

**ECO401 – Economics  
Online Quiz # 2  
December 30, 2009**

**Question # 1 of 10 ( Start time: 01:14:57 AM ) Total Marks: 1**

Demand is elastic when the elasticity of demand is:

Select correct option:

Greater than 0

**Greater than 1**

Less than 1

Less than 0

**Question # 2 of 10 ( Start time: 01:15:53 AM ) Total Marks: 1**

When government sets the price of a good and that price is above the equilibrium price, the result will be:

Select correct option:

A surplus of the good

A shortage of the good

An increase in the demand for the good

A decrease in the supply of the good

**Question # 3 of 10 ( Start time: 01:17:10 AM ) Total Marks: 1**

You observe that the price of houses and the number of houses purchased both rise over the course of the year. You conclude that:

Select correct option:

**The demand for houses has increased**

The demand curve for houses must be upward-sloping

The supply of houses has increased

Housing construction costs must be decreasing

**Question # 4 of 10 ( Start time: 01:18:12 AM ) Total Marks: 1**

The demand curve facing a perfectly competitive firm is:

Select correct option:

The same as its average revenue curve but not the same as its marginal revenue curve.

The same as its average revenue curve and its marginal revenue curve.

The same as its marginal revenue curve but not its average revenue curve.

Not the same as either its marginal revenue curve or its average revenue curve.

**Question # 5 of 10 ( Start time: 01:19:13 AM ) Total Marks: 1**

In a production process, all inputs are increased by 10%; but output increases more than 10%. This means that the firm experiences:

Select correct option:

Decreasing returns to scale.

Constant returns to scale.

**Increasing returns to scale.**

Negative returns to scale.

**Question # 6 of 10 ( Start time: 01:20:18 AM ) Total Marks: 1**

An individual whose attitude toward risk is illustrated:

Select correct option:

Risk averse.

Risk loving.

Risk neutral.

**None of the given is necessarily correct.**

**Question # 7 of 10 ( Start time: 01:21:21 AM ) Total Marks: 1**

If a decrease in price increases total revenue:

Select correct option:

**Demand is elastic**

Demand is inelastic

Supply is elastic

Supply is inelastic

**Question # 8 of 10 ( Start time: 01:22:05 AM ) Total Marks: 1**

A self-employed accountant spends a lot of money identifying clients and advertising her services. These activities are an example of:

Select correct option:

External costs

Transaction costs

Fixed inputs

Marginal returns

**Question # 9 of 10 ( Start time: 01:23:00 AM ) Total Marks: 1**

If the income elasticity of demand for boots is 0.2, a 10% increase in consumer income will lead to a:

Select correct option:

20 percent increase in the quantity of boots demanded

20 percent decrease in the quantity of boots demanded

2 percent increase in the quantity of boots demanded

0.2 percent increase in the quantity of boots demanded

**Question # 10 of 10 ( Start time: 01:24:11 AM ) Total Marks: 1**

If there is a price ceiling, there will be:

Select correct option:

Shortages

Surpluses

Equilibrium

None of the given options.