

Please answer all questions

Answer Grid:	1	2	3	4	5	
	6	7	8	9	10	11

**Multiple Choice Questions (use the answer grid).**

- The economic problem stems from the fact that:
  - the production possibilities curve bows out to the right
  - resources are scarce relative to people's demand for goods and services
  - people act to maximize their own welfare
  - historically the production possibilities curve has been shifting down toward the origin
  - the production possibilities curve bows in to the left
- Which of the following is a capital resource?
  - a pair of stockings
  - a dump truck
  - a savings account
  - a share of Apple stock
  - a Bell Canada bond
- Which of the following is a microeconomic statement?
  - Total economic output increased by 2.5 percent last year.
  - Unemployment was 9.8 percent of the labour force last year.
  - The price of wheat declined last year.
  - The general price level increased by 4 percent last year.
  - Business investment decreased by 2 percent last year.
- The basic purpose of the ceteris paribus assumption is to:
  - isolate the relationship between two variables by assuming all other factors remain constant
  - allow one to focus upon micro variables by ignoring macro variables
  - allow one to focus upon macro variables by ignoring micro variables
  - determine whether x causes y or vice versa
  - determine whether two variables are directly or inversely related
- Which of the following is a positive statement?
  - The humidity is too high today.
  - It is too hot to jog today.
  - The temperature is 22°C.
  - I enjoy summer evenings when it cools off.
  - I dislike humid nights.
- To maximize utility, a consumer who derives greater satisfaction from writing music than from studying drama will choose to:
  - study music
  - study drama
  - write plays
  - write music
  - both write music and study drama

**Quiz 1**

7. The concept of opportunity cost:
- (a) is irrelevant in command economies because of central planning
  - (b) suggests that resources are often unlimited in quantity
  - (c) is irrelevant if the production possibilities curve is shifting to the right
  - (d) suggests that inexhaustible wants can be fulfilled
  - (e) suggests that the use of resources in any particular line of production means that alternative outputs must be forgone

Table 1      Production Possibilities

	A	B	C	D	E	F
Guns	5	4	3	2	1	0
Red Bulls	0	5	9	12	14	15

8. The production possibilities curve illustrates the basic principle that:
- (a) the production of more of any one item will in time require smaller and smaller sacrifices of other items
  - (b) an economy automatically seeks that level of output that employs all of its resources
  - (c) if all the resources of an economy are fully used, more of one item could be produced only if less of another item is produced
  - (d) any production point below the curve reflects high opportunity cost
  - (e) any production point above the curve reflects low opportunity cost

9. According to Table 1, a total output of 3 guns and 4 Red Bulls:
- (a) would never be chosen because the economy is capable of producing a larger total output
  - (b) represents the full employment of available resources
  - (c) involves the employment of an economy's scarce resources at less than their full capacity
  - (d) is unobtainable in this economy
  - (e) would always be chosen because this is the product combination that gives the economy's citizens the most satisfaction

10. According to Table 1, to produce a total output of 3 guns and 13 Red Bulls, this economy must:
- (a) undergo an outward shift in its production possibilities curve.
  - (b) ignore the notion of opportunity cost.
  - (c) distribute its available resources more efficiently among alternative uses.
  - (d) achieve the full employment of available resources.
  - (e) leave some of its available resources idle.
11. According to Table 1, if a society is currently producing 3 guns and 9 Red Bulls, the decision to increase Red Bulls output to 12 costs:
- (a) 4 guns.
  - (b) 2 guns.
  - (c) 1 gun.
  - (d) zero because unemployed resources are available.
  - (e) irrelevant because this decision is inconsistent with consumer preferences.