a central notion in economics because we are in an age of abundance.
- B) The production possibilities curve shows society's preferences for consumer goods relative to capital goods.
- C) The central concept underlying the production possibilities curve is that of limited resources.
- D) Most production possibilities curves are convex as viewed from the origin.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

102) The typical production possibilities curve is:

102) \_\_\_\_\_

- A) a downward sloping line which is convex to the origin.
- B) a straight upward sloping line.
- C) a downward sloping line which is concave to the origin.
- D) an upward sloping line which is concave to the origin.

Answer: C

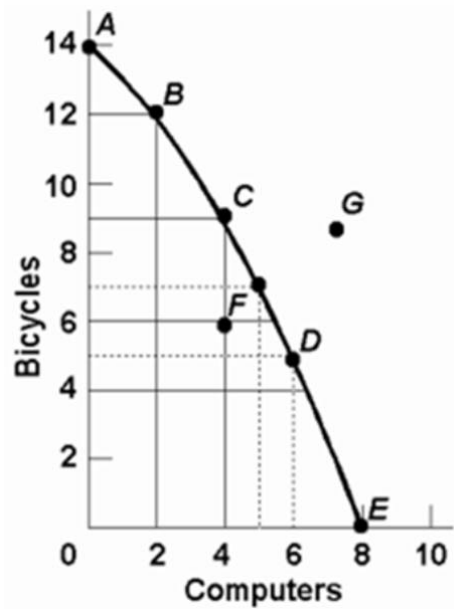
Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

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

103) \_\_\_\_\_



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

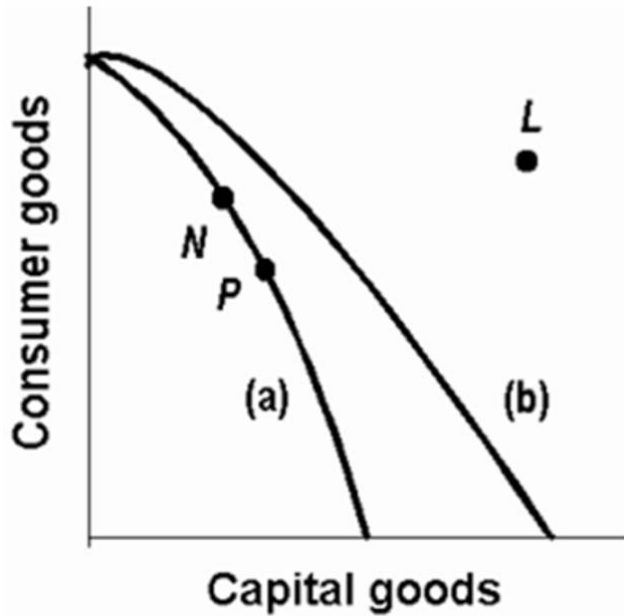
Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

104) Refer to the following production possibilities curves. Curve (a) is the current curve for the economy. Given production possibilities curve (a), the combination of capital and consumer goods indicated by point L:



- A) suggests the productive capacity of the system is declining.
- B) would entail an inefficient use of society's resources.
- C) is beyond the productive capacity of this society.
- D) would entail substantial unemployment.

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

105) A point on the frontier of the production possibilities curve is: 105) \_\_\_\_\_

- A) unattainable and the economy is efficient.
- B) attainable and the economy is efficient.
- C) unattainable, but the economy is inefficient.
- D) attainable, but the economy is inefficient.

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

106) A point inside the production possibilities curve is:

106) \_\_\_\_\_

- A) unattainable and the economy is efficient.
- B) unattainable, but the economy is inefficient.
- C) attainable, but the economy is inefficient.
- D) attainable and the economy is efficient.

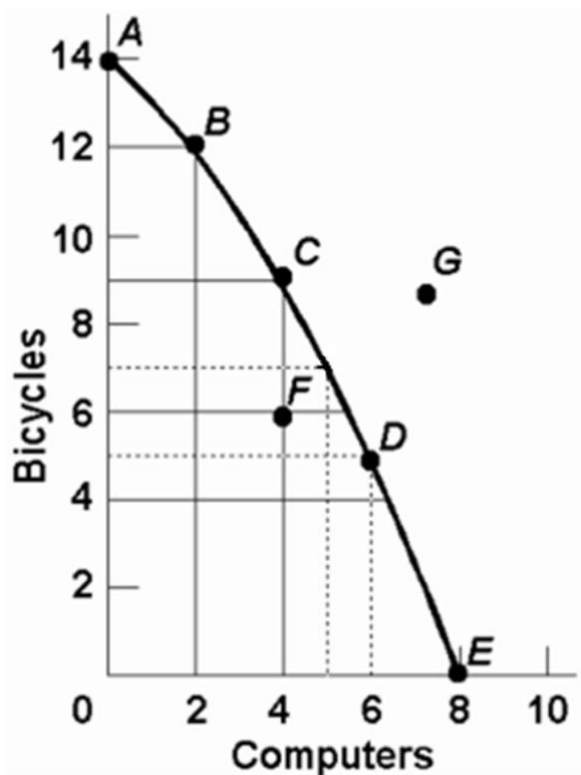
Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs





107) Refer to the above diagram. The combination of computers and bicycles shown by point G is: 107) \_\_\_\_\_

- A) attainable, but involves unemployment.
- B) irrelevant because it is inconsistent with consumer preferences.
- C) attainable, but too costly.
- D) unattainable, given currently available resources and technology.

Answer: D

Explanation: A)  
 B)  
 C)  
 D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 108) Refer to the above diagram. The combination of computers and bicycles shown by point F: 108) \_\_\_\_\_
- A) is irrelevant because it is inconsistent with consumer preferences.
  - B) is attainable, but entails economic inefficiency.
  - C) suggests that opportunity costs are constant.
  - D) is unattainable, given currently available resources and technology.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 109) Refer to the above diagram. If society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more units of bicycles: 109) \_\_\_\_\_
- A) will cost 1 unit of computers.
  - B) will cost 2 units of computers.
  - C) cannot be realized because resources are fully employed.
  - D) will cause some resources to become unemployed.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 110) Refer to the above diagram. The movement down the production possibilities curve from point A to point E suggests that the production of: 110) \_\_\_\_\_
- A) both bicycles and computers is subject to increasing opportunity costs.
  - B) computers, but not bicycles, is subject to increasing opportunity costs.
  - C) both bicycles and computers is subject to constant opportunity costs.
  - D) bicycles, but not computers, is subject to increasing opportunity costs.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 111) The slope of the typical production possibilities curve: 111) \_\_\_\_\_
- A) increases as one moves southeast along the curve.
  - B) is constant as one moves down the curve.
  - C) decreases as one moves southeast along the curve.
  - D) is positive.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 112) The production possibilities curve has: 112) \_\_\_\_\_
- A) a negative slope which decreases as we move along it from left to right.
  - B) a negative slope which is constant as we move along it from left to right.
  - C) a positive slope which increases as we move along it from left to right.
  - D) a negative slope which increases as we move along it from left to right.

Answer: D

Explanation: A)  
B)  
C)  
D)

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Topic: 01-24 Law of Increasing Opportunity Costs

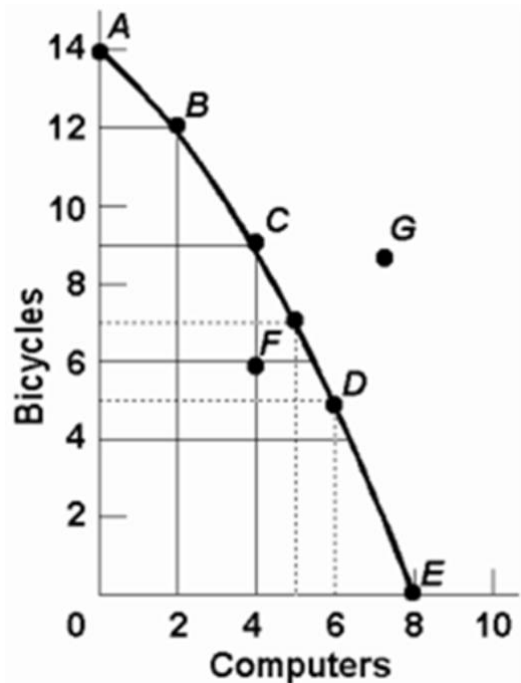
- 113) The law of increasing opportunity costs states that: 113) \_\_\_\_\_
- A) if the prices of all the resources devoted to the production of goods increase, the cost of producing any particular good will increase at the same rate.
  - B) if the sum of the costs of producing a particular good rises by a specified percent, the price of that good must rise by a greater relative amount.
  - C) if society wants to produce more of a particular good, it must sacrifice larger and larger amounts of other goods to do so.
  - D) the sum of the costs of producing a particular good cannot rise above the current market price of that good.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs



- 114) Refer to the above diagram. This production possibilities curve is:
- A) convex to the origin because opportunity costs are constant.
  - B) concave to the origin because of increasing opportunity costs.
  - C) convex to the origin because of increasing opportunity costs.
  - D) linear because opportunity costs are constant.

114) \_\_\_\_\_

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 115) Refer to the above diagram. If society is currently producing 9 units of bicycles and 4 units of computers and it now decides to increase computer output to 6, the cost:
- A) will be zero because unemployed resources are available.
  - B) of doing so cannot be determined from the information given.
  - C) will be 4 units of bicycles.
  - D) will be 2 units of bicycles.

115) \_\_\_\_\_

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 116) The concept of opportunity cost: 116) \_\_\_\_\_
- A) suggests that insatiable wants can be fulfilled.
  - B) suggests that the use of resources in any particular line of production means that alternative outputs must be forgone.
  - C) is irrelevant in socialistic economies because of central planning.
  - D) is irrelevant if the production possibilities curve is shifting to the right.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 117) Which of the following is not an illustration of the idea of opportunity cost? 117) \_\_\_\_\_
- A) The land a Manitoba farmer plants in wheat is not available for corn production.
  - B) Resources devoted to consumer goods production are not available for capital goods production.
  - C) If I buy a pizza, I will not be able to afford a movie.
  - D) A growing economy can produce more consumer goods and more capital goods at the same time.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 118) Opportunity cost is best defined as: 118) \_\_\_\_\_
- A) the ratio of the prices of imported goods to the prices of exported goods.
  - B) the amount of labour which must be used to produce one unit of any product.
  - C) the amount of one product which must be given up to produce one more unit of another product.
  - D) the monetary price of any productive resource.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

Production possibilities tables for two countries, North Cantina and South Cantina:

North Cantina

Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	10	18	24	28	30

South Cantina

Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	8	15	21	25	27

- 119) Refer to the above tables. If South Cantina is producing at production alternative D, the opportunity cost of the third unit of capital goods is: 119) \_\_\_\_\_
- A) 5 units of consumer goods.                      B) 3 units of consumer goods.  
C) 4 units of consumer goods.                      D) 6 units of consumer goods.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-22 Production Possibilities Table

- 120) Refer to the above tables. If North Cantina is producing at production alternative B, the opportunity cost of the eleventh unit of consumer goods will be: 120) \_\_\_\_\_
- A) 8 units of capital goods.                      B) 10 units of capital goods.  
C)  $\frac{1}{4}$  of a unit of capital goods.                      D)  $\frac{1}{8}$  of a unit of capital goods.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-22 Production Possibilities Table

121) Refer to the above tables. The opportunity cost of the fifth unit of capital goods:

121) \_\_\_\_\_

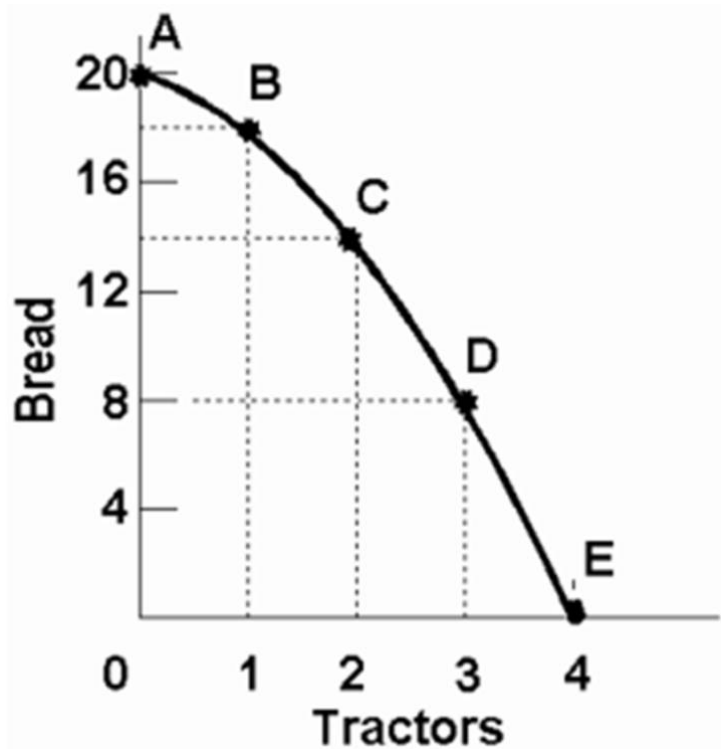
- A) is the same in North Cantina and South Cantina.
- B) is higher in North Cantina than in South Cantina.
- C) is lower in North Cantina than in South Cantina.
- D) cannot be determined from the information provided.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-22 Production Possibilities Table



122) Refer to the above diagram. Starting at point A, the opportunity cost of producing each successive unit of tractors is: 122) \_\_\_\_\_

- A) 2, 4, 6, and 8 units of bread.
- B) the reciprocal of the output of tractors.
- C) a constant 2 units of bread.
- D) 8, 6, 4, and 2 units of bread.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve



123) Refer to the above diagram. Starting at point E, the production of successive units of bread will cost:

123) \_\_\_\_\_

- A)  $1/2$ ,  $1/4$ ,  $1/6$ , and  $1/8$  units of tractors.
- B) a constant 8 units of tractors.
- C)  $1/8$ ,  $1/6$ ,  $1/4$ , and  $1/2$  units of tractors.
- D) a constant 6 units of tractors.

Answer: C

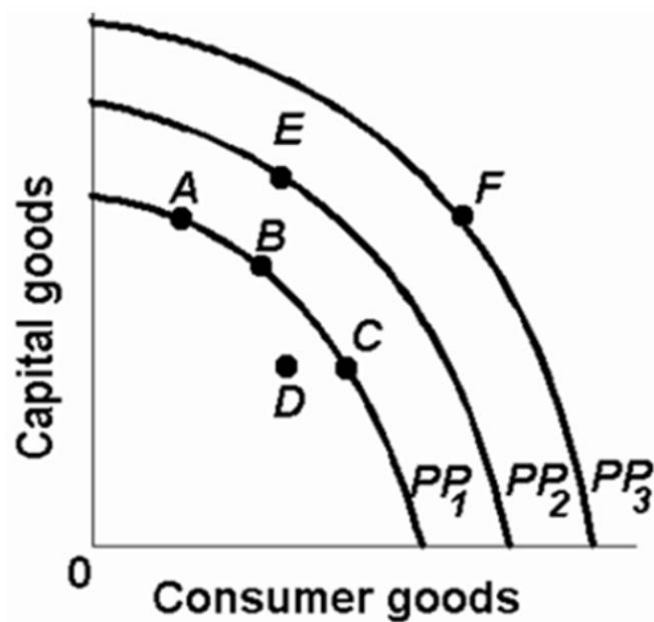
Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

124) Refer to the diagram below. The concept of opportunity cost is best represented by the:

124) \_\_\_\_\_



- A) move from B on PP<sub>1</sub> to C on PP<sub>1</sub>.
- B) move from B on PP<sub>1</sub> to E on PP<sub>2</sub>.
- C) move from D inside PP<sub>1</sub> to B on PP<sub>1</sub>.
- D) shift of the production possibilities curve from PP<sub>1</sub> to PP<sub>2</sub>.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

125) The fact that the slope of the production possibilities curve becomes steeper as we move down along the curve indicates that: 125) \_\_\_\_\_

- A) the principle of increasing opportunity costs is relevant.
- B) resources are perfectly shiftable between alternative uses.
- C) the opportunity cost of producing each product is constant.
- D) society's resources are limited.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

### 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

126) Refer to the above table. If the economy is producing at production alternative C, the opportunity cost of the tenth unit of consumer goods will be: 126) \_\_\_\_\_

- A) 3 units of capital goods.
- B)  $\frac{1}{3}$  of a unit of capital goods.
- C) 4 units of capital goods.
- D) 2 units of capital goods.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-21 Production Possibilities Model

127) Refer to the above table. For these data the law of increasing opportunity costs is reflected in the fact that: 127) \_\_\_\_\_

- A) the production possibilities data would graph as a straight downsloping line.
- B) larger and larger amounts of capital goods must be sacrificed to get additional units of consumer goods.
- C) the amount of consumer goods which must be sacrificed to get more capital goods diminishes beyond a point.
- D) the economy's resources are presumed not to be scarce.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

128) Refer to the table below. In moving from possibility A to F, the cost of a unit of steel in terms of wheat: 128) \_\_\_\_\_

(The following economy produces two products.)

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

- A) decreases.
- B) remains constant.
- C) increases.
- D) increases from A to B, and decreases from B to F.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

129) A typical concave production possibilities curve implies:

129) \_\_\_\_\_

- A) that society must choose among various attainable combinations of goods.
- B) that economic resources are scarce.
- C) increasing opportunity costs.
- D) all of the above.

Answer: D

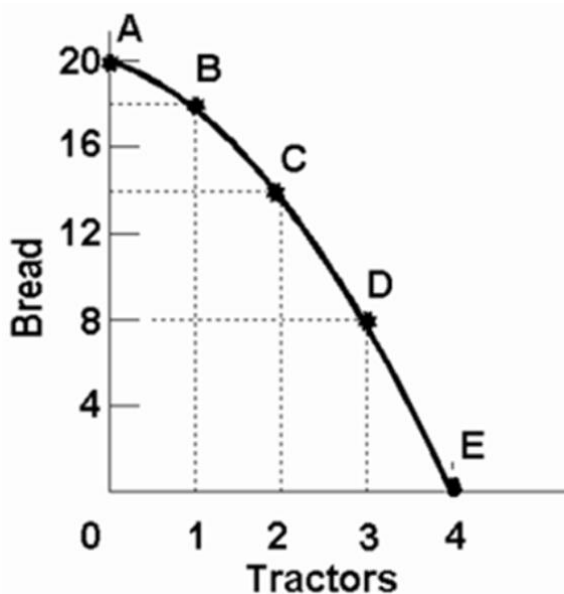
Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-21 Production Possibilities Model

130) Refer to the diagram below. This production possibilities curve is constructed such that:

130) \_\_\_\_\_



- A) the opportunity cost of both bread and tractors in terms of each other increases as more of each is produced.
- B) resources are presumed to be perfectly shiftable between bread and tractors.
- C) the opportunity cost of bread diminishes as more bread is produced.
- D) the opportunity cost of tractors diminishes as more bread is produced.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-23 Production Possibilities Curve

131) The law of increasing opportunity costs exists because:

131) \_\_\_\_\_

- A) the value of the dollar has diminished historically because of persistent inflation.
- B) wage rates invariably rise as the economy approaches full employment.
- C) consumers tend to value any good more highly when they have little of it.
- D) resources are not equally efficient in producing various goods.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

132) The law of increasing opportunity costs is reflected in a production possibilities curve which is:

132) \_\_\_\_\_

- A) concave to the origin.
- B) an upward sloping straight line.
- C) a downward sloping straight line.
- D) convex to the origin.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

The production possibilities curve below shows the hypothetical relationship between the production of capital goods and consumer goods in an economy.

	Production Alternatives				
Products	A	B	C	D	E
Capital goods	0	1	2	3	4
Consumer goods	22	18	13	7	0

133) Refer to the above table. What is the opportunity cost of producing the third unit of capital goods? 133) \_\_\_\_\_

- A) 5 units of consumer goods
- B) 7 units of consumer goods
- C) 4 units of consumer goods
- D) 6 units of consumer goods

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

134) Refer to the above table. What is the total opportunity cost of producing two units of capital goods? 134) \_\_\_\_\_

- A) 13 units of consumer goods
- B) 9 units of consumer goods
- C) 5 units of consumer goods
- D) 4 units of consumer goods

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

135) Refer to the above table. What is the opportunity cost of producing the fourth unit of capital goods?

135) \_\_\_\_\_

- A) 15 units of consumer goods
- C) 6 units of consumer goods

- B) 22 units of consumer goods
- D) 7 units of consumer goods

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

136) Refer to the above table. What is the total opportunity cost of producing three units of capital goods?

136) \_\_\_\_\_

- A) 7 units of consumer goods
- C) 22 units of consumer goods

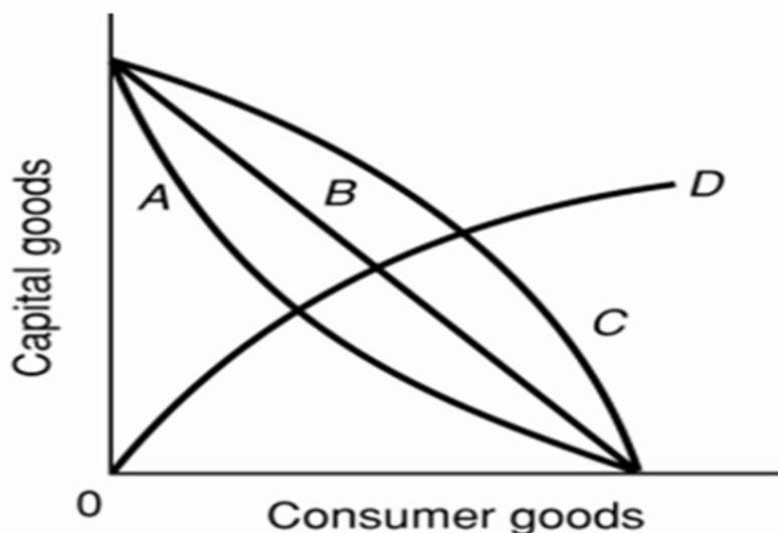
- B) 15 units of consumer goods
- D) 6 units of consumer goods

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs



137) Refer to the above diagram. As it relates to production possibilities analysis, the law of increasing opportunity cost is reflected in curve: 137) \_\_\_\_\_

- A) A.                      B) B.                      C) C.                      D) D.

Answer: C

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

138) Refer to the above diagram. Curve B is a: 138) \_\_\_\_\_

- A) technology frontier curve.  
B) production possibilities curve indicating increasing opportunity costs.  
C) demand curve indicating that the quantity of consumer goods demanded increases as the price of capital falls.  
D) production possibilities curve indicating constant opportunity costs.

Answer: D

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs



- 139) If the production possibilities curve is a straight line: 139) \_\_\_\_\_
- A) the two products are equally important to consumers.
  - B) economic resources are perfectly shiftable between the production of the two products.
  - C) equal quantities of the two products will be produced at each possible point on the curve.
  - D) the two products will sell at the same market prices.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 140) A nation's production possibilities curve is "bowed out" from the origin because: 140) \_\_\_\_\_
- A) the originator of the idea drew it this way and modern economists follow this convention.
  - B) resources are scarce.
  - C) wants are virtually unlimited.
  - D) resources are not equally efficient in producing every good.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 141) If the production possibilities curve were a straight downsloping line, this would suggest that: 141) \_\_\_\_\_
- A) resources are perfectly substitutable between the production of these two goods.
  - B) it is possible to produce more of both products.
  - C) the two products have identical prices.
  - D) both products are equally capable of satisfying consumer wants.

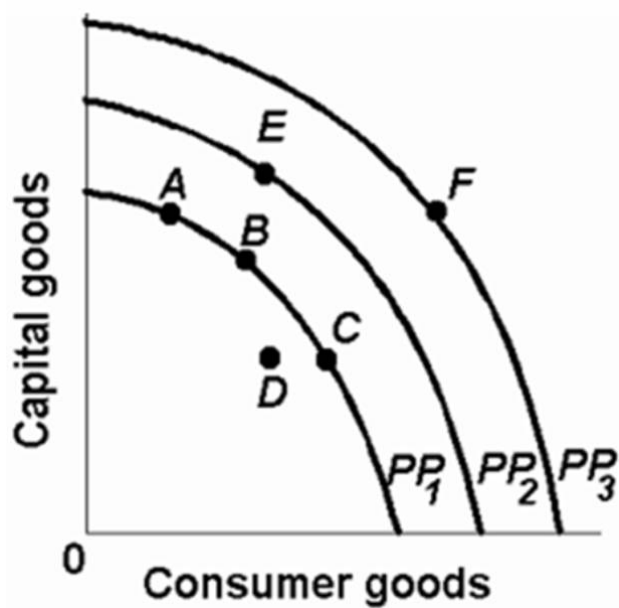
Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

142) Refer to the diagram below. The concave shape of each production possibilities curve indicates that: 142) \_\_\_\_\_



- A) resources are perfectly substitutable.
- B) prices are constant.
- C) wants are virtually unlimited.
- D) resources are not equally suited for alternative uses.

Answer: D

- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

- 143) The marginal benefit curve is: 143) \_\_\_\_\_
- A) downward sloping because of increasing marginal opportunity costs.
  - B) upward sloping because successive units of a specific product yield less and less extra utility.
  - C) upward sloping because of increasing marginal opportunity costs.
  - D) downward sloping because successive units of a specific product yield less and less extra utility.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-25 Optimal Allocation

- 144) The marginal cost curve is: 144) \_\_\_\_\_
- A) downsloping because successive units of a specific product yield less and less extra utility.
  - B) upsloping because of increasing marginal opportunity costs.
  - C) downsloping because of increasing marginal opportunity costs.
  - D) upsloping because successive units of a specific product yield less and less extra utility.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-25 Optimal Allocation

- 145) The output of blu ray players should be: 145) \_\_\_\_\_
- A) reduced if marginal benefits exceed marginal costs.
  - B) reduced if marginal costs exceed marginal benefits.
  - C) reduced to zero if their unit costs exceed the unit costs of alternative products.
  - D) increased if marginal costs exceed marginal benefits.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-25 Optimal Allocation

- 146) If the output of product X is such that marginal benefit equals marginal cost:
- A) there can be no net gain to society by allocating either more or less resources to producing X.
  - B) the value of producing X and the value of producing alternative products with available resources is the same.
  - C) the correct amount of resources is being allocated to X's production.
  - D) all of the above are true.

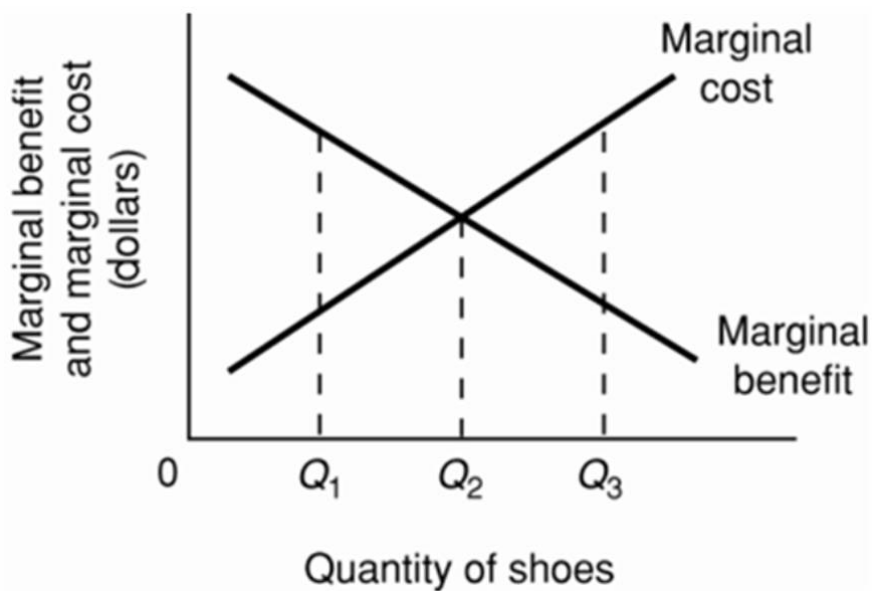
146) \_\_\_\_\_

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-25 Optimal Allocation



- 147) Refer to the above diagram for athletic shoes. The optimal output of shoes:
- A) is  $Q_3$ .
  - B) is  $Q_1$ .
  - C) is  $Q_2$ .
  - D) is greater than  $Q_3$ .

147) \_\_\_\_\_

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-25 Optimal Allocation

- 148) Refer to the above diagram for athletic shoes. If the current output of shoes is  $Q_1$ , then: 148) \_\_\_\_\_
- A) society would consider additional units of shoes to be less valuable than alternative products.
  - B) society would experience a net loss by producing more shoes.
  - C) society would consider additional units of shoes to be more valuable than alternative products.
  - D) resources are being allocated efficiently to the production of shoes.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-25 Optimal Allocation

- 149) Refer to the above diagram for athletic shoes. If the current output of shoes is  $Q_3$ , then: 149) \_\_\_\_\_
- A) resources are being allocated efficiently to the production of shoes.
  - B) society would consider additional units of shoes to be more valuable than alternative products.
  - C) society would experience a net gain by producing more shoes.
  - D) society would consider additional units of shoes to be less valuable than alternative products.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-25 Optimal Allocation

- 150) Recessions are typically characterised by points: 150) \_\_\_\_\_
- A) on the production possibilities curve.
  - B) inside the production possibilities curve.
  - C) outside the production possibilities curve.
  - D) that are not attainable on the production possibilities curve.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-26 Unemployment, Growth, and the Future

## 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

151) Refer to the above table. As compared to production alternative D, the choice of alternative C would:

151) \_\_\_\_\_

- A) entail unemployment.
- B) tend to generate a more rapid growth rate.
- C) be unattainable.
- D) tend to generate a slower growth rate.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

152) Refer to the above table. A total output of 3 units of capital goods and 4 units of consumer goods:

152) \_\_\_\_\_

- A) is irrelevant because the economy is capable of producing a larger total output.
- B) is unobtainable in this economy.
- C) would involve an inefficient use of the economy's scarce resources.
- D) will result in the maximum rate of growth available to this economy.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

153) Refer to the above table. For this economy to produce a total output of 3 units of capital goods and 13 units of consumer goods it must: 153) \_\_\_\_\_

- A) use its resources more efficiently than the data in the table now indicate.
- B) achieve economic growth.
- C) achieve the full employment of available resources.
- D) allocate its available resources most efficiently among alternative uses.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

Production possibilities tables for two countries, North Cantina and South Cantina:

North Cantina Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	10	18	24	28	30

South Cantina Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	8	15	21	25	27

- 154) Refer to the above tables. Suppose that North Cantina is producing 2 units of capital goods and 17 units of consumer goods while South Cantina is producing 2 units of capital goods and 21 units of consumer goods. We can conclude that: 154) \_\_\_\_\_
- A) North Cantina is fully and efficiently using its resources, but South Cantina is not.
  - B) South Cantina is fully and efficiently using its resources, but North Cantina is not.
  - C) neither South Cantina nor North Cantina are fully and efficiently using their resources.
  - D) both South Cantina and North Cantina are fully and efficiently using their resources.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy



155) Refer to the above tables. Suppose that resources in North Cantina and South Cantina are identical in quantity and quality. We can conclude that: 155) \_\_\_\_\_

- A) North Cantina is growing more rapidly than South Cantina.
- B) South Cantina has better technology than North Cantina in producing both capital and consumer goods.
- C) North Cantina has better technology than South Cantina in producing both capital and consumer goods.
- D) North Cantina has better technology than South Cantina in producing consumer goods.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

156) Refer to the table below. According to the production possibilities schedule for the economy which produces two products, a combination of four tanks and 650 autos is: Production Possibilities 156) \_\_\_\_\_

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

- A) not attainable because society does not have sufficient resources to produce this combination.
- B) not attainable because it is not listed in the schedule.
- C) attainable, but involves an efficient use of society's resources.
- D) attainable, but would not be in the best interests of a strong national defence.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

157) Assume that a change in government policy results in the increased production of both consumer goods and investment goods. It can be concluded that: 157) \_\_\_\_\_

- A) this economy's production possibilities curve is convex (bowed inward) as viewed from the origin.
- B) the economy was suffering from unemployment and/or the inefficient use of resources before the policy change.
- C) the law of increasing opportunity costs does not apply in this society.
- D) the economy's production possibilities curve has been shifted to the left as a result of the policy decision.

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-27 A Growing Economy

158) Refer to the diagram. This economy will experience unemployment if it produces at point 158) \_\_\_\_\_



- A) A.
- B) B.
- C) C.
- D) D.

Answer: D

- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-27 A Growing Economy



159) Refer to the above production possibilities curve. At the onset of World War II Canada had large amounts of idle human and property resources. Its economic adjustment from peacetime to wartime can best be described by the movement from point:

159) \_\_\_\_\_

- A) c to point d.      B) a to point b.      C) c to point b.      D) b to point c.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

160) Refer to the above production possibilities curve. At the onset of World War II the Soviet Union's economy was already at full employment. Its economic adjustment from peacetime to wartime can best be described by the movement from point:

160) \_\_\_\_\_

- A) c to point b.      B) c to point d.      C) a to point b.      D) b to point c.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

- 161) Any point inside the production possibilities curve indicates: 161) \_\_\_\_\_
- A) the realization of allocative efficiency.
  - B) the presence of inflationary pressures.
  - C) that more output could be produced with available resources.
  - D) that resources are imperfectly shiftable among alternative uses.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

- 162) Unemployment and/or productive inefficiencies: 162) \_\_\_\_\_
- A) can exist at any point on a production possibilities curve.
  - B) cause the production possibilities curve to shift outward.
  - C) can both be illustrated by a point outside the production possibilities curve.
  - D) can both be illustrated by a point inside the production possibilities curve.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

- 163) A point inside a production possibilities curve may indicate: 163) \_\_\_\_\_
- A) the inefficient use of resources.
  - B) failure to use the best available technology.
  - C) unemployment.
  - D) all of the above.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

- 164) Assume an economy is incurring unemployment and failing to realize least-cost production. The immediate effect of resolving these problems will be to: 164) \_\_\_\_\_
- A) create a less equal distribution of income.
  - B) shift its production possibilities curve to the right.
  - C) shift its production possibilities curve to the left.
  - D) move the level of actual output closer to the economy's production possibilities curve.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

- 165) If an economy is operating inside its production possibilities curve for consumer goods and capital goods, this means that it: 165) \_\_\_\_\_
- A) can only produce more consumer goods by producing fewer capital goods.
  - B) can produce more of both consumer goods and capital goods by using its resources more efficiently.
  - C) must improve its technology to produce more output.
  - D) can only produce more capital goods by producing fewer consumer goods.

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-27 A Growing Economy

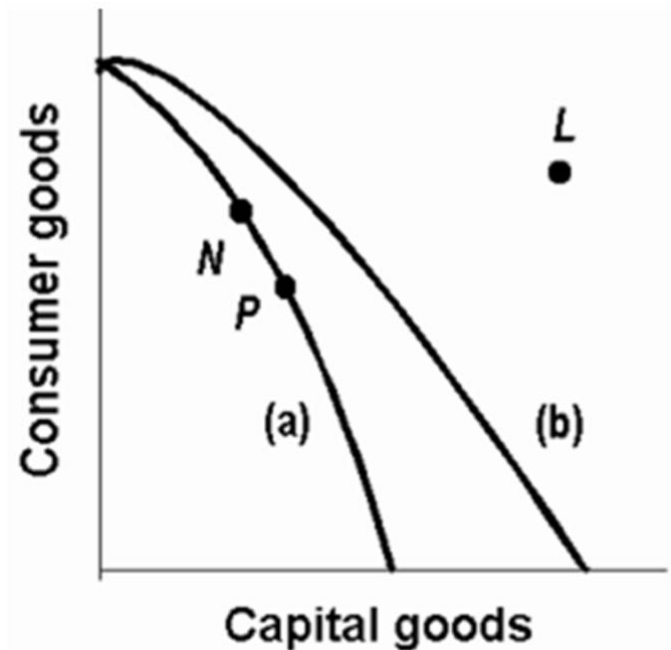
- 166) Which of the following will not require an outward shift of the production possibilities curve? 166) \_\_\_\_\_
- A) the improvement of a society's technological knowledge
  - B) an upgrading of the quality of a nation's human resources
  - C) an increase in the quantity of a society's labour force
  - D) the reduction of unemployment

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy



167) Refer to the above production possibilities curves. Curve (a) is the current curve for the economy. The movement from curve (a) to curve (b) suggests:

167) \_\_\_\_\_

- A) an improvement in consumer goods technology but not in capital goods technology.
- B) a decline in the total output of this society.
- C) an improvement in capital goods technology but not in consumer goods technology.
- D) a movement from unemployment to full employment.

Answer: C

Explanation: A)  
 B)  
 C)  
 D)

Page Ref:

Topic: 01-27 A Growing Economy

- 168) Refer to the above production possibilities curves. Curve (a) is the current curve for the economy. Other things being equal, society's current choice of point P on curve (a) will:
- A) entail a slower rate of economic growth than would the choice of point N.
  - B) allow it to achieve more rapid economic growth than would the choice of point N.
  - C) entail the same rate of growth as would the choice of point N.
  - D) be unobtainable because it exceeds the productive capacity of the economy.

168) \_\_\_\_\_

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

- 169) The basic difference between consumer goods and capital goods is that:
- A) an economy that commits a relatively large proportion of its resources to capital goods must accept a lower growth rate.
  - B) the production of capital goods is not subject to the law of increasing opportunity costs.
  - C) consumer goods satisfy wants directly while capital goods satisfy wants indirectly.
  - D) consumer goods are produced in the private sector and capital goods are produced in the public sector.

169) \_\_\_\_\_

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

- 170) Which of the following would be most likely to shift the production possibilities curve to the right?
- A) shifting resources from butter to gun production
  - B) an improvement in the literacy level and general level of education
  - C) a decline in the size of the population and labour force
  - D) a sudden and substantial expansion of consumer wants

170) \_\_\_\_\_

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

- 171) Which of the following will not shift a nation's production possibilities curve? 171) \_\_\_\_\_
- A) the discovery of new super-conductivity materials which makes manufacturing more efficient
  - B) the widespread application of irrigation to its agricultural land
  - C) an increase in the rate of unemployment
  - D) the acquisition of more education and training by its labour force

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

- 172) Which of the following will shift the production possibilities curve to the right? 172) \_\_\_\_\_
- A) a decrease in the unemployment rate from 8 to 6 percent
  - B) a technological advance which allows farmers to produce more output from given inputs
  - C) an increase in the unemployment rate from 6 to 8 percent
  - D) a decline in the efficiency with which the present labour force is allocated

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

- 173) Other things equal, which of the following would shift an economy's production possibilities curve to the left? 173) \_\_\_\_\_
- A) an increase in the proportion of total output which consists of capital or investment goods
  - B) the entrance of more women into the labour force
  - C) a law requiring mandatory retirement from the labour force at age 55
  - D) the discovery of a low-cost means of generating and storing solar energy

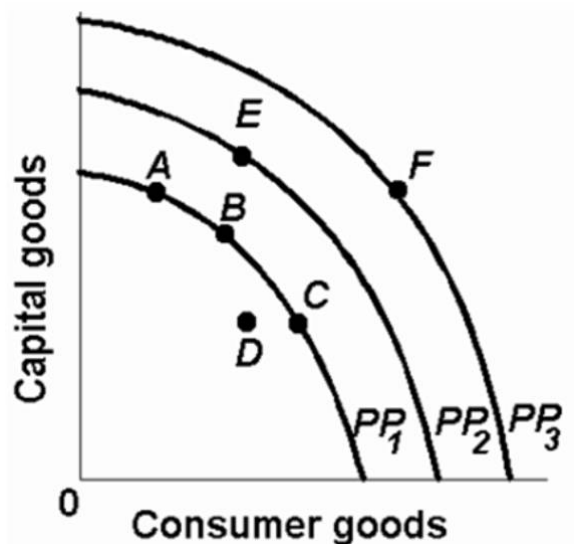
Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy





174) Refer to the above diagram. An improvement in technology will:

174) \_\_\_\_\_

- A) move the economy from A, B, or C on  $PP_1$  to D.
- B) move the economy from A to C along  $PP_1$ .
- C) shift the production possibilities curve from  $PP_2$  to  $PP_1$ .
- D) shift the production possibilities curve from  $PP_1$  to  $PP_2$ .

Answer: D

- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-27 A Growing Economy

175) Refer to the above diagram. Which one of the following would shift the production possibilities curve from  $PP_1$  to  $PP_2$

175) \_\_\_\_\_

- A) worsening of the AIDS epidemic
- B) an increase in consumer prices
- C) immigration of skilled workers into the economy
- D) a reduction in the age of retirement.

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-27 A Growing Economy

176) Which situation would most likely shift the production possibilities curve for a nation in an outward direction? 176) \_\_\_\_\_

- A) an increase in the amount of discrimination
- B) a decrease in the state of technology
- C) an increase in the supply of resources
- D) a decrease in the quality of products

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

177) Which situation would most likely cause a nation's production possibilities curve to shift inward? 177) \_\_\_\_\_

- A) a decrease in discrimination based on race
- B) an increase in the number of skilled immigrant workers
- C) the destruction from bombing and warfare in a losing military conflict
- D) the construction of more capital goods

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

178) All of the following could immediately or eventually lead to an inward shift of a nation's production possibilities curve, except: 178) \_\_\_\_\_

- A) depletion and reduced availability of major energy resources.
- B) a decline in the birth rate.
- C) an increase in the amount of discrimination.
- D) an increase in the average skill level of all occupational groups.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

179) Some agricultural sub-Saharan nations of Africa have over-farmed and overgrazed their land to the extent that significant portions of it have turned into desert. This suggests that: 179) \_\_\_\_\_

- A) the concavity of the production possibilities curves of such nations has increased.
- B) these nations are operating at some point outside of their production possibilities curves.
- C) the production possibilities curves of such nations have shifted inward.
- D) the production possibilities curves of such nations have shifted outward.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-27 A Growing Economy

180) Which of the following statements, if any, is correct for a nation which is producing only consumption and capital goods? 180) \_\_\_\_\_

- A) Other things equal, the more capital goods a nation produces, the greater will be its future growth rate.
- B) Other things equal, the more consumer goods a nation produces, the greater will be its future growth rate.
- C) There is no general relationship between the current division of output between consumer and capital goods and the future growth rate.
- D) None of the above statements is correct.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

- 181) If country A has been investing a larger proportion of its domestic output than Canada has, then, we would expect: 181) \_\_\_\_\_
- A) that in the long run living standards would rise more rapidly in country A than in Canada.
  - B) greater rightward shifts in country A's production possibilities curve as compared to Canada.
  - C) a higher rate of growth of domestic output in country A than in Canada.
  - D) all of the above to happen.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

- 182) Deltonia produces both consumer and capital goods. If it reduces the percentage of its output devoted to capital goods, then: 182) \_\_\_\_\_
- A) its production possibilities curve will necessarily shift to the left.
  - B) its rate of growth will tend to decline.
  - C) it must also reduce the percentage of its output devoted to consumer goods.
  - D) its rate of growth will tend to increase.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

183) Refer to the diagram below. Other things equal, this economy will achieve the most rapid growth if: 183) \_\_\_\_\_



- A) it chooses point B.
- B) the ratio of capital to consumer goods is minimized.
- C) it chooses point A.
- D) it chooses point C.

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

184) The future location of the economy's production possibilities curve will be affected by: 184) \_\_\_\_\_

- A) the rate of technological progress.
- B) the current division of domestic output between consumption and capital goods.
- C) the growth of the economy's supplies of resources.
- D) all of the above.

Answer: D

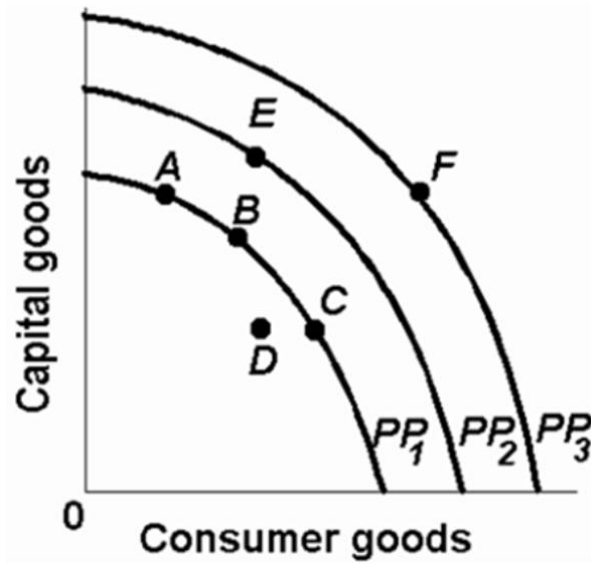
- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

185) Refer to the diagram below. Which of the following positions relative to  $PP_1$  would be the most likely to result in a future production possibilities curve of  $PP_3$ , rather than  $PP_2$ ?

185) \_\_\_\_\_



- A) A.                      B) B.                      C) C.                      D) D.

Answer: A

- Explanation:    A)  
                      B)  
                      C)  
                      D)

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

186) Through specialization and international trade a nation:

186) \_\_\_\_\_

- A) will cause its production possibilities curve to shift leftward.
- B) can achieve some combination of goods lying outside its production possibilities curve.
- C) will achieve some combination of goods lying within its production possibilities curve.
- D) can move from a high consumption-low investment to a high investment-low consumption point on its production possibilities curve.

Answer: B

- Explanation:    A)  
                      B)  
                      C)  
                      D)

Page Ref:

Topic: 01-29 A Qualification: International Trade

187) A country can achieve some combination of goods outside its production possibilities curve by: 187) \_\_\_\_\_

- A) producing more consumption goods and fewer capital goods.
- B) specializing and engaging in international trade.
- C) idling some of its resources.
- D) buying the debt (bonds and stocks) of foreign nations.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-29 A Qualification: International Trade

188) International specialization and trade: 188) \_\_\_\_\_

- A) allow a nation to get more of a desired good at less sacrifice of some other good.
- B) Has the same effect as having more and better resources.
- C) can allow an economy to circumvent the output limits imposed by its domestic production possibilities curve.
- D) All of the above.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-29 A Qualification: International Trade

189) Economists: 189) \_\_\_\_\_

- A) are somewhat arbitrary in assigning independent and dependent variables to the horizontal and vertical axes.
- B) always put the dependent variable on the horizontal axis and the independent variable on the vertical axis.
- C) always put the independent variable on the horizontal axis and the dependent variable on the vertical axis.
- D) measure the slope of a line differently than do mathematicians.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-31 Construction of a Graph

190) If we say that two variables are directly related, this means that:

190) \_\_\_\_\_

- A) the two graph as a downsloping line.
- B) the relationship between the two is purely random.
- C) an increase in one variable is associated with a decrease in the other variable.
- D) an increase in one variable is associated with an increase in the other variable.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

191) If we say that two variables are inversely related, this means that:

191) \_\_\_\_\_

- A) an increase in one variable is associated with an increase in the other.
- B) the two graph as an upsloping line.
- C) the resulting relationship can be portrayed by a straight line parallel to the horizontal axis.
- D) an increase in one variable is associated with a decrease in the other.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

192) Which of the following statements is correct?

192) \_\_\_\_\_

- A) Dependent variables graph as upsloping lines; independent variables graph as downward sloping lines.
- B) The value of the independent variable is determined by the value of the dependent variable.
- C) The value of the dependent variable is determined by the value of the independent variable.
- D) The dependent variable designates the "cause" and the independent variable the "effect."

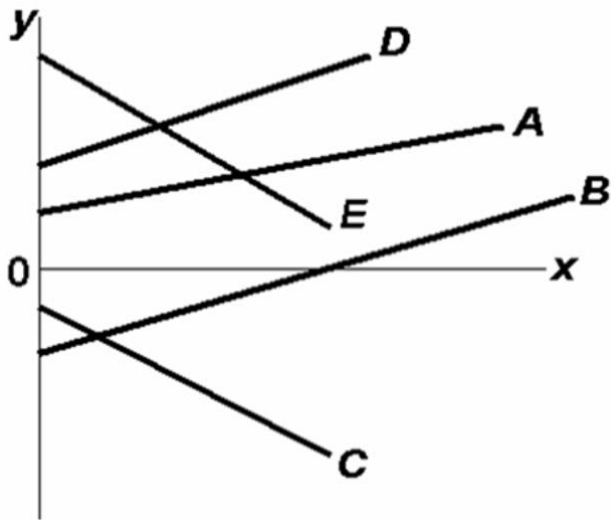
Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-33 Dependent and Independent Variables





193) Refer to the above diagram. Which line(s) show(s) a positive relationship between  $x$  and  $y$ ? 193) \_\_\_\_\_

- A) both C and E      B) both A and D      C) A, B, and D      D) A only

Answer: C

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

194) Refer to the above diagram. Which line(s) show(s) a negative relationship between  $x$  and  $y$ ? 194) \_\_\_\_\_

- A) both C and E      B) A, B, and D      C) A only      D) both A and D

Answer: A

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

195) Refer to the above diagram. Which line(s) show(s) a positive vertical intercept? 195) \_\_\_\_\_  
A) B and C only      B) A, D, and B      C) A and D only      D) A, D, and E

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

196) Refer to the above diagram. Which line(s) show(s) a negative vertical intercept? 196) \_\_\_\_\_  
A) B, C, and E      B) both B and C      C) both C and E      D) C only

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

197) If two variables are inversely related, then as the value of one variable: 197) \_\_\_\_\_  
A) increases, the value of the other decreases.

B) increases, the value of the other may either increase or decrease.

C) increases, the value of the other increases.

D) decreases, the value of the other decreases.

Answer: A

Explanation: A)  
B)  
C)  
D)

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Topic: 01-32 Direct and Inverse Relationships

198) If a positive relationship exists between  $x$  and  $y$ :

198) \_\_\_\_\_

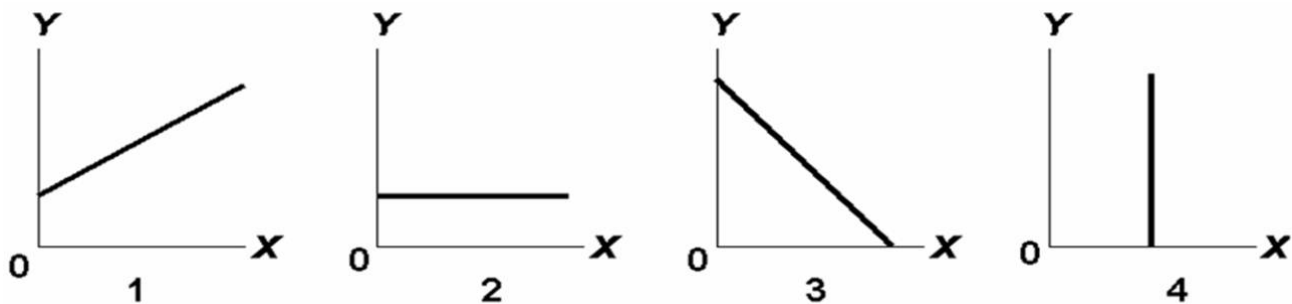
- A) an increase in  $x$  will cause  $y$  to decrease.
- B) the vertical intercept must be positive.
- C) the relationship will graph as an upsloping line.
- D) a decrease in  $x$  will cause  $y$  to increase.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships



199) Answer on the basis of the relationships shown in the above four figures. The amount of  $Y$  is directly related to the amount of  $X$  in:

199) \_\_\_\_\_

- A) both 1 and 2.
- B) 1 only.
- C) both 1 and 3.
- D) 2 only.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

200) Answer on the basis of the relationships shown in the above four figures. The amount of  $Y$  is inversely related to the amount of  $X$  in:

200) \_\_\_\_\_

- A) 1 only.
- B) 3 only.
- C) both 1 and 3.
- D) 2 only.

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-32 Direct and Inverse Relationships

201) Answer on the basis of the relationships shown in the above four figures. The amount of Y is unrelated to the amount of X in: 201) \_\_\_\_\_  
A) 1                      B) 3 only.                      C) both 2 and 4.                      D) 2 only.

Answer: D

Explanation: A)  
                  B)  
                  C)  
                  D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

202) If price (P) and quantity (Q) are directly related, this means that: 202) \_\_\_\_\_  
A) if P increases, Q will also increase.  
B) an increase in P will cause Q to change, but the direction in which Q changes cannot be predicted.  
C) if P increases, Q will decrease.  
D) a change in Q will alter P, but a change in P will not alter Q.

Answer: A

Explanation: A)  
                  B)  
                  C)  
                  D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment so that investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest \$10 billion. If the interest rate were 12 percent, \$20 billion would be invested. Assume that total investment continues to increase by \$10 billion for each successive 4 percentage point decline in the interest rate.

203) Refer to the above information. Which of the following is an accurate verbal statement of the described relationship? 203) \_\_\_\_\_

- A) The amount of business investment is unaffected by changes in the interest rate.
- B) Investment spending by businesses varies directly with the interest rate.
- C) Investment spending by businesses varies inversely with the interest rate.
- D) There is no regular or dependable relationship between business investment and the interest rate.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

204) Refer to the above information. Using  $i$  and  $I$  to indicate the interest rate and investment (billions of dollars) respectively, which of the following is the correct tabular presentation described relationship? 204) \_\_\_\_\_

	<u>(A)</u>		<u>(B)</u>		<u>(C)</u>		<u>(D)</u>
$i$	$I$	$i$	$I$	$i$	$I$	$i$	$I$
20	\$50	24	\$10	20	\$0	20	\$10
16	40	20	20	16	10	16	20
12	30	16	30	12	20	12	30
8	20	12	40	8	30	8	40
4	10	8	50	4	40	4	50
0	0	4	60	0	50	0	60

A) column (A)

B) column (B)

C) column (C)

D) column (D)

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

205) Refer to the above information. Which of the following correctly expresses the indicated relationship as an equation? 205) \_\_\_\_\_

A)  $i = 20 - .4I$ .

B)  $i = 20 - .4I$ .

C)  $i = 20 - 10I$ .

D)  $i = 24 - .4I$ .

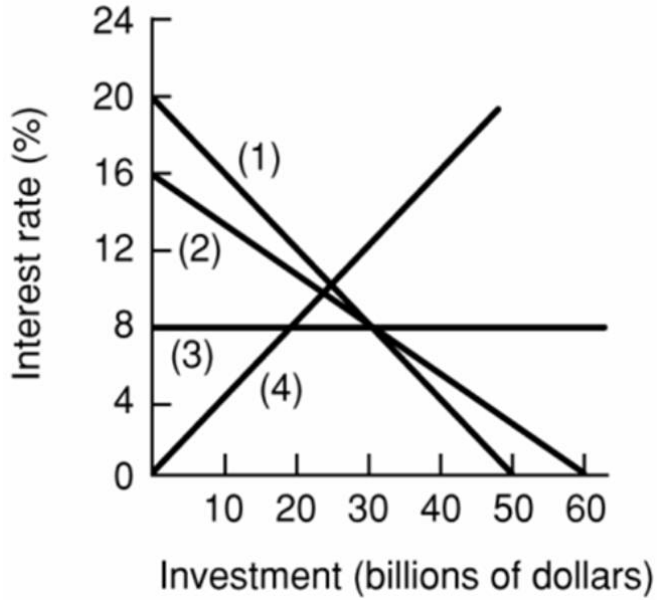
Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

206) Refer to the above information. Which of the following is the correct graphical presentation of the indicated relationship? 206) \_\_\_\_\_



A) line 3

B) line 4

C) line 1

D) line 2

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

## After-tax

<u>income</u>	<u>Consumption</u>
\$1000	\$900
2000	1800
3000	2700
4000	3600
5000	4500

207) The above data suggest that:

207) \_\_\_\_\_

- A) consumption varies inversely with after-tax income.
- B) a tax increase will increase consumption.
- C) consumption varies directly with after-tax income.
- D) consumption and after-tax income are unrelated.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

208) The above data indicates that:

208) \_\_\_\_\_

- A) a tax reduction will reduce consumption.
- B) consumers spend 90 percent of their after-tax incomes.
- C) consumers spend 80 percent of their after-tax incomes.
- D) the relationship between consumption and after-tax income is random.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships



209) The above data suggest that:

209) \_\_\_\_\_

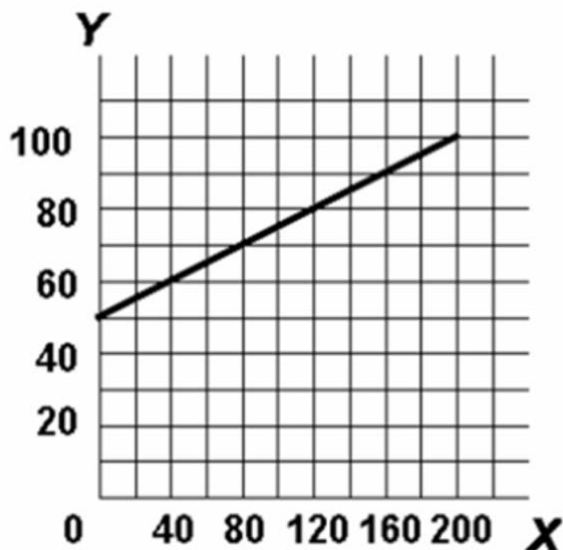
- A) a policy of tax reduction will increase consumption.
- B) tax changes will have no impact on consumption.
- C) a policy of tax increases will increase consumption.
- D) after-tax income should be lowered to increase consumption.

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships



210) Refer to the above diagram. The variables X and Y are:

210) \_\_\_\_\_

- A) negatively related.
- B) inversely related.
- C) directly related.
- D) unrelated.

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

211) Refer to the above diagram. The vertical intercept:

211) \_\_\_\_\_

- A) is 40.
- B) is 60.
- C) is 50.
- D) cannot be determined from the information given.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

212) Refer to the above diagram. The slope of the line:

212) \_\_\_\_\_

- A) is  $+ \frac{1}{4}$ .
- B) is .40.
- C) is  $- \frac{1}{4}$ .
- D) cannot be determined from the information given.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

213) Refer to the above diagram. The equation which shows the relationship between Y and X is:

213) \_\_\_\_\_

- A)  $Y = .4X$ .
- B)  $Y = 50 + \frac{1}{4} X$ .
- C)  $Y = \frac{1}{4} X - 50$ .
- D)  $X = \frac{1}{4} Y$ .

Answer: B

Explanation: A)  
B)  
C)  
D)

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Topic: 01-32 Direct and Inverse Relationships

214) The slope of a straight line can be determined by:

214) \_\_\_\_\_

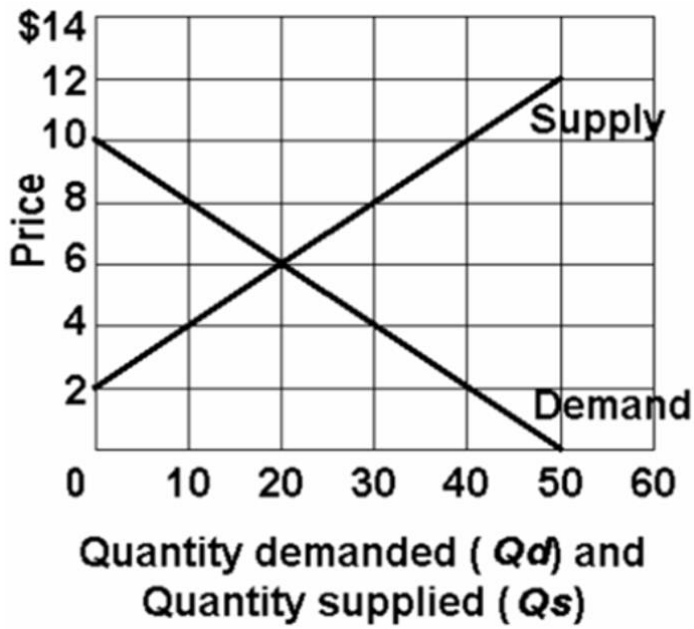
- A) comparing the absolute vertical change to the absolute horizontal change between two points on the line.
- B) taking the reciprocal of the vertical intercept.
- C) comparing the percentage vertical change to the percentage horizontal change between two points on the line.
- D) comparing the absolute horizontal change to the absolute vertical change between two points on the line.

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-35 Slope of a Line



215) Refer to the above graph. Which of the following statements is correct?

215) \_\_\_\_\_

- A) Price and quantity supplied are inversely related.
- B) Quantity demanded and quantity supplied are independent of price.
- C) Price and quantity demanded are directly related.
- D) Price and quantity supplied are directly related.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

216) Refer to the above graph. Which of the following schedules correctly reflects "demand"? 216) \_\_\_\_\_

<u>(A)</u>		<u>(B)</u>		<u>(C)</u>		<u>(D)</u>	
P	Qd	P	Qd	P	Qd	P	Qd
\$12	0	\$14	0	\$14	60	\$12	0
10	0	12	0	12	50	10	10
8	10	10	20	10	40	8	20
6	20	8	40	8	30	6	30
4	30	6	60	6	20	4	40
2	40	4	80	4	10	2	50

- A) schedule (A)      B) schedule (B)      C) schedule (C)      D) schedule (D)

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-31 Construction of a Graph

217) Refer to the above graph. Which of the following schedules correctly reflects "supply"? 217) \_\_\_\_\_

<u>(A)</u>		<u>(B)</u>		<u>(C)</u>		<u>(D)</u>	
P	Qs	P	Qs	P	Qs	P	Qs
\$12	50	\$14	50	\$12	50	\$12	0
10	30	12	40	10	40	10	0
8	10	10	30	8	30	8	10
6	0	8	20	6	20	6	20
4	0	6	10	4	10	4	30
2	0	4	0	2	0	2	40

- A) schedule (A)      B) schedule (B)      C) schedule (C)      D) schedule (D)

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-31 Construction of a Graph

218) Refer to the above graph. Using  $Q_d$  for quantity demanded and  $P$  for price, which of the following equations correctly states the demand for this product? 218) \_\_\_\_\_

A)  $P = 10 - 2Q_d$ .      B)  $P = 50 - P/2$ .      C)  $P = Q_d/10$ .      D)  $P = 10 - .2Q_d$ .

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-30 Graphs and their Meanings

219) Refer to the above graph. Using  $Q_s$  for quantity supplied and  $P$  for price, which of the following equations correctly states the supply of this product? 219) \_\_\_\_\_

A)  $P = 2 + .2Q_s$ .      B)  $P = 10Q_s - 2P$ .      C)  $P = 4 + .2Q_s$ .      D)  $P = 60/Q_s$ .

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-30 Graphs and their Meanings

220) Assume a household would consume \$100 worth of goods and services per week if its weekly income were zero and would spend an additional \$80 per week for each \$100 of additional income. Letting  $C$  represent consumption and  $Y$  represent income, the equation which summarizes this relationship is: 220) \_\_\_\_\_

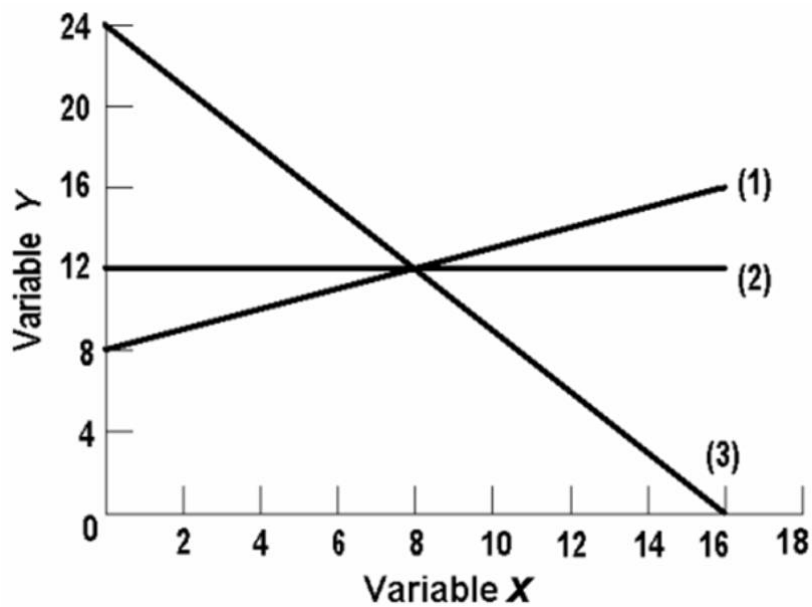
A)  $C = 100 + 80Y$ .      B)  $C = 80 + 100Y$ .      C)  $C = 80 + .1Y$ .      D)  $C = 100 + .8Y$ .

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-30 Graphs and their Meanings



221) In line (1) on the above graph, the variables x and y are:

- A) positively related.
- B) negatively related.
- C) inversely related.
- D) nonlinearly related.

221) \_\_\_\_\_

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

222) In line (3) on the above graph, variables x and y are:

- A) directly related.
- B) negatively related.
- C) nonlinearly related.
- D) positively related.

222) \_\_\_\_\_

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

223) The linear equation for line (1) on the above graph is: 223) \_\_\_\_\_  
A)  $x = 8 + .5y$ .      B)  $y = 8 - 2x$ .      C)  $y = 8 + .5x$ .      D)  $y = 8 + 2x$ .

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

224) The slope of line (2) on the above graph is: 224) \_\_\_\_\_  
A) .75.      B) 1.50.      C) 0      D) .66.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-35 Slope of a Line

225) The linear equation for line (3) on the above graph is: 225) \_\_\_\_\_  
A)  $y = 24 - 1.5x$ .      B)  $y = 24 - .66x$ .      C)  $y = 24 - .75x$ .      D)  $y = 16 - .5x$ .

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

226) The vertical intercept of line (2) on the above graph is: 226) \_\_\_\_\_  
A) 24      B) 12      C) 16      D) 8

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-36 Vertical Intercept



227) If the equation  $y = 5 + 6x$  was graphed, the:

- A) slope would be +5.
- C) vertical intercept would be +6.

Answer: B

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

- B) slope would be +6.
- D) slope would be -5.

227) \_\_\_\_\_

228) If the equation  $y = 15 - 4x$  was plotted, the:

- A) vertical intercept would be +4.
- C) slope would be -4.

Answer: C

- Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

- B) vertical intercept would be +9.
- D) vertical intercept would be -4.

228) \_\_\_\_\_

229) If the equation  $y = -10 + 2.5x$  was plotted

- A) it would graph as an upsloping line.
- C) the vertical intercept would be -10.

Answer: D

- Explanation: A)  
B)  
C)  
D)

Page Ref:

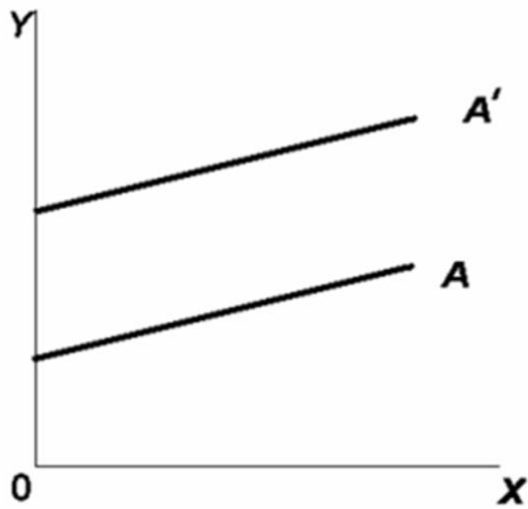
Topic: 01-37 Equation of a Linear Relationship

- B) the slope would be +2.5.
- D) all of the above would be true.

229) \_\_\_\_\_

230) Refer to the graph. The movement from line A to line A' represents a change in:

230) \_\_\_\_\_



A) the slope only.

C) both the slope and the intercept.

B) the intercept only.

D) neither the slope nor the intercept.

Answer: B

Explanation: A)

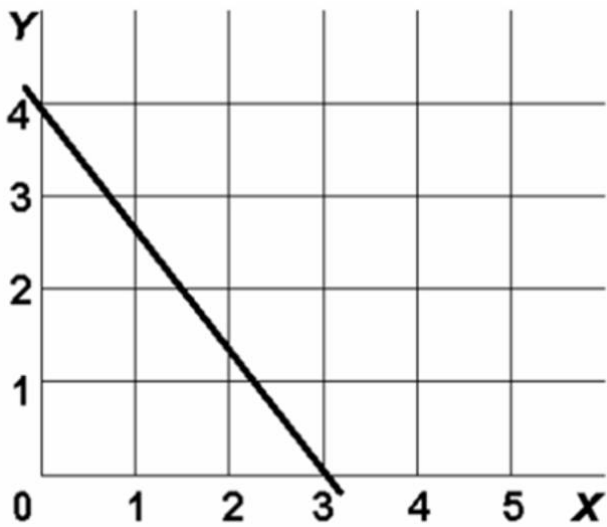
B)

C)

D)

Page Ref:

Topic: 01-36 Vertical Intercept



231) In the above diagram variables x and y are:

- A) directly related.
- C) inversely related.

- B) both dependent variables.
- D) unrelated.

231) \_\_\_\_\_

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

232) In the above diagram the vertical intercept and slope are:

- A) 4 and  $-1\frac{1}{3}$  respectively.
- C) 4 and  $+3\frac{3}{4}$  respectively.

- B) 3 and  $+3\frac{3}{4}$  respectively.
- D) 3 and  $-1\frac{1}{3}$  respectively.

232) \_\_\_\_\_

Answer: A

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-35 Slope of a Line

233) In the above diagram the equation for this line is: 233) \_\_\_\_\_  
A)  $y = 4 + 1\frac{1}{3}x$ .      B)  $y = 3 + \frac{3}{4}x$ .      C)  $y = 4 - \frac{3}{4}x$ .      D)  $y = 4 - 1\frac{1}{3}x$ .

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

234) If we are considering the relationship between two variables and release the "other things equal" assumption, we would expect: 234) \_\_\_\_\_

- A) the relationship to change from inverse to direct.
- B) the data points representing the relationship to become more randomly scattered.
- C) the relationship to change from direct to inverse.
- D) the line representing that relationship on a graph to change locations.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-34 Other Things Equal

235) The amount of pizzas that consumers want to buy per week is reflected in the equation  $P = 15 - .02Q_d$ , where  $Q_d$  is the amount of pizzas purchased per week and  $P$  is the price of pizzas. 235) \_\_\_\_\_

On the basis of this information we can say that:

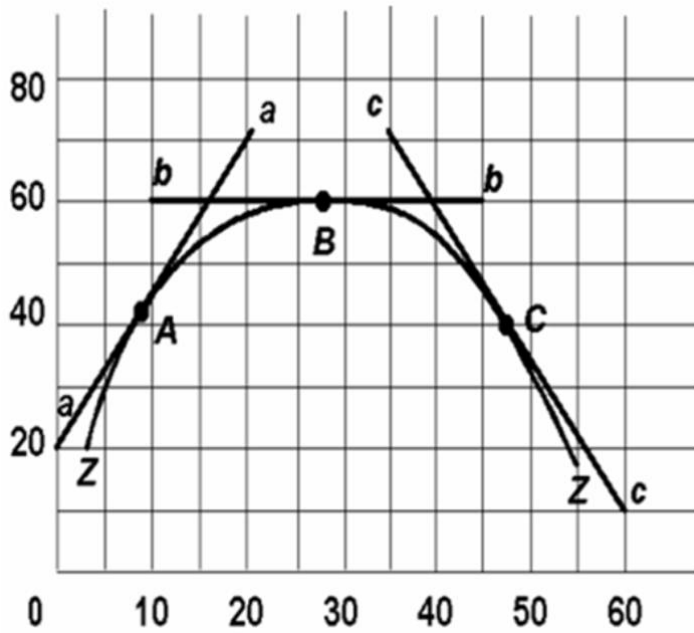
- A) if pizzas were free, people would consume 800 per week.
- B) 50 fewer pizzas will be purchased per week for every \$1 increase in price.
- C) more pizzas will be purchased at a high price than at a low price.
- D) if the price of pizzas is \$6, then 150 will be purchased.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-34 Other Things Equal



- 236) Refer to the above diagram. The slope of curve ZZ at point B is: 236) \_\_\_\_\_
- A) one. B) zero.  
 C) infinity. D) none of the above.

Answer: B

- Explanation: A)  
 B)  
 C)  
 D)

Page Ref:

Topic: 01-38 Slope of a Non-linear Curve

- 237) The slope of a line parallel to the vertical axis is: 237) \_\_\_\_\_
- A) one. B) one-half. C) zero. D) infinite.

Answer: D

- Explanation: A)  
 B)  
 C)  
 D)

Page Ref:

Topic: 01-38 Slope of a Non-linear Curve

238) The slope of a line parallel to the horizontal axis is: 238) \_\_\_\_\_  
A) one. B) infinite. C) zero. D) one-half.

Answer: C

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-38 Slope of a Non-linear Curve

239) The measured slope of a line: 239) \_\_\_\_\_  
A) is independent of how the two variables are denominated.  
B) necessarily diminishes as one moves rightward on the line.  
C) necessarily increases as one moves rightward on the line.  
D) will be affected by how the two variables are denominated.

Answer: D

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-38 Slope of a Non-linear Curve

240) Slope of lines are especially important in economics because: 240) \_\_\_\_\_  
A) they always relate to resource and output scarcity.  
B) they measure marginal changes.  
C) they always tell us something about profits.  
D) positive slopes are always preferred to negative slopes.

Answer: B

Explanation: A)  
B)  
C)  
D)

Page Ref:

Topic: 01-38 Slope of a Non-linear Curve

241) In a linear equation relating income and consumption, you know that the intercept is \$1,000 and the slope of the line is .4. If income is \$20,000, then consumption is: 241) \_\_\_\_\_  
A) \$8,000                      B) \$10,000                      C) \$9,000                      D) \$11,000

Answer: C

Explanation: A)  
                  B)  
                  C)  
                  D)

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

242) Purposeful behaviour implies that everyone will make identical choices. 242) \_\_\_\_\_

Answer: True     False

Explanation:

Page Ref:

Topic: 01-07 Purposeful Behaviour

243) Rational individuals may make different choices because their information and circumstances differ. 243) \_\_\_\_\_

Answer:  True                      False

Explanation:

Page Ref:

Topic: 01-05 The Economic Way of Thinking

244) Certain inherently desirable products such as education and health care should be produced so long as resources are available. 244) \_\_\_\_\_

Answer: True     False

Explanation:

Page Ref:

Topic: 01-07 Purposeful Behaviour

245) Marginal analysis means that decision-makers compare the extra benefits with the extra costs of a specific choice. 245) \_\_\_\_\_

Answer:  True                      False

Explanation:

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

246) Choices entail marginal costs because resources are scarce. 246) \_\_\_\_\_

Answer:  True                      False

Explanation:

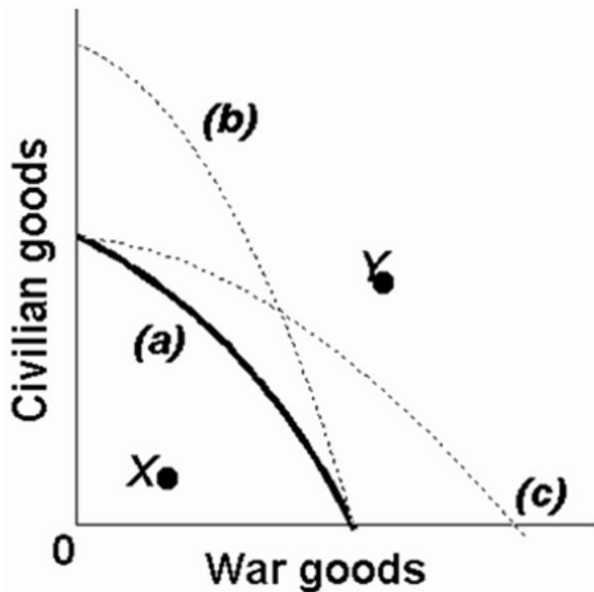
Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

- 247) If economic theories are solidly based on relevant facts, then there can be no question as to the character of appropriate economic policy. 247) \_\_\_\_\_  
Answer: True  False  
Explanation:  
Page Ref:  
Topic: 01-09 Theories, Principles, and Models
- 248) The fact that economic generalizations are abstract renders them impractical and useless. 248) \_\_\_\_\_  
Answer: True  False  
Explanation:  
Page Ref:  
Topic: 01-09 Theories, Principles, and Models
- 249) Macroeconomics explains the behaviour of individual households and business firms; microeconomics is concerned with the behaviour of aggregates or the economy as a whole. 249) \_\_\_\_\_  
Answer: True  False  
Explanation:  
Page Ref:  
Topic: 01-12 Macroeconomics
- 250) Positive statements are expressions of value judgments. 250) \_\_\_\_\_  
Answer: True  False  
Explanation:  
Page Ref:  
Topic: 01-13 Positive and Normative Economics
- 251) Normative statements are expressions of facts. 251) \_\_\_\_\_  
Answer: True  False  
Explanation:  
Page Ref:  
Topic: 01-13 Positive and Normative Economics
- 252) Individuals face an economic problem but not the society. 252) \_\_\_\_\_  
Answer: True  False  
Explanation:  
Page Ref:  
Topic: 01-12 Macroeconomics



- 253) The entrepreneur's sole function is to combine other resources (land, labour, and capital) in the production of some good or service. 253) \_\_\_\_\_  
Answer: True  False  
Explanation:  
Page Ref:  
Topic: 01-18 Society's Economic Problem
- 254) Products and services are scarce because resources are scarce. 254) \_\_\_\_\_  
Answer:  True False  
Explanation:  
Page Ref:  
Topic: 01-19 Scarce Resources
- 255) The process by which capital goods are accumulated is known as investment. 255) \_\_\_\_\_  
Answer:  True False  
Explanation:  
Page Ref:  
Topic: 01-18 Society's Economic Problem
- 256) The production possibilities curve shows various combinations of two products which an economy can produce when achieving full employment and productive efficiency. 256) \_\_\_\_\_  
Answer:  True False  
Explanation:  
Page Ref:  
Topic: 01-23 Production Possibilities Curve
- 257) An economy will always operate at some point on its production possibilities curve. 257) \_\_\_\_\_  
Answer: True  False  
Explanation:  
Page Ref:  
Topic: 01-23 Production Possibilities Curve



258) Refer to the above production possibilities curves. Given production possibilities curve (a), point Y indicates that society is failing to use available resources efficiently.

258) \_\_\_\_\_

Answer: True  False

Explanation:

Page Ref:

Topic: 01-23 Production Possibilities Curve

259) Refer to the above production possibilities curves. The movement from curve (a) to curve (b) implies an increase in the quantity and/or quality of society's productive resources.

259) \_\_\_\_\_

Answer:  True  False

Explanation:

Page Ref:

Topic: 01-23 Production Possibilities Curve

260) Refer to the above production possibilities curves. Given production possibilities curve (a), the combination of civilian and war goods indicated by point X is unattainable to this economy.

260) \_\_\_\_\_

Answer: True  False

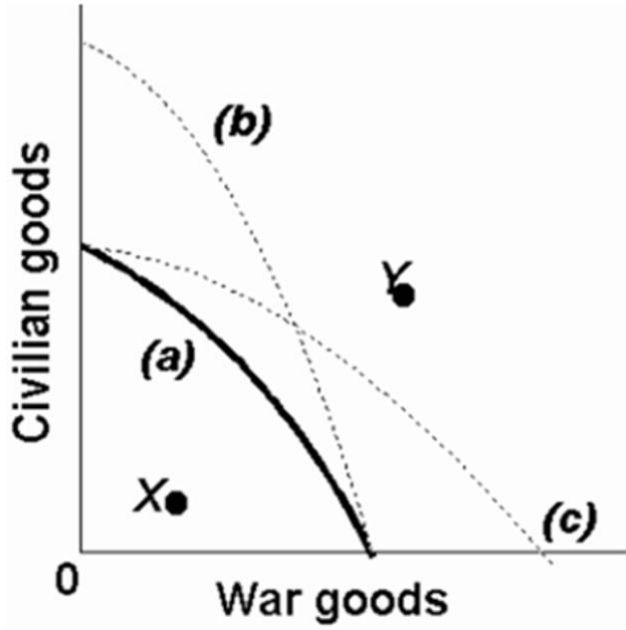
Explanation:

Page Ref:

Topic: 01-23 Production Possibilities Curve

- 261) An economy cannot produce at a point outside of its production possibilities curve because human material wants are insatiable. 261) \_\_\_\_\_
- Answer: True  False
- Explanation:
- Page Ref:
- Topic: 01-23 Production Possibilities Curve
- 262) Although sleeping in on a work day or school day has an opportunity cost, sleeping late on the weekend does not. 262) \_\_\_\_\_
- Answer: True  False
- Explanation:
- Page Ref:
- Topic: 01-23 Production Possibilities Curve
- 263) Recessions are characterised by points that are not attainable on the production possibilities curve. 263) \_\_\_\_\_
- Answer: True  False
- Explanation:
- Page Ref:
- Topic: 01-23 Production Possibilities Curve

264) Refer to the production possibilities curves. The movement from curve (a) to curve (c) in \_\_\_\_\_  
an improvement in civilian goods technology but not in war goods technology.



Answer: True  False

Explanation:

Page Ref:

Topic: 01-27 A Growing Economy

265) The present choice of position on the production possibilities curve will not influence \_\_\_\_\_  
the future location of the curve.

Answer: True  False

Explanation:

Page Ref:

Topic: 01-27 A Growing Economy

## Answer Key

Testname: UNTITLED1

- 1) A  
Page Ref:  
Topic: 01-01 Ten Key Concepts to Retain for a Lifetime
- 2) A  
Page Ref:  
Topic: 01-06 Scarcity and Choice
- 3) D  
Page Ref:  
Topic: 01-06 Scarcity and Choice
- 4) C  
Page Ref:  
Topic: 01-02 The Individual
- 5) D  
Page Ref:  
Topic: 01-07 Purposeful Behaviour
- 6) A  
Page Ref:  
Topic: 01-07 Purposeful Behaviour
- 7) D  
Page Ref:  
Topic: 01-03 Interaction Among Individuals
- 8) A  
Page Ref:  
Topic: 01-03 Interaction Among Individuals
- 9) A  
Page Ref:  
Topic: 01-03 Interaction Among Individuals
- 10) C  
Page Ref:  
Topic: 01-12 Macroeconomics
- 11) C  
Page Ref:  
Topic: 01-14 The Individual's Economic Problem
- 12) B  
Page Ref:  
Topic: 01-12 Macroeconomics
- 13) C  
Page Ref:  
Topic: 01-12 Macroeconomics
- 14) D  
Page Ref:  
Topic: 01-12 Macroeconomics
- 15) A  
Page Ref:  
Topic: 01-06 Scarcity and Choice

## Answer Key

Testname: UNTITLED1

16) A

Page Ref:

Topic: 01-06 Scarcity and Choice

17) C

Page Ref:

Topic: 01-05 The Economic Way of Thinking

18) D

Page Ref:

Topic: 01-07 Purposeful Behaviour

19) A

Page Ref:

Topic: 01-07 Purposeful Behaviour

20) B

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

21) D

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

22) D

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

23) C

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

24) C

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

25) A

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

26) A

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

27) D

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

28) C

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

29) D

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

30) C

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

## Answer Key

Testname: UNTITLED1

31) A

Page Ref:

Topic: 01-09 Theories, Principles, and Models

32) D

Page Ref:

Topic: 01-09 Theories, Principles, and Models

33) B

Page Ref:

Topic: 01-09 Theories, Principles, and Models

34) B

Page Ref:

Topic: 01-09 Theories, Principles, and Models

35) B

Page Ref:

Topic: 01-09 Theories, Principles, and Models

36) B

Page Ref:

Topic: 01-09 Theories, Principles, and Models

37) B

Page Ref:

Topic: 01-09 Theories, Principles, and Models

38) D

Page Ref:

Topic: 01-09 Theories, Principles, and Models

39) D

Page Ref:

Topic: 01-09 Theories, Principles, and Models

40) C

Page Ref:

Topic: 01-09 Theories, Principles, and Models

41) A

Page Ref:

Topic: 01-11 Microeconomics

42) A

Page Ref:

Topic: 01-11 Microeconomics

43) B

Page Ref:

Topic: 01-11 Microeconomics

44) B

Page Ref:

Topic: 01-12 Macroeconomics

45) A

Page Ref:

Topic: 01-12 Macroeconomics

## Answer Key

Testname: UNTITLED1

46) C

Page Ref:

Topic: 01-12 Macroeconomics

47) B

Page Ref:

Topic: 01-12 Macroeconomics

48) B

Page Ref:

Topic: 01-12 Macroeconomics

49) D

Page Ref:

Topic: 01-12 Macroeconomics

50) D

Page Ref:

Topic: 01-13 Positive and Normative Economics

51) A

Page Ref:

Topic: 01-13 Positive and Normative Economics

52) B

Page Ref:

Topic: 01-13 Positive and Normative Economics

53) C

Page Ref:

Topic: 01-13 Positive and Normative Economics

54) B

Page Ref:

Topic: 01-13 Positive and Normative Economics

55) C

Page Ref:

Topic: 01-13 Positive and Normative Economics

56) C

Page Ref:

Topic: 01-13 Positive and Normative Economics

57) B

Page Ref:

Topic: 01-13 Positive and Normative Economics

58) A

Page Ref:

Topic: 01-13 Positive and Normative Economics

59) A

Page Ref:

Topic: 01-12 Macroeconomics

60) B

Page Ref:

Topic: 01-14 The Individual's Economic Problem



## Answer Key

Testname: UNTITLED1

61) D

Page Ref:

Topic: 01-15 Limited Income

62) A

Page Ref:

Topic: 01-14 The Individual's Economic Problem

63) D

Page Ref:

Topic: 01-14 The Individual's Economic Problem

64) C

Page Ref:

Topic: 01-17 The Budget Line

65) D

Page Ref:

Topic: 01-17 The Budget Line

66) A

Page Ref:

Topic: 01-17 The Budget Line

67) A

Page Ref:

Topic: 01-17 The Budget Line

68) C

Page Ref:

Topic: 01-17 The Budget Line

69) C

Page Ref:

Topic: 01-17 The Budget Line

70) B

Page Ref:

Topic: 01-17 The Budget Line

71) D

Page Ref:

Topic: 01-17 The Budget Line

72) A

Page Ref:

Topic: 01-17 The Budget Line

73) D

Page Ref:

Topic: 01-17 The Budget Line

74) A

Page Ref:

Topic: 01-19 Scarce Resources

75) A

Page Ref:

Topic: 01-19 Scarce Resources

## Answer Key

Testname: UNTITLED1

76) D

Page Ref:

Topic: 01-20 Resource Categories

77) C

Page Ref:

Topic: 01-20 Resource Categories

78) D

Page Ref:

Topic: 01-20 Resource Categories

79) A

Page Ref:

Topic: 01-20 Resource Categories

80) C

Page Ref:

Topic: 01-22 Production Possibilities Table

81) C

Page Ref:

Topic: 01-22 Production Possibilities Table

82) C

Page Ref:

Topic: 01-22 Production Possibilities Table

83) A

Page Ref:

Topic: 01-22 Production Possibilities Table

84) C

Page Ref:

Topic: 01-23 Production Possibilities Curve

85) D

Page Ref:

Topic: 01-23 Production Possibilities Curve

86) D

Page Ref:

Topic: 01-23 Production Possibilities Curve

87) A

Page Ref:

Topic: 01-23 Production Possibilities Curve

88) A

Page Ref:

Topic: 01-23 Production Possibilities Curve

89) A

Page Ref:

Topic: 01-23 Production Possibilities Curve

90) B

Page Ref:

Topic: 01-23 Production Possibilities Curve

## Answer Key

Testname: UNTITLED1

91) D

Page Ref:

Topic: 01-23 Production Possibilities Curve

92) B

Page Ref:

Topic: 01-23 Production Possibilities Curve

93) B

Page Ref:

Topic: 01-23 Production Possibilities Curve

94) A

Page Ref:

Topic: 01-23 Production Possibilities Curve

95) D

Page Ref:

Topic: 01-23 Production Possibilities Curve

96) D

Page Ref:

Topic: 01-23 Production Possibilities Curve

97) A

Page Ref:

Topic: 01-23 Production Possibilities Curve

98) A

Page Ref:

Topic: 01-23 Production Possibilities Curve

99) D

Page Ref:

Topic: 01-23 Production Possibilities Curve

100) A

Page Ref:

Topic: 01-23 Production Possibilities Curve

101) C

Page Ref:

Topic: 01-23 Production Possibilities Curve

102) C

Page Ref:

Topic: 01-23 Production Possibilities Curve

103) D

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

104) C

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

105) B

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

## Answer Key

Testname: UNTITLED1

106) C

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

107) D

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

108) B

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

109) A

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

110) A

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

111) A

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

112) D

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

113) C

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

114) B

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

115) C

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

116) B

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

117) D

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

118) C

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

119) D

Page Ref:

Topic: 01-22 Production Possibilities Table

120) D

Page Ref:

Topic: 01-22 Production Possibilities Table

## Answer Key

Testname: UNTITLED1

121) B

Page Ref:

Topic: 01-22 Production Possibilities Table

122) A

Page Ref:

Topic: 01-23 Production Possibilities Curve

123) C

Page Ref:

Topic: 01-23 Production Possibilities Curve

124) A

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

125) A

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

126) B

Page Ref:

Topic: 01-21 Production Possibilities Model

127) B

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

128) C

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

129) D

Page Ref:

Topic: 01-21 Production Possibilities Model

130) A

Page Ref:

Topic: 01-23 Production Possibilities Curve

131) D

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

132) A

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

133) D

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

134) B

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

135) D

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

## Answer Key

Testname: UNTITLED1

136) B

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

137) C

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

138) D

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

139) B

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

140) D

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

141) A

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

142) D

Page Ref:

Topic: 01-24 Law of Increasing Opportunity Costs

143) D

Page Ref:

Topic: 01-25 Optimal Allocation

144) B

Page Ref:

Topic: 01-25 Optimal Allocation

145) B

Page Ref:

Topic: 01-25 Optimal Allocation

146) D

Page Ref:

Topic: 01-25 Optimal Allocation

147) C

Page Ref:

Topic: 01-25 Optimal Allocation

148) C

Page Ref:

Topic: 01-25 Optimal Allocation

149) D

Page Ref:

Topic: 01-25 Optimal Allocation

150) B

Page Ref:

Topic: 01-26 Unemployment, Growth, and the Future

## Answer Key

Testname: UNTITLED1

151) B

Page Ref:

Topic: 01-27 A Growing Economy

152) C

Page Ref:

Topic: 01-27 A Growing Economy

153) B

Page Ref:

Topic: 01-27 A Growing Economy

154) B

Page Ref:

Topic: 01-27 A Growing Economy

155) D

Page Ref:

Topic: 01-27 A Growing Economy

156) A

Page Ref:

Topic: 01-27 A Growing Economy

157) B

Page Ref:

Topic: 01-27 A Growing Economy

158) D

Page Ref:

Topic: 01-27 A Growing Economy

159) B

Page Ref:

Topic: 01-27 A Growing Economy

160) A

Page Ref:

Topic: 01-27 A Growing Economy

161) C

Page Ref:

Topic: 01-27 A Growing Economy

162) D

Page Ref:

Topic: 01-27 A Growing Economy

163) D

Page Ref:

Topic: 01-27 A Growing Economy

164) D

Page Ref:

Topic: 01-27 A Growing Economy

165) B

Page Ref:

Topic: 01-27 A Growing Economy

## Answer Key

Testname: UNTITLED1

166) D

Page Ref:

Topic: 01-27 A Growing Economy

167) C

Page Ref:

Topic: 01-27 A Growing Economy

168) B

Page Ref:

Topic: 01-27 A Growing Economy

169) C

Page Ref:

Topic: 01-27 A Growing Economy

170) B

Page Ref:

Topic: 01-27 A Growing Economy

171) C

Page Ref:

Topic: 01-27 A Growing Economy

172) B

Page Ref:

Topic: 01-27 A Growing Economy

173) C

Page Ref:

Topic: 01-27 A Growing Economy

174) D

Page Ref:

Topic: 01-27 A Growing Economy

175) C

Page Ref:

Topic: 01-27 A Growing Economy

176) C

Page Ref:

Topic: 01-27 A Growing Economy

177) C

Page Ref:

Topic: 01-27 A Growing Economy

178) D

Page Ref:

Topic: 01-27 A Growing Economy

179) C

Page Ref:

Topic: 01-27 A Growing Economy

180) A

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities



## Answer Key

Testname: UNTITLED1

181) D

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

182) B

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

183) C

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

184) D

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

185) A

Page Ref:

Topic: 01-28 Present Choices and Future Possibilities

186) B

Page Ref:

Topic: 01-29 A Qualification: International Trade

187) B

Page Ref:

Topic: 01-29 A Qualification: International Trade

188) D

Page Ref:

Topic: 01-29 A Qualification: International Trade

189) A

Page Ref:

Topic: 01-31 Construction of a Graph

190) D

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

191) D

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

192) C

Page Ref:

Topic: 01-33 Dependent and Independent Variables

193) C

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

194) A

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

195) D

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

## Answer Key

Testname: UNTITLED1

196) B

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

197) A

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

198) C

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

199) B

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

200) B

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

201) D

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

202) A

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

203) C

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

204) C

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

205) B

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

206) C

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

207) C

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

208) B

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

209) A

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

210) C

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

## Answer Key

Testname: UNTITLED1

211) C

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

212) A

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

213) B

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

214) A

Page Ref:

Topic: 01-35 Slope of a Line

215) D

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

216) A

Page Ref:

Topic: 01-31 Construction of a Graph

217) C

Page Ref:

Topic: 01-31 Construction of a Graph

218) D

Page Ref:

Topic: 01-30 Graphs and their Meanings

219) A

Page Ref:

Topic: 01-30 Graphs and their Meanings

220) D

Page Ref:

Topic: 01-30 Graphs and their Meanings

221) A

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

222) B

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

223) C

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

224) C

Page Ref:

Topic: 01-35 Slope of a Line

225) A

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

## Answer Key

Testname: UNTITLED1

226) B

Page Ref:

Topic: 01-36 Vertical Intercept

227) B

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

228) C

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

229) D

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

230) B

Page Ref:

Topic: 01-36 Vertical Intercept

231) C

Page Ref:

Topic: 01-32 Direct and Inverse Relationships

232) A

Page Ref:

Topic: 01-35 Slope of a Line

233) D

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

234) D

Page Ref:

Topic: 01-34 Other Things Equal

235) B

Page Ref:

Topic: 01-34 Other Things Equal

236) B

Page Ref:

Topic: 01-38 Slope of a Non-linear Curve

237) D

Page Ref:

Topic: 01-38 Slope of a Non-linear Curve

238) C

Page Ref:

Topic: 01-38 Slope of a Non-linear Curve

239) D

Page Ref:

Topic: 01-38 Slope of a Non-linear Curve

240) B

Page Ref:

Topic: 01-38 Slope of a Non-linear Curve

## Answer Key

Testname: UNTITLED1

241) C

Page Ref:

Topic: 01-37 Equation of a Linear Relationship

242) FALSE

Page Ref:

Topic: 01-07 Purposeful Behaviour

243) TRUE

Page Ref:

Topic: 01-05 The Economic Way of Thinking

244) FALSE

Page Ref:

Topic: 01-07 Purposeful Behaviour

245) TRUE

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

246) TRUE

Page Ref:

Topic: 01-08 Marginal Analysis: Comparing Benefits and Costs

247) FALSE

Page Ref:

Topic: 01-09 Theories, Principles, and Models

248) FALSE

Page Ref:

Topic: 01-09 Theories, Principles, and Models

249) FALSE

Page Ref:

Topic: 01-12 Macroeconomics

250) FALSE

Page Ref:

Topic: 01-13 Positive and Normative Economics

251) FALSE

Page Ref:

Topic: 01-13 Positive and Normative Economics

252) FALSE

Page Ref:

Topic: 01-12 Macroeconomics

253) FALSE

Page Ref:

Topic: 01-18 Society's Economic Problem

254) TRUE

Page Ref:

Topic: 01-19 Scarce Resources

255) TRUE

Page Ref:

Topic: 01-18 Society's Economic Problem

Answer Key

Testname: UNTITLED1

256) TRUE

Page Ref:

Topic: 01-23 Production Possibilities Curve

257) FALSE

Page Ref:

Topic: 01-23 Production Possibilities Curve

258) FALSE

Page Ref:

Topic: 01-23 Production Possibilities Curve

259) TRUE

Page Ref:

Topic: 01-23 Production Possibilities Curve

260) FALSE

Page Ref:

Topic: 01-23 Production Possibilities Curve

261) FALSE

Page Ref:

Topic: 01-23 Production Possibilities Curve

262) FALSE

Page Ref:

Topic: 01-23 Production Possibilities Curve

263) FALSE

Page Ref:

Topic: 01-23 Production Possibilities Curve

264) FALSE

Page Ref:

Topic: 01-27 A Growing Economy

265) FALSE

Page Ref:

Topic: 01-27 A Growing Economy