MCQs 2009

ECO401 Economics

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VU Experts

Question # 1 of 15 (Start time: 01:24:42 PM) Total Marks: 1
A person with a diminishing marginal utility of income:
Select correct option:

Will be risk averse.
Will be risk neutral.
Will be risk loving.
Cannot decide without more information.

Reference:
A risk loving person will buy if OR > 1 or = 1, but he might also buy when OR is < 1.
The degree of risk aversion increases as your income level falls, due to diminishing marginal utility of income. Risk aversion is a common feature of rational utility maximizing behavior by the average consumer.

Question # 2 of 15 (Start time: 01:25:51 PM) Total Marks: 1
We know that the demand for a product is elastic if:
Select correct option:

When price rises, revenue rises
When price rises, revenue falls
When price rises, quantity demanded rises
When price falls, quantity demanded rises

Question # 3 of 15 (Start time: 01:26:44 PM) Total Marks: 1
If consumer incomes increase, the demand for product Y:
Select correct option:

Will necessarily remain unchanged
Will shift to the right if Y is a complementary good
Will shift to the right if Y is a normal good

Will shift to the right if Y is an inferior good

Reference:
(page # 39) A normal good is one whose consumption increases when income increases

Question # 4 of 15 (Start time: 01:28:09 PM) Total Marks: 1
Due to capacity constraints, the price elasticity of supply for most products is:
Select correct option:

The same in the long run and the short run.
Greater in the long run than in the short run.
Greater in the short run than in the long run.
Too uncertain to be estimated.

Question # 5 of 15 (Start time: 01:29:48 PM) Total Marks: 1
An indifference curve is:
Select correct option:

A collection of market baskets that are equally desirable to the consumer.
A collection of market baskets that the consumer can buy.
A curve whose elasticity is constant for every price.
A curve which passes through the origin and includes all of the market baskets that the consumer regards as being equivalent.

Explanation:
An indifference curve is a line which charts out all the different points on which the consumer is indifferent with respect to the utility he derives (in other words it is a combination of all equi-utility points). It is drawn in goods space, i.e. a good Y on the vertical axis and a good X on the horizontal axis.
Indifference curves are bowed in towards the origin. In other words its slope decreases (in absolute terms) as we move down along the curve from left to right.
The average **slope** of the indifference curve between any two points is given by the change in the quantity of good Y divided by change in the quantity of good X. This is called the marginal rate of substitution (MRS).

Question # 6 of 15 (Start time: 01:31:10 PM) Total Marks: 1
If a sales tax on beer leads to reduced tax revenue, this means:
Select correct option:

Elasticity of demand is < 1.
Elasticity of demand is > 1.
Demand is upward-sloping.
Demand is perfectly inelastic.

Question # 7 of 15 (Start time: 01:32:53 PM) Total Marks: 1
The numerical measurement of a consumer's preference is called:
Select correct option:

Satisfaction
Use

Pleasure
Utility

Question # 8 of 15 (Start time: 01:34:15 PM) Total Marks: 1
It is expected that the sign of cross elasticity between two complementary goods would be:
Select correct option:

Positive
Negative
Zero
None of the given options.

Question # 9 of 15 (Start time: 01:35:45 PM) Total Marks: 1
Indifference curves that are convex to the origin reflect:
Select correct option:

An increasing marginal rate of substitution.
A decreasing marginal rate of substitution.
A constant marginal rate of substitution.
A marginal rate of substitution that first decreases, then increases.

Question # 10 of 15 (Start time: 01:36:56 PM) Total Marks: 1
A Demand Curve is price inelastic when:
Select correct option:

Changes in demand are proportionately smaller than those in price
Changes in demand are proportionately greater than those in price
Changes in demand are equal than those in price
None of the given options.

Reference: http://cepfe.nmsu.edu/?q=node/413

Question # 11 of 15 (Start time: 01:38:42 PM) Total Marks: 1
The production possibilities curve:
Select correct option:

Shows all combinations of goods that society most desires
Indicates that any combination of goods lying outside the curve is attainable
Separates all combinations of two goods that can be produced from those that cannot
Shows only those combinations of two goods that reflect "full production"

Reference: The production possibilities curve is a frontier, indicating the maximum amount of one good achievable for a given amount of the other good. Only one of these combinations represents the combination society most desires and therefore represents "full production."

Question # 12 of 15 (Start time: 01:39:59 PM) Total Marks: 1
The demand for chicken is downward-sloping. Suddenly the price of chicken rises from $130 per kilo to $140 per kilo. This will cause:
Select correct option:

The demand curve to shift to the left
The demand curve to shift to the right
Quantity demanded to increase
Quantity demanded to decrease

Question # 13 of 15 (Start time: 01:41:46 PM) Total Marks: 1
Goods X and Y are complements while goods X and Z are substitutes. If the supply of good X increases:
Select correct option:

The demand for both Y and Z will increase
The demand for Y will increase while the demand for Z will decrease
The demand for Y will decrease while the demand for Z will increase
The demand for both Y and Z will decrease

Question # 14 of 15 (Start time: 01:43:01 PM) Total Marks: 1
A nation's production possibilities curve is "bowed out" from the origin because:
Select correct option:

Resources are not perfectly shiftable between productions of the two goods
Capital goods and consumer goods utilize the same production technology
Resources are scarce relative to human wants
Opportunity costs are decreasing
ECO401 MCQs from Quiz (chapter 1-12)

Question # 1 of 15 (Start time: 02:02:54 PM) 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 # 2 of 15 (Start time: 02:04:10 PM) Total Marks: 1
If consumer incomes increase, the demand for product Y:
Select correct option:
Will necessarily remain unchanged
Will shift to the right if Y is a complementary good
Will shift to the right if Y is a normal good
Will shift to the right if Y is an inferior good

Question # 3 of 15 (Start time: 02:04:54 PM) Total Marks: 1
If marginal product is below average product:
Select correct option:
The total product will fall
The average product will fall
Average variable costs will fall
Total revenue will fall

Reference: The marginal product is the extra output per factor (e.g. employee); the average product is the output per factor (e.g. per employee). If marginal product is below average product, the average product will fall.

Question # 4 of 15 (Start time: 02:05:58 PM) Total Marks: 1
It is calculated as the percentage change in quantity demanded of a given good, with respect to the percentage change in the price of "another" good.
Select correct option:
Price elasticity of demand
Income elasticity of demand
Cross price elasticity of demand (page # 21)
Supply price elasticity

Question # 5 of 15 (Start time: 02:06:46 PM) Total Marks: 1
A Demand Curve is price inelastic when:
Select correct option:
Changes in demand are proportionately smaller than those in price
Changes in demand are proportionately greater than those in price
Changes in demand are equal than those in price
None of the given options.

Question # 6 of 15 (Start time: 02:07:32 PM) Total Marks: 1
A partial explanation for the inverse relationship between price and quantity demanded is that a:
Select correct option:
Lower price shifts the supply curve to the left
Higher price shifts the demand curve to the left
Lower price shifts the demand curve to the right

Higher price reduces the real incomes of buyers

Feedback: The demand curve is the relationship between price and quantity demanded, all else equal. A change in price changes quantity demanded, but does not shift the demand curve. One explanation for the inverse relationship between price and quantity demanded along the curve is that a higher price reduces the real incomes of buyers. For normal goods, this drop in real income will reduce desired purchases.

Question # 7 of 15 (Start time: 02:08:36 PM) Total Marks: 1
If a sales tax on beer leads to reduced tax revenue, this means:
Select correct option:
Elasticity of demand is < 1.
Elasticity of demand is > 1.
Demand is upward-sloping.
Demand is perfectly inelastic.

Q uestion # 8 of 15 (Start time: 02:09:37 PM) Total Marks: 1
A "Giffen good" is defined as one for which:
Select correct option:
Marginal utility is zero.
The demand curve is perfectly elastic.
The substitution effect is positive.
The demand curve is positively sloped.

Question # 9 of 15 (Start time: 02:11:09 PM) Total Marks: 1
A nation's production possibilities curve is "bowed out" from the origin because:
Select correct option:
Resources are not perfectly shiftable between productions of the two goods
Capital goods and consumer goods utilize the same production technology
Resources are scarce relative to human wants
Opportunity costs are decreasing

Question # 10 of 15 (Start time: 02:11:37 PM) Total Marks: 1
If diminishing marginal utility holds, and a person consumes less of a good, then all else being equal:
Select correct option:
The price of the good will rise.
Marginal utility will rise
Expenditure on the good will increase
Marginal utility will decline

Question # 11 of 15 (Start time: 02:12:15 PM) Total Marks: 1
According the law of diminishing returns:
Select correct option:

The marginal product falls as more units of a variable factor are added to a fixed factor.
Marginal utility falls as more units of a product are consumed.
The total product falls as more units of a variable factor are added to a fixed factor.
The marginal product increases as more units of a variable factor are added to a fixed factor.
This occurs when variable factors are added to fixed factors. According to the law of diminishing returns the marginal product falls as more units of a variable factor are added to a fixed factor.

Question # 12 of 15 (Start time: 02:13:34 PM) Total Marks: 1
If consumer incomes increase, the demand for product Y:
Select correct option:
Will necessarily remain unchanged
Will shift to the right if Y is a complementary good
Will shift to the right if Y is a normal good
Will shift to the right if Y is an inferior good

Question # 13 of 15 (Start time: 02:14:13 PM) Total Marks: 1
The concept of a risk premium applies to a person that is:
Select correct option:
Risk averse
Risk neutral
Risk loving
All of the given options

Question # 14 of 15 (Start time: 02:14:35 PM) Total Marks: 1
When drawing demand and supply curves, economists are assuming that the primary influence on production and purchasing decisions is:
Select correct option:
Price
Cost of production
The overall state of the economy
Consumer incomes

Reference: Although there are many determinants of quantity demanded and quantity supplied, the demand and supply curves show the relationship between price and quantity, all other factors equal. The primary factor is assumed to be the price.

Question # 15 of 15 (Start time: 02:15:36 PM) Total Marks: 1
Assume that the government sets a ceiling on the interest rate that banks charge on loans. If the ceiling is set below the market equilibrium interest rate, the result will be:
Select correct option:
A surplus of credit.
A shortage of credit.
Greater profits for banks issuing credit.

A perfectly inelastic supply of credit in the market place.

ECO401 MCQs from Quiz (chapter 1-12)

The substitution effect of a price decrease for a good with a normal indifference curve pattern:

Select correct option:

Is always inversely related to the price change.

Measures the change in consumption of the good that is due to the consumer's feeling of being richer.

Is measured by the horizontal distance between the original and the new indifference curves.

Is sufficient information to plot an ordinary demand curve for the commodity being considered.

A schedule which shows the various amounts of a product consumers are willing and able to purchase at each price in a series of possible prices during a specified period of time is called:

Select correct option:

Supply

Demand

Quantity supplied

Quantity demanded

A "Giffen good" is defined as one for which:

Select correct option:

Marginal utility is zero.

The demand curve is perfectly elastic.

The substitution effect is positive.

The demand curve is positively sloped.

When the price of petrol rises 10%, the quantity of petrol purchased falls by 8%. The demand for petrol is:

Select correct option:

Perfectly elastic

Unit elastic

Elastic

Inelastic

An individual whose attitude toward risk is illustrated:

Select correct option:

Risk averse.

Risk loving.

Risk neutral.

None of the given is necessarily correct.

If marginal product is above the average product:

Select correct option:

The total product will fall

The average product will rise

Average variable costs will fall

Total revenue will fall

Ref: A mathematical connection between average product and marginal product stating that the change in the average product depends on a comparison between the average product and marginal product. If marginal product is less than average product, then average product declines. If marginal product is greater than average product, then average product rises. If marginal product is equal to average product, then average product does not change.

Other things equal, expected income can be used as a direct measure of well-being:

Select correct option:

No matter what a person's preference to risk.

If and only if individuals are not risk-loving.

If and only if individuals are risk averse.

If and only if individuals are risk neutral.

If a sales tax on beer leads to reduced tax revenue, this means:

Select correct option:

Elasticity of demand is < 1.

Elasticity of demand is > 1.

Demand is upward-sloping.

Demand is perfectly inelastic.

Price floor results in:

Select correct option:

Equilibrium

Excess demand

Excess supply

All of the given options

A schedule which shows the various amounts of a product consumers are willing and able to purchase at each price in a series of possible prices during a specified period of time is called:

Select correct option:

Supply

Demand

Quantity supplied

Quantity demanded

It measures the percentage change in demand given a percentage change in consumer's income.

Select correct option:

Price elasticity of demand

Income elasticity of demand

Supply price elasticity

Cross price elasticity

Demand is elastic when the elasticity of demand is:

Select correct option:

Greater than 0

Greater than 1

Less than 1

Less than 0

Due to capacity constraints, the price elasticity of supply for most products is:

Select correct option:

The same in the long run and the short run.

Greater in the long run than in the short run.

Greater in the short run than in the long run.

Too uncertain to be estimated.

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

If there is a price ceiling, there will be:

Select correct option:

Shortages

Surpluses

Equilibrium

None of the given options.

Due to capacity constraints, the price elasticity of supply for most products is:
Select correct option:

The same in the long run and the short run.

Greater in the long run than in the short run.
Greater in the short run than in the long run.
Too uncertain to be estimated

Select correct option:
An individual with a constant marginal utility of income will be:
Risk averse
Risk neutral
Risk loving

Not enough information.

At the equilibrium price:
Select correct option:
There will be a shortage
There will be neither a shortage nor a surplus

There will be a surplus
There are forces that cause the price to change

Because of the relationship between a perfectly competitive firm's demand curve and its marginal revenue curve, the profit maximization condition for the firm can be written as:
Select correct option:
P = MR
P = AVC
AR = MR
P = MC

In the long run, competitive firms MUST be profit maximizes, because if they do not maximize profits:
Select correct option:
They will attract new competitors.
They will not be price takers.
The profits that they do earn will only cover variable costs.
They will not survive.

If a firm pays cash to buy a building so as to have office space for its workers, the monthly opportunity cost of the building is best measured as:
Select correct option:

The price the firm paid divided by twelve.
Zero.
The rent the firm could earn if it rented the building to another firm.
The monthly mortgage payment the firm would have had to pay.

The oligopoly model that predicts that oligopoly prices will tend to be very rigid is the _______________ model.
Select correct option:

Cournot
Stackelberg
Dominant firm
kinked demand

In which market structure(s) will price exceed marginal revenue?
Select correct option:

Differentiated oligopoly and monopoly only
Standardized oligopoly and pure competition only
Monopolistic competition and monopoly only
Monopolistic competition, oligopoly, and monopoly

Feedback: Price will exceed marginal revenue in any industry in which firms face a downward-sloping demand curve. Pure competition is the only industry in which this is not the case.

An indifference curve is:
Select correct option:

A collection of market baskets that are equally desirable to the consumer.
A collection of market baskets that the consumer can buy.
A curve whose elasticity is constant for every price.
A curve which passes through the origin and includes all of the market baskets that the consumer regards as being equivalent.

If a sales tax on beer leads to reduced tax revenue, this means:
Select correct option:
Elasticity of demand is < 1.
Elasticity of demand is > 1.
Demand is upward-sloping.
Demand is perfectly inelastic.

If the income elasticity of demand is 1/2, the good is:
Select correct option:

A luxury.
A normal good (but not a luxury).
An inferior good.

A Giffen good.

The cross elasticity of demand of complements goods is:
Select correct option:

Less than 0.

Equal to 0.
Greater than 0.
Between 0 and 1.

The point at which AC intersects MC is where:
Select correct option:

AC is decreasing.
MC is at its minimum.
AC is at its minimum.
AC is at its maximum.

Which of the following can be thought of as a barrier to entry?
Select correct option:

Scale economies.
Patents.
Strategic actions by incumbent firms.
All of the given options are true.

When oligopolists collude, they are able to:
Select correct option:

Raise price, but not restrict output
Raise price and restrict output, but not attain the monopoly profit
Raise price and restrict output, and therefore attain the monopoly profit
Restrict output, but not raise price

If marginal product is equal to average product:
Select correct option:

The total product will fall
The average product will not change
Average variable costs will fall

Total revenue will fall

If marginal product is above the average product:

Select correct option:

The total product will fall
The average product will rise
Average variable costs will fall
Total revenue will fall

The marginal product is the extra output per factor (e.g. employee); the average product is the output per factor (e.g. per employee). If marginal product is below average product, the average product will fall

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.

Which of the following is true?
a) If the marginal cost is greater than the average cost the average cost falls
b) If the marginal cost is greater than the average cost the average cost increases
c) If the marginal cost is positive total costs are maximised
d) If the marginal cost is negative total costs increase at a decreasing rate if output increases
The marginal cost measures the extra cost of producing another unit; the average cost measures the cost per unit. If the marginal cost is greater than the average cost the average cost increases.

According the law of diminishing returns:
a) The marginal product falls as more units of a variable factor are added to a fixed factor
b) Marginal utility falls as more units of a product are consumed

c) The total product falls as more units of a variable factor are added to a fixed factor
d) The marginal product increases as more units of a variable factor are added to a fixed factor
This occurs when variable factors are added to fixed factors. According to the law of diminishing returns the marginal product falls as more units of a variable factor are added to a fixed factor.

The law of diminishing returns assumes:
a) There are no fixed factors of production
b) There are no variable factors of production
c) Utility is maximised when marginal product falls
d) Some factors of production are fixed
This occurs when variable factors are added to fixed factors. It assumes some factors of production are fixed

When internal economies of scale occur:
a) Total costs fall
b) Marginal costs increase
c) Average costs fall
d) Revenue falls
These occur when the unit cost (average costs) falls as the scale of production increases.

The first level of output at which the long run average costs are minimised is called:
a) The Minimum Efficient Scale
b) The Minimum External Scale
c) The Maximum External Scale
d) The Maximum Effective Scale

This is the variable cost per unit; when added to the fixed cost per unit this leads to the total cost per unit. As output increases the average fixed cost falls so the average variable cost and average cost converge.

The average variable cost curve:
a) Is derived from the average fixed costs
b) Converges with the average cost as output increases
c) Equals the total costs divided by the output
d) Equals revenue minus profits
This is the variable cost per unit; when added to the fixed cost per unit this leads to the total cost per unit. As output increases the average fixed cost falls so the average variable cost and average cost converge.

If marginal cost is positive and falling:
a) Total cost is falling
b) Total cost is increasing at a falling rate
c) Total cost is falling at a falling rate
d) Total cost is increasing at an increasing rate
This means the extra cost of a unit is falling; total cost will increase at a decreasing rate.

If marginal product is below average product:
a) The total product will fall
b) The average product will fall
c) Average variable costs will fall
d) Total revenue will fall

The marginal product is the extra output per factor (e.g. employee); the average product is the output per factor (e.g. per employee). If marginal product is below average product, the average product will fall.

Which of the following can be thought of as a barrier to entry?
Scale economies.
Patents.
Strategic actions by incumbent firms.
All of the given options are true.

A new technology which reduces costs for firms':

Shifts the supply curve to the right
Shifts the supply curve to the left
Reduces the equilibrium quantity
Raises the equilibrium price

The point at which AC intersects MC is where:
AC is decreasing.
MC is at its minimum.
AC is at its minimum.
AC is at its maximum.

A normative economic statement:
Is a statement of fact
Is a hypothesis used to test economic theory.
Is a statement of what ought to be, not what is.
Is a statement of what will occur if certain assumptions are true.

If the income elasticity of demand is 1/2, the good is:

A luxury
A normal good (but not a luxury).
An inferior good.
A Giffen good.

And another question that derives from above is
If the income elasticity of demand is 2, the good is:

A luxury
A normal good(but not a luxury)
An inferior good.
A Giffen good.

Which of the following can be thought of as a barrier to entry?
Scale economies.
Patents.
Strategic actions by incumbent firms.
All of the given options are true.

A new technology which reduces costs for firms':
Shifts the supply curve to the right
Shifts the supply curve to the left
Reduces the equilibrium quantity
Raises the equilibrium price
ECO401 Competitive Firms and Markets

1) Economists define a market to be competitive when the firms
A) spend large amounts of money on advertising to lure customers away from the competition.
B) watch each other's behavior closely.
C) are price takers.
D) All of the above.

2) If consumers view the output of any firm in a market to be identical to the output of any other firm in the market, the demand curve for the output of any given firm

A) will be identical to the market demand curve.
B) will be horizontal.
C) will be vertical.
D) cannot be determined from the information given.

3) In the absence of any government regulation on price, if a firm has no power to set price on its own, one can safely conclude
A) the demand curve for the firm's product is horizontal.
B) there are many firms in the industry.
C) the market is in long-run equilibrium.
D) the firms in this industry are not profitable.

4) In a perfectly competitive market,
A) firms can freely enter and exit.
B) firms sell a differentiated product.
C) transaction costs are high.
D) All of the above.

5) In a competitive market, if buyers did not know all the prices charged by the many firms,
A) all firms still face horizontal demand curves.
B) firms sell a differentiated product.
C) demand curves can be downward sloping for some or all firms.
D) the number of firms will most likely decrease.

6) Many car owners and car dealers describe their different cars for sale in the local newspapers and list their asking price. Many people shopping for a used car consider the different choices listed in the paper. The market for used cars could be described as
A) competitive.
B) perfectly competitive.
C) non-competitive.
D) having high transaction costs.

7) Many car owners and car dealers describe their different cars for sale in the local newspapers and list their asking price. Many people shopping for a used car consider the different choices listed in the paper. The absence of which condition prohibits this market from being described as perfectly competitive?
A) Buyers and sellers know the prices.
B) Firms freely enter and exit.
C) Transaction costs are low.
D) Consumer believes all firms sell identical products.

8) If a firm operates in a perfectly competitive market, then it will most likely
A) advertise its product on television.
B) settle for whatever price is offered.
C) have a difficult time obtaining information about the market price.
D) have an easy time keeping other firms out of the market.

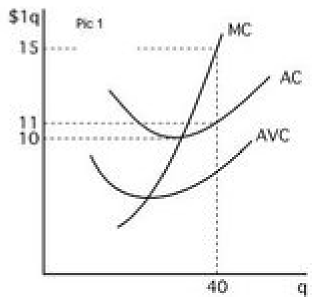
9) If a firm happened to be the only seller of a particular product, it might behave as a price taker as long as
A) buyers have full information about the firm's price.
B) the transaction costs of doing business with this firm are low.
C) there are many buyers.
D) there is free entry and exit.

10) The demand curve an individual competitive firm faces is known as its
A) excess demand curve.
B) market demand curve.
C) residual demand curve.
D) leftover demand curve.

11) If a firm makes zero economic profit, then the firm
A) has total revenues greater than its costs.
B) must shut down.
C) can be earning positive business profit.
D) must have no fixed costs.

12) If marginal revenue equals marginal cost, the firm is maximizing profits as long as
A) the resulting profits are positive.

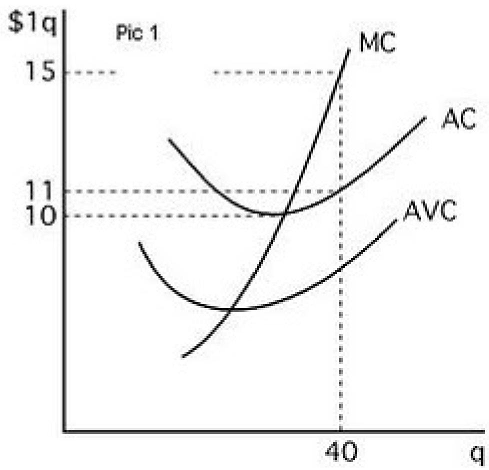
B) marginal cost exceeds marginal revenue for greater levels of output.
C) the average cost curve lies above the demand curve.
D) All of the above are required.



Pic1

13) Pic 1 shows the cost curves for a competitive firm. If the firm is to earn economic profit, price must exceed
A) $0.
B) $5.
C) $10.
D) $11.

14) Pic 1 shows the cost curves for a competitive firm. If the firm is to operate in the short run, price must exceed
A) $0.
B) $5.
C) $10.
D) $11.



15) Pic 1 shows the cost curves for a competitive firm. If the market price is $15 per unit, the firm will earn profits of
A) $0.
B) $4.
C) $40.
D) $160.

16) A firm will shut down in the short run if
A) total fixed costs are too high.
B) total revenue from operating would not cover all costs.
C) total revenue from operating would not cover variable costs.
D) total revenue from operating would not cover fixed costs.

17) If a competitive firm maximizes short-run profits by producing some quantity of output, which of the following must be true at that level of output?
A) $p = MC$.
B) $MR = MC$.
C) $p \geq AVC$.
D) All of the above.

18) If a competitive firm maximizes short-run profits by producing some quantity of output, which of the following must be true at that level of output?
A) $p > MC$.
B) $MR > MC$.
C) $p \geq AVC$.
D) All of the above.

19) If a firm finds that it maximizes short-run profits by shutting down, which of the following must be true?
A) $p < AVC$ for all levels of output.
B) $p < AVC$ only for the level of output at which $p = MC$.
C) $p < AVC$ only if the firm has no fixed costs.
D) The firm will earn zero profit.

20) If a profit-maximizing firm finds that, at its current level of production, $MR > MC$, it will
A) earn greater profits than if $MR = MC$.
B) increase output.
C) decrease output.
D) shut down.

If indifference curves cross, then:
a. the assumption of a diminishing marginal rate of substitution is violated.
b. consumers minimize their satisfaction.
c. the assumption of completeness is violated.
d. the assumption of transitivity is violated.
e. all of the above.

Reference

1. The benefit forgone by not choosing the next best alternative is
a. Opportunity Cost
b. Sunk Cost
c. Explicit Cost
a. None of above
2.______ questions have to do with explanation and prediction, _____ questions have to do with what
ought to be.
a. Positive; negative.
b. Negative; normative.
c. Affirmative; positive.
d. Positive; normative.
e. Econometric; theoretical.
A(n) __________ may start a price war in order to get a larger share of the market.

a. perfect competitor
✓ b. oligopolist
c. monopolist
d. economist

2. A monopoly based on ownership or control of a manufacturing method is a _______ monopoly.

a. natural
b. geographic
✓ c. technological
d. government

3. The theoretically ideal situation of __________ is characterized by a large number of well-informed independent buyers and sellers who exchange identical products.

   a. oligopoly
   b. monopoly
   ✔ c. perfect competition
   d. monopolistic competition

4. The market structure that has all the conditions of perfect competition except for identical products is __________.

   a. oligopoly
   ✔ b. monopolistic competition
   c. monopoly
   d. perfect competition

5. When sizable deviations from one or more of the conditions required for perfect competition take place, __________ occur.

   a. profits
   b. market successes
   ✔ c. market failures
   d. oligopolistic competitions

6. When the factors of production do not move to markets where returns are highest, the economy faces the problem of __________.

   ✔ a. resource immobility
   b. externalities
   c. resource allocation
   d. rationing

7. Many activities generate some kind of __________, or unintended side effect that either benefits or harms a third party not involved in the activity that caused it.

   a. externality

b. profit
c. dividend
d. revenue

8. The __________ Act sought to do away with restraints and monopolies that hindered competition or made competition impossible.

a. Sherman Antitrust
b. Clayton Antitrust
c. Federal Trade Commission
Answer→ d. Robinson-Patman

9. In the case of a(n) __________, it makes sense to let the firm expand to take advantage of lower production costs, and then regulate its activities so that it cannot take advantage of the consumer.

a. natural monopoly
b. perfect competitor
c. oligopoly
d. geographic monopoly

10. The purpose of __________ is to provide the market with enough data to prevent market failures due to inadequate information.

a. public disclosure
b. public good
c. market structure
d. market disclosure

If the income elasticity of demand is 1/2, the good is:
Select correct option:

A luxury.
A normal good (but not a luxury).
An inferior good.

A Giffen good.

The cross elasticity of demand of complements goods is:
Select correct option:

Less than 0.
Equal to 0.
Greater than 0.
Between 0 and 1.

The point at which AC intersects MC is where:
Select correct option:

AC is decreasing.
MC is at its minimum.
AC is at its minimum.
AC is at its maximum.

Which of the following can be thought of as a barrier to entry?
Select correct option:

Scale economies.
Patents.
Strategic actions by incumbent firms.
All of the given options are true.

When oligopolists collude, they are able to:
Select correct option:

Raise price, but not restrict output
Raise price and restrict output, but not attain the monopoly profit
Raise price and restrict output, and therefore attain the monopoly profit
Restrict output, but not raise price

If marginal product is equal to average product:
Select correct option:

The total product will fall
The average product will not change
Average variable costs will fall
Total revenue will fall

If marginal product is above the average product:

Select correct option:

The total product will fall
The average product will rise
Average variable costs will fall
Total revenue will fall

The marginal product is the extra output per factor (e.g. employee); the average product is the output per factor (e.g. per employee). If marginal product is below average product, the average product will fall

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.

a) If the marginal cost is greater than the average cost the average cost falls
b) If the marginal cost is greater than the average cost the average cost increases
c) If the marginal cost is positive total costs are maximised
d) If the marginal cost is negative total costs increase at a decreasing rate if output increases
The marginal cost measures the extra cost of producing another unit; the average cost measures the cost per unit. If the marginal cost is greater than the average cost the average cost increases.

According the law of diminishing returns:
a) The marginal product falls as more units of a variable factor are added to a fixed factor

b) Marginal utility falls as more units of a product are consumed
c) The total product falls as more units of a variable factor are added to a fixed factor
d) The marginal product increases as more units of a variable factor are added to a fixed factor
This occurs when variable factors are added to fixed factors. According to the law of diminishing returns the marginal product falls as more units of a variable factor are added to a fixed factor.

The law of diminishing returns assumes:
a) There are no fixed factors of production
b) There are no variable factors of production
c) Utility is maximised when marginal product falls
d) Some factors of production are fixed
This occurs when variable factors are added to fixed factors. It assumes some factors of production are fixed

When internal economies of scale occur:
a) Total costs fall
b) Marginal costs increase
c) Average costs fall
d) Revenue falls
These occur when the unit cost (average costs) falls as the scale of production increases.

The first level of output at which the long run average costs are minimised is called:
a) The Minimum Efficient Scale
b) The Minimum External Scale
c) The Maximum External Scale
d) The Maximum Effective Scale

This is the variable cost per unit; when added to the fixed cost per unit this leads to the total cost per unit. As output increases the average fixed cost falls so the average variable cost and average cost converge.

The average variable cost curve:
a) Is derived from the average fixed costs
b) Converges with the average cost as output increases
c) Equals the total costs divided by the output
d) Equals revenue minus profits
This is the variable cost per unit; when added to the fixed cost per unit this leads to the total cost per unit. As output increases the average fixed cost falls so the average variable cost and average cost converge.

If marginal cost is positive and falling:
a) Total cost is falling
b) Total cost is increasing at a falling rate
c) Total cost is falling at a falling rate
d) Total cost is increasing at an increasing rate
This means the extra cost of a unit is falling; total cost will increase at a decreasing rate.

If marginal product is below average product:
a) The total product will fall
b) The average product will fall
c) Average variable costs will fall
d) Total revenue will fall

The marginal product is the extra output per factor (e.g. employee); the average product is the output per factor (e.g. per employee). If marginal product is below average product, the average product will fall.

Gross National Product equals:

a) Net National Product adjusted for inflation
b) Gross Domestic Product adjusted for inflation
c) Gross Domestic Product plus net property income from abroad
d) Net National Product plus net property income from abroad

Question 2

Net National Product equals:

a) Gross National Product adjusted for inflation
b) Gross Domestic Product adjusted for inflation
c) Gross Domestic Product plus net property income from abroad
d) Gross National Product minus depreciation

Question 3

The standard of living is often measured by:

a) Real GDP per capita
b) Real GDP
c) Real GDP * population
d) Real GDP plus depreciation

Question 4

In a recession:

a) Unemployment is likely to be low
b) Prices are likely to increase
c) Growth is negative
d) Growth is slow

Question 5

In a boom:

a) Surpluses are likely to occur
b) Prices are likely to fall
c) Supply will increase immediately to match demand
d) Shortages may occur

Question 6

GDP plus net property income from abroad equals what?

a) GNP
b) NNP
c) Depreciation
d) Real GDP

Question 7

To adjust GDP from market prices to factor cost:

a) Add indirect taxes
b) Subtract subsidies
c) Deduct indirect taxes and subsidies
d) Deduct indirect taxes and add subsidies

Question 8

To adjust from Gross National Product to Net National Product:

a) Deduct depreciation
b) Deduct indirect taxes
c) Deduct subsidies
d) Add inflation

Question 9

In a recession a government:

a) Is likely to want to increase demand in the economy
b) Is likely to want to decrease demand in the economy
c) Is likely to want to stabilise demand in the economy
d) Is likely to want to increase supply in the economy

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Question 10

A higher GDP per capita may not mean that the quality of life has really improved because:

a) It measures wealth not income
b) It measures Gross Domestic Product
c) It does not measure the quality of the items produced
d) It is only measured every five years
Unit 22
Question 1

Economic growth can be measured by:

a) The CPI
b) The CBI
c) GDP
d) MPC

Question 2

In a boom:

a) Unemployment is likely to fall
b) Prices are likely to fall
c) Demand is likely to fall
d) Imports are likely to grow

Question 3

In a recession, GDP:

a) Grows negatively
b) Grows slowly
c) Grows by 0%

d) Grows rapidly

Question 4

If labour productivity per week is 200 units and there are 5 employees what is the total output?

a) 40 units
b) 195 units
c) 1000 units
d) 200 units

Question 5

Labour productivity measures:

a) The output per worker
b) The output per machine
c) Total output
d) Marginal output

Question 6

Potential growth measures:

a) The growth of the fastest economy in the world
b) The fastest growth an economy has ever achieved
c) The present rate of growth of an economy
d) The rate of growth that could be achieved if resources were fully employed

Question 7

Economic growth can be seen by an outward shift of:

a) The Production Possibility Frontier
b) The Gross Domestic Barrier
c) The Marginal Consumption Frontier
d) The Minimum Efficient Scale

Question 8

The socially optimal rate of growth is:

a) Zero
b) Negative
c) Where the marginal social benefit = the marginal social cost

d) Total social costs are minimised

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Question 9

To anticipate what the economy is going to do next the government will look at:

a) Lagging indicators
b) Flashing indicators
c) Coincidental indicators
d) Leading indicators

Question 10

When an economy first begins to grow more slowly:

a) GDP increases
b) Inflation is likely to increase
c) Stock levels are likely to increase
d) Investment in equipment is likely to increase

Unit 23

Question 1

A shift in aggregate supply is likely to:

a) Reduce the general price level and reduce national income
b) Reduce the general price level and increase national income
c) Increase the general price level and reduce national income
d) Increase the general price level and increase national income

Question 2

Aggregate demand will increase if:

a) Consumption falls
b) Investment falls
c) Exports fall
d) Imports fall

Question 3

An increase in aggregate demand will have most effect on prices if:

a) Aggregate supply is price inelastic

b) Aggregate supply is price elastic
c) Aggregate supply has a unitary price elasticity
d) Aggregate demand is price inelastic

Question 4

Which of the following would increase aggregate demand?

a) Increased saving
b) Increasing import spending
c) Increased taxation revenue
d) Increased investment

Question 5

Which of the following would decrease aggregate demand?

a) Increased consumption
b) Increasing export revenue
c) Increased taxation revenue
d) Increased investment

Question 6

Improved training of employees would:

a) Shift aggregate supply to the right
b) Shift aggregate supply to the left
c) Shift aggregate demand to the right
d) Shift aggregate demand to the left

Question 7

Increased unemployment benefits and less incentive to work would:

a) Shift aggregate supply to the right
b) Shift aggregate supply to the left
c) Shift aggregate demand to the right
d) Shift aggregate demand to the left

Question 8

Increased levels of consumption:

a) Shift aggregate supply to the right

b) Shift aggregate supply to the left
c) Shift aggregate demand to the right
d) Shift aggregate demand to the left

Question 9

Increased levels of spending on imports:

a) Shift aggregate supply to the right
b) Shift aggregate supply to the left
c) Shift aggregate demand to the right
d) Shift aggregate demand to the left

Question 10

An increase in aggregate demand if aggregate supply is totally inelastic will:

a) Increase price but not output
b) Increase output but not price
c) Increase output and price
d) Decrease output and price

Unit 24

Question 1

If the marginal propensity to consume on domestic products is 0.9 the size of the multiplier is:

a) 10
b) 1
c) 9
d) 0.1
The multiplier is (1/1-mpc) so if the mpc is 0.1 the multiplier is 10.

Question 2

An increase in the marginal propensity to consume will:

a) Increase the size of the multiplier
b) Increase the marginal propensity to save
c) Decrease national income
d) Reduce injections into the economy

Question 3

If the Keynesian consumption function is C = 10 + 0.8 Yd then when disposable income is £1000, total consumption is what?

a) 0.8
b) 800
c) 810
d) 0.81
If the Keynesian consumption function is C = 10 + 0.8 Yd then when disposable income is £1000, total consumption = 10 + 0.8(1000) = 810

Question 4

If the Keynesian consumption function is C = 10 + 0.8 Yd then when disposable income is £1000, the marginal propensity to consume is what?

a) 0.8
b) 800
c) 810
d) 0.81
If the Keynesian consumption function is C = 10 + 0.8 Yd then when disposable income is £1000, the marginal propensity to consumer is 0.8.

Question 5

If the Keynesian consumption function is C = 10 + 0.8 Yd then when disposable income is £1000, the average propensity to consume is what?

a) 0.8
b) 800
c) 810
d) 0.81
If the Keynesian consumption function is C = 10 + 0.8 Yd then when disposable income is £1000, the average propensity to consume = 810/1000=0.81

Question 6

As income increases:

a) The average propensity to consume gets nearer in value to the marginal propensity to consume
b) The average propensity to consume diverges in value from the marginal propensity to consume
c) The average propensity to consume falls
d) The average propensity to consume always approaches 0

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Question 7

An increase in consumption at any given level of income is likely to lead to:

a) A fall in savings
b) An increase in exports
c) A fall in taxation revenue
d) A decrease in import spending

Question 8

Lower interest rates are likely to:

a) Decrease consumption
b) Increase cost of borrowing
c) Encourage saving
d) Increase spending

Question 9

Friedman's theory of consumption focuses on:

a) Past income
b) Current income
c) Disposable income
d) Permanent income

Question 10

The marginal propensity to consume is equal to:

a) Total spending / total consumption
b) Total consumption / total income
c) Change in consumption / change in income
d) Change in consumption / change in savings
Unit 25

Question 1

An increase in investment is most likely to be caused by:

a) Lower interest rates
b) Lower national income
c) A decrease in the marginal propensity to consume
d) An increase in withdrawals

Question 2

An outward shift in the Marginal Efficiency of Capital should:

a) Decrease consumption
b) Increase aggregate demand
c) Reduce aggregate supply
d) Slow economic growth

Question 3

An increase in interest rates:

a) Is likely to reduce savings
b) Is likely to reduce the external value of the currency
c) Leads to a shift in the MEC schedule
d) Leads to a movement along the MEC schedule

Question 4

The accelerator assumes:

a) The marginal propensity to consume is constant
b) The economy is at full employment
c) There is a constant relationship between net investment and the rate of change of output
d) The multiplier is constant

Question 5

Investment depends mainly on:

a) Past levels of income
b) Future expected profits
c) Present national income levels
d) Historic data

Question 6

A profit maximising firm will invest up to the level of investment where:

a) The cost of borrowing equals the marginal efficiency of capital
b) The cost of borrowing is greater than the marginal efficiency of capital
c) The cost of borrowing is less than the marginal efficiency of capital
d) The cost of borrowing equals the marginal propensity to consume

Question 7

Investment is:

a) An injection that increases aggregate demand
b) A withdrawal that increases aggregate demand
c) An injection that decreases aggregate demand
d) A withdrawal that decreases aggregate demand

Question 8

Investment is an unstable element of aggregate demand because is depends heavily on:

a) Government policy
b) Expectations
c) National income
d) Historic trends

Question 9

If an increase in investment leads to a bigger increase in national income this is called the:

a) Accelerator
b) Aggregate demand
c) Monetarism
d) Multiplier

Question 10

The difference between gross investment and net investment is:

a) Depreciation
b) Acceleration
c) Deceleration
d) Capital investment

Unit 26

Question 1

An expansionist fiscal policy could include:

a) Lower interest rates
b) Increased lending by the banks

c) An increase in corporation tax
d) An increase in discretionary government spending

Question 2

If the economy grows the government's budget position will automatically:

a) Worsen
b) Improve
c) Stay the same
d) Increase with inflation

Question 3

Fiscal drag occurs when:

a) Tax bands do not increase with inflation
b) Tax rates move inversely with inflation
c) Government spending falls to reduce aggregate demand
d) Tax bands increase with inflation

Question 4

If the marginal rate of tax is 40% and consumers' income increase from £10,000 to £12,000:

a) The amount of tax paid will increase by £4,800
b) The amount of tax paid will increase by £4,000
c) The amount of tax paid will increase by £800
d) The total tax paid will be £4,800
The extra tax paid is £800 (= 40%*£2000).

Question 5

Imagine there is no tax on income up to £10000; after that, there is a tax of 50%. What is the average tax rate on an income of £20000?

a) £5000
b) 20%
c) 25%
d) £10,000
The total tax paid is £5000; this means that the average tax is 25% (£5000 out of £20,000).

Question 6

The marginal rate of tax paid is:

a) The total tax paid / total income
b) Total income / total tax paid
c) Change in the tax paid / change in income
d) Change in income / change in tax paid

Question 7

In a regressive tax system:

a) The amount of tax paid increases with income
b) The marginal rate of tax decreases with more income
c) The average rate of tax falls as income increases
d) The average rate of tax is constant as income increases

Question 8

The Public Sector Net Cash Requirement (PSNCR) is:

a) A measure of the country's trade position
b) A measure of the country's budget position
c) A measure of the country's total debt
d) A measure of the government's monetary stance

Question 9

A government might use tax to:

a) Discourage consumption of positive externalities
b) Discourage consumption of public goods
c) Discourage consumption of merit goods
d) Discourage consumption of negative externalities

Question 10

As an economy grows:

a) The government's budget position should automatically improve
b) The government's budget position should automatically worsen
c) This will have no effect on the government's budget position
d) This will reduce the government's tax revenue

Unit 27

Question 1

If people are made unemployed because of a fall in aggregate demand this is known as:

a) Frictional unemployment
b) Seasonal unemployment
c) Cyclical unemployment
d) Structural unemployment

Question 2

Supply side policies are most appropriate to cure:

a) Involuntary unemployment
b) Cyclical unemployment
c) Voluntary unemployment
d) A fall in aggregate demand

Question 3

The natural rate of unemployment is likely to fall if:

a) Unemployment benefits increase
b) Income tax increases
c) More training is available for the unemployed
d) Geographical immobility increases

Question 4

If the real wage is too high in the labour market:

a) The quantity demanded of labour is higher than the quantity supplied
b) The quantity demanded of labour equals the quantity supplied
c) The quantity demanded of labour is lower than the quantity supplied
d) It will automatically adjust in the short run to bring about equilibrium

Question 5

If there is cyclical unemployment in the economy the government might:

a) Increase interest rates
b) Encourage savings
c) Cut taxes
d) Reduce government spending

Question 6

Occupational immobility of labour occurs if:

a) People lack information
b) People do not want to work
c) People do not have the right skills to work
d) People cannot afford to move location

Question 7

Which of the following is not a supply side measure?

a) Increased training
b) Providing more information
c) Helping individuals to move location to find work
d) Increasing spending on existing industries

Question 8

Reducing involuntary unemployment:

a) Helps the economy move on to the Production Possibility Frontier
b) Helps shift the economy's Production Possibility Frontier outwards
c) Helps the economy move along its Production Possibility Frontier
d) Helps the economy move inside the Production Possibility Frontier

Question 9

Less demand in the economy may increase unemployment; this may lead to less spending which may reduce demand further. This is called:

a) The upward accelerator
b) The downward multiplier
c) The upward PPF
d) The downward mpc

Question 10

To reduce cyclical unemployment the government might:

a) Increase the budget surplus
b) Increase the balance of payments deficit
c) Reduce interest rates
d) Reduce government expenditure

Unit 28

Question 1

The precautionary demand for money is:

a) An idle balance
b) An active balance
c) Directly related to interest rates
d) Inversely related to income

Question 2

The liquidity trap occurs when the demand for money:

a) Is perfectly interest elastic
b) Is perfectly interest inelastic
c) Means that an increase in money supply leads to a fall in the interest rate
d) Means that an increase in the money supply leads to an increase in the interest rate

Question 3

A fall in interest rates is likely to:

a) Increase aggregate demand
b) Increase savings
) Decrease consumption
d) Decrease exports

Question 4

According to the quantity theory of money an increase in the money supply is most likely to lead to inflation if:

a) The velocity of circulation decreases
b) The number of transactions decreases
c) There is deflation
d) The velocity of circulation and the number of transactions is constant

Question 5

A reduction in the money supply is likely to:

a) Reduce the interest rate
b) Increase the interest rate

c) Increase inflation
d) Decrease deflation

Question 6

To reduce the supply of money the government could:

a) Reduce interest rates
b) Buy back government bonds
c) Sell government bonds
d) Encourage banks to lend

Question 7

The speculative demand for money occurs when:

a) Individuals hold money just in case an emergency happens
b) Individuals hold money to buy things
c) Individuals hold money rather than other assets because they are worried about the price of the other assets falling
d) Individuals hold money to shop

Question 8

An outward shift in the demand for money, other things being equal should lead to:

a) A lower interest rate but the same quantity of money
b) A higher interest rate but the same quantity of money
c) A higher quantity of money but lower interest rates
d) A higher quantity of money but the same interest rate

Question 9

The interest rate in the UK is determined by:

a) The government
b) The electorate
c) The Monetary Policy Committee
d) The Federal Reserve Board

Question 10

Open Market Operations occur when the government:

a) Reduces the interest rate

b) Buys and sells bonds and securities
c) Increases taxation
d) Increases the exchange rate
Unit 29

Question 1

Demand pull inflation may be caused by:

a) An increase in costs
b) A reduction in interest rate
c) A reduction in government spending
d) An outward shift in aggregate supply

Question 2

Inflation:

a) Reduces the cost of living
b) Reduces the standard of living
c) Reduces the price of products
d) Reduces the purchasing power of a pound

Question 3

An increase in injections into the economy may lead to:

a) An outward shift of aggregate demand and demand pull inflation
b) An outward shift of aggregate demand and cost push inflation
c) An outward shift of aggregate supply and demand pull inflation
d) An outward shift of aggregate supply and cost push inflation

Question 4

An increase in aggregate demand is more likely to lead to demand pull inflation if:

a) Aggregate supply is perfectly elastic
b) Aggregate supply is perfectly inelastic
c) Aggregate supply is unit elastic
d) Aggregate supply is relatively elastic

Question 5

An increase in costs will:

a) Shift aggregate demand
b) Shift aggregate supply
c) Reduce the natural rate of unemployment
d) Increase the productivity of employees

Question 6

The effects of inflation on the price competitiveness of a country's products may be offset by:

a) An appreciation of the currency
b) A revaluation of the currency
c) A depreciation of the currency
d) Lower inflation abroad

Question 7

Menu costs in relation to inflation refer to:

a) Costs of finding better rates of return
b) Costs of altering price lists
c) Costs of money increasing its value
d) Costs of revaluing the currency

Question 8

In the short run unemployment may fall below the natural rate of unemployment if:

a) Nominal wages have risen less than inflation
b) Nominal wages have risen at the same rate as inflation
c) Nominal wages have risen more than inflation
d) Nominal wages have risen less than unemployment

Question 9

According to the Phillips curve unemployment will return to the natural rate when:

a) Nominal wages are equal to expected wages
b) Real wages are back at equilibrium level
c) Nominal wages are growing faster than inflation
d) Inflation is higher than the growth of nominal wages

Question 10

The Phillips curve shows the relationship between inflation and what?

a) The balance of trade
b) The rate of growth in an economy
c) The rate of price increases
d) Unemployment
Unit 30

Question 1

If the value of the pound in other currencies is strong:

a) The price of UK products abroad in foreign currency will fall
b) The price of UK products abroad in foreign currency will rise
c) The price of UK products in the UK will rise
d) The price of UK products in the UK will fall

Question 2

If the value of the pound in other currencies rises:

a) The spending on UK exports in pounds must rise
b) The spending on UK exports in foreign currency will rise if demand is price elastic
c) The demand for UK exports will rise
d) The spending on UK exports in foreign currency will fall if demand for UK exports is price elastic

Question 3

The supply of pounds to the currency market will be upward sloping if:

a) The demand for UK exports is price elastic
b) The demand for UK exports is price inelastic
c) The demand for imports into the UK is price elastic
d) The demand for imports into the UK is price inelastic

Question 4

A fall in the value of the pound is likely to decrease spending on imports if:

a) The price elasticity of demand for imports is price elastic
b) The price elasticity of demand for imports is price inelastic
c) The price elasticity of demand for imports has a unit price elasticity
d) The price elasticity of demand for exports is price elastic

Question 5

If the exchange rate is above the equilibrium level:

a) There is excess demand and the exchange rate will fall
b) There is excess supply and the exchange rate will fall
c) There is excess demand and the exchange rate will rise
d) There is excess supply and the exchange rate will rise

Question 6

If the exchange rate is below the equilibrium level:

a) There is excess demand and the exchange rate will fall
b) There is excess supply and the exchange rate will fall
c) There is excess demand and the exchange rate will rise
d) There is excess supply and the exchange rate will rise

Question 7

To prevent the exchange rate rising the government could:

a) Sell its own currency
b) Increase interest rates
c) Buy its own currency
d) Sell foreign currency

Question 8

A depreciation of a currency occurs when:

a) The value of the currency falls
b) The value of the currency increases
c) Inflation falls
d) The balance of payments improves

Question 9

An appreciation of the currency may occur if:

a) Domestic interest rates fall
b) There is an increase in demand for imports
c) There is an increase in demand for exports
d) There is an increase in the balance of payments deficit

Question 10

A fall in the external value of a currency:

a) May cause an outward shift in the demand for the currency
b) May cause an inward shift in the supply for the currency
c) May lead to a movement along the demand curve for a currency
d) May be due to a increase in demand for the country's exports

Unit 31

Question 1

Which of the following is not an argument for protectionism?

a) To protect infant industries
b) To increase the level of imports
c) To protect strategic industries
d) To improve the balance of payments

Question 2

A demand switching policy could be

a) Higher interest rates
b) Higher income tax
c) Tariffs
d) Reduced government spending

Question 3

Free trade is based on the principle of:

a) Comparative advantage
b) Comparative scale
c) Economies of advantage
d) Production possibility advantage

Question 4

If a country can produce 10 of product A or 4 of product B the opportunity cost of 1B is:

a) 0.4A
b) 2.5A
c) 10A
d) 1B
If a country can produce 10 of product A or 4 of product B the opportunity cost of 1B is 2.5A.

Question 5

Tariffs:

a) Decrease the domestic price of a product
b) Increase government earnings from tax
c) Increase the quantity of imports
d) Decrease domestic production

Question 6

The terms of trade measure:

a) The income of one country compared to another
b) The GDP of one country compared to another
c) The quantity of exports of one country compared to another
d) Export prices compared to import prices

Question 7

In a floating exchange rate system:

a) The government intervenes to influence the exchange rate
b) The exchange rate should adjust to equate the supply and demand of the currency
c) The Balance of Payments should always be in surplus
d) The Balance of payments will always equal the government budget

Question 8

The marginal propensity to consume is equal to:

a) Total spending / total consumption
b) Total consumption / total income
c) Change in consumption / change in income
d) Change in consumption / change in savings

Question 9

If there is a balance of payments deficit then in a floating exchange rate system:

a) The external value of the currency would tend to fall
b) The external value of the currency would tend to rise
c) The injections from trade are greater than the withdrawals
d) Aggregate demand is increasing

Question 10

To prevent the external value of the currency from falling the government might:

a) Reduce interest rates
b) Sell its own currency
c) Buy its own currency with foreign reserves
d) Increase its own spending
Unit 32

Question 1

Members of the European Union:

a) Have the same interest rates
b) Have one set of laws
c) All have the euro currency
d) Have common tariffs against non members

Question 2

Which of the following is **not** a member of the European Union?

a) France
b) Russia
c) Bulgaria
d) Poland

Question 3

The population of the European Union is approximately what?

a) 50 million
b) 450 million
c) 1000 million
d) 2000 million

Question 4

Within the European Union:

a) There are no tariffs between member countries
b) All member countries have the euro currency
c) All member countries have the same taxation policies

d) All member countries have the same defence policy

Question 5

Belonging to the European Union:

a) Encourages trade with non member countries
b) Encourages trade with member countries
c) Encourages protectionism within the union
d) Encourages countries to act independently

Question 6

The UK:

a) May join the European Union in the future
b) Relies on the European Union for all of its trade
c) Relies on the European Union for much of its tax revenue
d) Joined the European Union in 1973

Question 7

The CAP is:

a) The Common Agricultural Policy
b) The Common Alien Policy
c) The Community Agricultural Premium
d) The Cost And Price agreement

Question 8

By having a bigger target market within the European Union a firm might benefit from economies of scale. Which of the following is **not** an economy of scale?

a) Purchasing
b) Financial
c) Managerial
d) Allocative efficiency

Question 9

Which of the following is **not** a European institution?

a) European Parliament
b) European Commission

c) European Congress
d) European Council

Question 10

Which of the following could be a problem of being a member of the European Union?

a) Greater competition
b) More customers
c) Easier access to markets
d) Greater uniformity in markets
Unit 33

Question 1

Which of the following is **not** a way of helping developing economies?

a) Aid
b) Loans
c) Protectionism of developed markets
d) Training and education programmes

Question 2

Developing economies usually have:

a) Low GDP per capita
b) Low CPI
c) Large balance of payments surpluses
d) Large budget surpluses

Question 3

Demand for primary products is likely to be:

a) Very sensitive to price
b) Price elastic
c) Unit elastic
d) Income inelastic

Question 4

Developing economies usually:

a) Have large industrialised sectors

b) Are dependent on primary products
c) Have high levels of wealth
d) Earn more from exports than is spent on imports

Question 5

Earning from primary products are often unstable because:

a) Demand is price elastic
b) Supply is price elastic
c) Supply conditions are relatively stable
d) Supply conditions are unstable

Question 6

Over time the price of primary products tends to fall because:

a) Demand is income elastic
b) Supply is income elastic
c) Of outward shifts in supply
d) Demand is price elastic

Question 7

Less Developed Countries tend to have:

a) A high average age
b) A slow population growth rate
c) High life expectancy
d) A low literacy rate

Question 8

In a Less Developed Country:

a) The infrastructure is likely to be good
b) Real wages are likely to be high
c) Unemployment is likely to be low
d) The primary sector is likely to be significant

Question 9

An injection of funds into a Less Developed Country might set off the:

a) Multipler

b) Marginal propensity to save
c) Average propensity to consume
d) The Laffer effect

Question 10

The marginal propensity to consume in a Less Developed Country is likely to be:

a) Less than 0
b) Nearly 0
c) High
d) Low
Unit 34

Question 1

Which of the following is not a global organisation?

a) IMF
b) World Bank
c) Competition Commission
d) WTO

Question 2

Globalisation is likely to increase with:

a) More protectionism
b) An increase in tariffs
c) More trade within countries
d) Greater trade flows between countries

Question 3

A multinational business:

a) Sells products abroad
b) Produces in more than one country
c) Imports from abroad
d) Sells only domestically

Question 4

Which of the following best describes the selling of a production licence to another firm?

a) Hands over all rights to its products
b) Sells its products abroad
c) Sells the right to produce to another business
d) Sells the business to another business

Question 5

Globalisation is made more difficult by:

a) The actions of the World Trade Organisation
b) The removal of protectionist measures
c) Exchange rate instability
d) More free trade agreements

Question 6

Finding a partner to work with abroad is called a:

a) Takeover
b) Merger
c) Acquisition
d) Joint venture

Question 7

Some pressure groups oppose globalisation. The best economic reason for opposition would be:

a) World trade may increase
b) The marginal social benefits of globalisation are less than the marginal social costs
c) Global standards of living may rise
d) World income inequality may increase

Question 8

The UK would **not** have attracted inward investment because:

a) It is within the European Union
b) English is a common world wide language
c) It has a stable economic system
d) A strong pound may have made it cheaper for foreign buyers to purchase UK companies

Question 9

Why might a country resist globalisation?

a) Greater choice of final products
b) Greater choice of supplies
c) Greater competition for domestic firms
d) More markets to sell to

Question 10

World trade has been increasing due to:

a) Increased tariffs
b) Increased legal barriers
c) Increased embargoes
d) Reduced protectionism

Unit 11
Top of Form
Question 1

Firms in perfect competition face a:

a) **Perfectly elastic demand curve**
b) Perfectly inelastic demand curve
c) Perfectly elastic supply curve
d) Perfectly inelastic supply curve

Question 2

In perfect competition:

a) **The price equals the marginal revenue**
b) The price equals the average variable cost
c) The fixed cost equals the variable costs
d) The price equals the total costs

Question 3

A profit maximising firm in perfect competition produces where:

a) Total revenue is maximised
b) Marginal revenue equals zero
c) **Marginal revenue equals marginal cost**
d) Marginal revenue equals average cost

Question 4

In perfect competition:

a) **The products firm offer are very similar**
b) Products are heavily differentiated
c) A few firms dominate the market
d) Consumers have limited information

Question 5

In the long run in perfect competition:

a) The price equals the total revenue
b) Firms are allocatively inefficient
c) **Firms are productively efficient**
d) The price equals total cost

Question 6

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In perfect competition:

a) Short run abnormal profits are competed away by firms leaving the industry
b) **Short run abnormal profits are competed away by firms entering the industry**
c) Short run abnormal profits are competed away by the government
d) Short run abnormal profits are competed away by greater advertising

Question 7

In perfect competition:

a) A few firms dominate the industry
b) Firms are price makers
c) There are many buyers but few sellers
d) **There are many buyers and sellers**

Question 8

In the short run firms in perfect competition will still produce provided:

a) **The price covers average variable cost**
b) The price covers variable cost
c) The price covers average fixed cost
d) The price covers fixed costs

Question 9

In the long run in perfect competition:

a) **Price = average cost = marginal cost**
b) Price = average cost = total cost

c) Price = marginal revenue = total cost
d) Total revenue = total variable cost
Question 10

For a perfectly competitive firm:

a) **Price equals marginal revenue**
b) Price is greater than marginal revenue
c) Price equals total revenue
d) Price equals total cost
Unit 12
Top of Form
Question 1

X inefficiency occurs when:

a) The price is greater than the marginal cost
b) The price is greater than the average cost
c) **Costs are higher than they could be due to a lack of competitive pressure**
d) There are external costs
Question 2

The marginal revenue curve in monopoly:

a) Equals the demand curve
b) Is parallel with the demand curve
c) Lies below and converges with the demand curve
d) **Lies below and diverges from the demand curve**
Question 3

In monopoly when abnormal profits are made:

a) **The price set is greater than the marginal cost**
b) The price is less than the average cost
c) The average revenue equals the marginal cost
d) Revenue equals total cost
Question 4

In monopoly in long run equilibrium:

a) The firm is productively efficient
b) **The firm is allocatively inefficient**
c) The firm produces where marginal cost is less than marginal revenue
d) The firm produces at the socially optimal level
Question 5

Barriers to entry do not include

a) Patents
b) Internal economies of scale
c) **Mobility of resources**
d) High investment costs
Question 6

In a monopoly which of the following is not true?

a) Products are differentiated
b) **There is freedom of entry and exit into the industry in the long run**
c) The firm is a price taker
d) There is one main seller

Question 7

In monopoly which of the following is true?

a) There are many buyers and sellers
b) There is one main buyer
c) **There is one main seller**
d) The actions of one firm do not affect the market price and quantity
Question 8

According to Schumpeter:

a) Monopolies are inefficient
b) **Monopoly profits act as an incentive for innovation**
c) Monopolies are alocatively efficient
d) Monopolies are productively efficient
Question 9

A welfare loss occurs in monopoly where:

a) **The price is greater than the marginal cost**
b) The price is greater than the marginal benefit
c) The price is greater than the average revenue
d) The price is greater than the marginal revenue
Question 10

In the UK the government:

a) Bans monopolies

b) Fines all monopolies
c) Prevents firms acquiring more than 25% of the market
d) **Has the right to investigate monopolies and will assess each one on its own merits**
Unit 13
Top of Form
Question 1

If a few firms dominate an industry the market is known as:

a) Monopolistic competition
b) Competitively monopolistic
c) Duopoly
d) **Oligopoly**
Question 2

In a cartel member firms may be given a fixed amount to produce. This is called a:

a) Limit
b) Factor
c) **Quota**
d) Quotient
Question 3

In the Kinked Demand Curve theory it is assumed that:

a) An increase in price by the firm is not followed by others
b) An increase in price by the firm is followed by others
c) **A decrease in price by the firm is followed by others**
d) Firms collude to fix the price
Question 4

The Kinked Demand Curve theory assumes:

a) Firms cooperate
b) Firms act as part of a cartel
c) **Firms are competitive**
d) Firms are not profit maximisers
Question 5

In Game Theory:

a) Firms are assumed to act independently
b) Firms are assumed to cooperate with each other
c) Firms collude as part of a cartel
d) **Firms consider the actions of others before deciding what to do**

Question 6

In the kinked demand curve theory:

a) There is a kink in the marginal cost curve
b) Demand is price inelastic
c) Demand is price elastic
d) **Non price competition is likely**

Question 7

Firms in oligopoly are likely to:

a) **Invest heavily in branding**
b) Act independently of other firms
c) Try to differentiate its products
d) Try to be a price maker

Question 8

A model of Game Theory of oligopoly is known as the:

a) **Prisoner's Dilemma**
b) Monopoly Cell
c) Jailhouse Sentence
d) Jury Box

Question 9

In cartels:

a) Each individual firm profit maximises
b) **There may be an incentive to cheat**
c) The industry as a whole is loss making
d) There is no need to police agreements

Question 10

In a cartel:

a) Firms compete against each other
b) Price wars are common
c) Firms use price to win market share from competitors
d) **Firms collude**

Unit 14

Instructions

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Question 1

In monopolistic competition:

a) Firms face a perfectly elastic demand curve
b) All products are homogeneous
c) **Firms make normal profits in the long run**
d) There are barriers to entry to prevent entry

Question 2

In monopolistic competition:

a) Demand is perfectly elastic
b) Products are homogeneous
c) Marginal revenue = price
d) **The marginal revenue is below the demand curve and diverges**

Question 3

In monopolistic competition firms profit maximise where:

a) Marginal revenue = Average revenue
b) **Marginal revenue = Marginal cost**
c) Marginal revenue = Average cost
d) Marginal revenue = Total cost

Question 4

Which of the following is not one of the four Ps in marketing?

a) Product
b) Price
c) Place
d) **Presence**

Question 5

Effective branding will tend to make:

a) **Demand more price inelastic**
b) Supply more price inelastic
c) Demand more income elastic
d) Supply more income elastic

Question 6

In monopolistic competition if firms are making abnormal profit other firms will enter and:

a) The marginal cost will shift outwards
b) **The demand curve will shift inwards**
c) The average cost will shift downwards
d) The average variable cost will increase
Question 7

In Porter's five forces model conditions are more favourable for firms within an industry if:

a) Buyer power is high
b) Supplier power is high
c) **Entry threat is low**
d) Substitute threat is high
Question 8

If a firm takes over a competitor then, according to Porter's 5 forces model,:

a) Buyer power is higher
b) Supplier power is higher
c) Substitute threat is higher
d) **Rivalry is lower**
Question 9

In marketing "USP" stands for:

a) **Unique Selling Proposition**
b) Underlying Sales Pitch
c) Unit Sales Point
d) Under Sales Procedure
Question 10

In monopolistic competition:

a) There are few sellers
b) There are few buyers
c) There is one seller
d) **There are many sellers**
Unit 15
Top of Form
Question 1

Barriers to entry:

a) Do not exist in monopoly

b) Cannot exist in oligopoly
c) Do not exist in monopolistic competition
d) **Do exist in perfect competition**

Question 2

Which best describes price discrimination?

a) Charging different prices for different products
b) Charging the same prices for different products
c) Charging the same prices for the same products
d) **Charging different prices for the same products**

Question 3

For a firm operating in two markets and price discriminating the profit maximising condition is:

a) Marginal revenue in A = Price B
b) Marginal revenue in A = Marginal revenue B = Price A = Price B
c) **Marginal revenue in A = Marginal revenue B = Marginal cost**
d) Marginal revenue in A = Marginal revenue B = Average cost

Question 4

If the price elasticity of demand for a product in market A is -0.2 and in market B is -3 a price discriminator will charge:

a) **The higher price in market A**
b) The higher price in market B
c) The same price in both markets
d) Cannot tell which price will be higher

Question 5

In perfect price discrimination:

a) Consumer surplus is maximised
b) Produce surplus is zero
c) Community surplus is maximised
d) **Consumer surplus is zero**

Question 6

A benefit to consumers of price discrimination is that:

a) **Some products are produced that would not otherwise be produced**
b) Producer surplus increases
c) Consumer surplus decreases
d) Firms' profits increase

Question 7

In perfect price discrimination:

a) The demand curve is the marginal cost curve
b) The average revenue equals the average cost
c) The marginal cost is the average cost curve
d) **The demand curve is the marginal revenue**

Question 8

In price discrimination abnormal profits are made if:

a) Average revenue is greater than average variable cost
b) **Average revenue is greater than average cost**
c) Average revenue is greater than marginal revenue
d) Average revenue is greater than average fixed cost

Question 9

Barriers to entry:

a) **Enable abnormal profits to be made in the long run**
b) Enable losses to be made in the long run
c) Enable abnormal profits to be made in the short run only
d) Occur in perfect competition

Question 10

If the price elasticity is -0.3 this means:

a) Demand is upward sloping
b) Demand is price elastic
c) A price fall would increase revenue
d) **Demand is price inelastic**

Unit 16Top of Form

Question 1

If one car company takes over another car company this is an example of which type of integration?

a) Vertical
b) **Horizontal**
c) Conglomerate
d) Literal

Question 2

If a car company takes over a clothes business this is an example of which type of integration?

a) Vertical
b) Horizontal
c) **Conglomerate**
d) Literal

Question 3

Horizontal integration may lead to internal economies of scale. Which of the following is not a type of internal economy of scale?

a) Purchasing
b) Technical
c) Financial
d) **Safety**

Question 4

Acquisition and merger are examples of:

a) Internal growth
b) **External growth**
c) Organic growth
d) Underlying growth

Question 5

Unfair competition does not include:

a) **Price cutting**
b) Predatory pricing
c) Cartels
d) Price fixing

Question 6

If firms join together to set prices and quantities this is known as what?

a) Interaction
b) Conglomerate
c) **Collusion**
d) Integration

Question 7

In the Ansoff matrix a strategy focusing on new products and new markets is known as:

a) New product development
b) **Diversification**

c) Market development
d) Market penetration
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Question 8

A monopoly in the UK can be investigated if it has a market share of:

a) 100%
b) 10% or over
c) **25% or over**
d) 33% or over
Question 9

Anti-competitive behaviour in the UK can lead to fines of up to:

a) 10% of profits
b) **10% of turnover**
c) 10% of costs
d) 25% of market share
Question 10

An example of backward vertical integration is:

a) **A supermarket buying a farm**
b) A supermarket buying another supermarket
c) A supermarket buying an insurance company
d) A supermarket buying a car rental business
Unit 17
Top of Form
Question 1

To maximise sales revenue a firm should produce where:

a) Marginal cost is zero
b) Marginal revenue is maximised
c) **Marginal revenue is zero**
d) Marginal revenue equals marginal cost
Question 2

To maximise growth without making a loss a firm should produce the highest output where:

a) Average revenue equals marginal cost
b) **Average revenue equals average cost**

c) Marginal revenue equals marginal cost
d) Average cost equals marginal cost

Question 3

Profit is measured by:

a) Revenue - fixed costs
b) Fixed cost + revenue
c) Revenue - sales
d) **Revenue - total costs**

Question 4

When marginal revenue equals marginal cost:

a) Total revenue equals total cost
b) **There is the biggest positive difference between total revenue and total cost**
c) There is the biggest negative difference between total revenue and total cost
d) Profits are zero

Question 5

To be allocatively efficient a firm must produce where:

a) The total cost equals demand
b) The average revenue equals the marginal revenue
c) The price equals the average cost
d) **The price equals the marginal cost**

Question 6

To be productively efficient a firm must produce where:

a) Marginal costs are maximised
b) Marginal costs are minimised
c) **Average costs are minimised**
d) Average revenue is maximised

Question 7

Normal profit occurs when:

a) Average revenue equals average variable cost
b) Marginal revenue equals marginal cost
c) Average revenue equals marginal cost
d) **Average revenue equals average cost**

Question 8

If the marginal revenue is positive:

a) **Selling another unit will increase total revenue**
b) Selling another unit will increase profits
c) Selling another unit will increase costs
d) Selling another unit will increase average revenue

Question 9

Companies in the private sector are owned by:

a) The government
b) **Shareholders**
c) Employees
d) The community

Question 10

An independent assessment of the impact of firm's activities on society is called a:

a) Financial audit
b) Balance sheet
c) Profit and loss account
d) **Social audit**

Unit 18

Top of Form

Question 1

An increase in the wage rate:

a) Will usually lead to more people employed
b) **Will decrease total earnings if the demand for labour is wage elastic**
c) Is illegal in a free market
d) Will cause a shift in the demand for labour

Question 2

The Marginal Revenue Product is likely to be wage inelastic if:

a) Labour costs are a high percentage of total costs
b) **Demand for the final product is price inelastic**
c) It is relatively easy to substitute capital for labour
d) There are many substitutes for the final product

Question 3

A fall in demand for labour is likely to lead to:

a) **A lower equilibrium wage and lower quantity of labour**
b) A lower equilibrium wage and higher quantity of labour
c) A higher equilibrium wage and higher quantity of labour

d) A higher equilibrium wage and lower quantity of labour

Question 4

A decrease in the supply of labour is likely to lead to:

a) A lower equilibrium wage and lower quantity of labour
b) A lower equilibrium wage and higher quantity of labour
c) A higher equilibrium wage and higher quantity of labour
d) **A higher equilibrium wage and lower quantity of labour**

Question 5

The Marginal Revenue Product is:

a) Upward sloping due to the law of demand
b) Upward sloping due to the law of marginal utility
c) **Downward sloping due to the law of diminishing returns**
d) Downward sloping due to the law of supply

Question 6

Demand for labour is more likely to be wage inelastic if:

a) **Wages are a small proportion of total costs**
b) Demand for the final product is price elastic
c) It is easy to replace labour
d) Capital is a good substitute for labour

Question 7

A profit maximising firm will employ labour up to the point where:

a) Marginal revenue = marginal product
b) Marginal cost = marginal product
c) **Marginal revenue product = average cost of labour**
d) Marginal revenue product = marginal cost of labour

Question 8

In a perfectly competitive labour market firms are wage takers and the marginal cost of labour equals:

a) **The average cost of labour**
b) The marginal product
c) The marginal revenue
d) The total cost of labour

Question 9

If employees cannot accept a job because of the costs of moving this is known as:

a) Occupational immobility
b) Cyclical unemployment
c) Structural immobility
d) **Geographical immobility**

Question 10

If the minimum wage is set above the equilibrium wage rate, then other things unchanged:

a) There will be equilibrium in the labour market
b) There will excess demand in the labour market
c) **There will be excess supply in the labour market**
d) More people will be employed

Unit 19

Top of Form

Question 1

Which of the following is a macroeconomic issue?

a) The price of houses in Oxford
b) The wage rate for plumbers in London
c) Your decision to work or stay at home
d) **The level of unemployment in the UK**

Question 2

What is meant by an objective?

a) A policy
b) A way of reaching a target
c) **A target**
d) A strategy

Question 3

Which of the following is not involved with fiscal policy?

a) Income tax
b) National insurance
c) VAT
d) **Interest rates**

Question 4

Which does the government not control directly?

a) Spending on health
b) Spending on defence
c) **Firms' investment decisions**

d) Spending on education

Question 5

Which of the following is not a macroeconomic issue?

a) Unemployment
b) Inflation
c) **The wages paid to footballers**
d) Economic growth

Question 6

Which of the following can the government not use directly to control the economy?

a) **Pay rates within the private sector**
b) Pay rates in the public sector
c) Investment in education
d) Benefits available for the unemployed and sick

Question 7

Which of the following is a policy instrument as opposed to a government objective?

a) **Lower interest rates**
b) A better balance of trade position
c) Faster economic growth
d) Lower unemployment

Question 8

Which of the following is a possible government objective as opposed to a policy?

a) Lower interest rates
b) Lower taxation rates
c) Lower government spending
d) **Lower inflation**

Question 9

Which of the following is not likely to be a government objective?

a) Increasing employment
b) Increasing economic growth
c) **Increasing government spending**
d) Increasing the level of exports

Question 10

"Reducing inflation is a more important objective than economic growth" is an example of:

a) **Normative economics**
b) Positive economics
c) Objective economics
d) Reality economics
Bottom of Form
Bottom of Form

Unit 20
Top of Form
Question 1

a) Decrease aggregate demand
b) Always equal savings
c) Always equal national income
d) **Include investment and export spending**
Question 2

An increase in national income is:

a) Likely to increase exports
b) Likely to decrease savings
c) Likely to decrease investment
d) **Likely to increase spending on imports**
Question 3

An increase in national income is likely to:

a) Decrease tax receipts
b) **Worsen the balance of trade**
c) Automatically cause an increase in government spending
d) Cause an increase in injections into the economy
Question 4

A significant increase in the government budget deficit is likely to:

a) Reduce injections into the economy
b) Reduce national income
c) Move the economy away from full employment
d) **Boost aggregate demand**
Question 5

If injections are greater than withdrawals:

a) **National income will increase**
b) National income will decrease

c) National income will stay in equilibrium
d) Prices will fall

Question 6

Injections are:

a) **Assumed to be exogeneous**
b) Assumed to be a function of national income
c) Decrease aggregate demand
d) Decrease the investment into an economy

Question 7

For equilibrium in an open four sector economy:

a) Actual injections = actual withdrawals
b) **Planned injections = planned withdrawals**
c) Savings = investment
d) Government spending = tax revenue

Question 8

A deflationary policy could include:

a) Increasing injections
b) Reducing taxation rates
c) Reducing interest rates
d) **Reducing government spending**

Question 9

A reflationary policy:

a) Increases aggregate supply
b) **Increases aggregate demand**
c) Decreases the price level
d) Increases full employment

Question 10

Which of the following is an injection into the economy?

a) **Investment**
b) Savings
c) Taxation
d) Import spending

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

(not sure, I selected option # 1, kindly verify it)

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.

(again not sure, but i selected option # 3, kindly check it)

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.

(I selected optin # 1, and i think it is correct, see revised handouts (available in LMS download section of ECO401), page # 17)

ECO401 – Economics
Online Quiz # 2
December 30, 2009

Here's one more quiz.
Kindly verify the answers. In case you find any incorrect answer, do let us know...

Question # 1 of 10 (Start time: 02:57:52 AM) Total Marks: 1
Due to capacity constraints, the price elasticity of supply for most products is:
Select correct option:

The same in the long run and the short run.

Greater in the long run than in the short run.

Greater in the short run than in the long run.

Too uncertain to be estimated.

Question # 2 of 10 (Start time: 02:59:08 AM) Total Marks: 1
If consumer incomes increase, the demand for product Y:
Select correct option:

Will necessarily remain unchanged

Will shift to the right if Y is a complementary good

Will shift to the right if Y is a normal good

Will shift to the right if Y is an inferior good

Question # 3 of 10 (Start time: 02:59:38 AM) Total Marks: 1

A (n) __________ may start a price war in order to get a larger share of the market
Select correct option:

Perfect competitor

Oligopolist

Monopolist

Economist

(I selected option # 2, but kindly verify it.)

Question # 4 of 10 (Start time: 03:00:07 AM) Total Marks: 1
Assume that the government sets a ceiling on the interest rate that banks charge on loans. If the ceiling is set below the market equilibrium interest rate, the result will be:
Select correct option:

A surplus of credit.

A shortage of credit.

Greater profits for banks issuing credit.

A perfectly inelastic supply of credit in the market place.

Question # 5 of 10 (Start time: 03:01:11 AM)
A normative economic statement:
Select correct option:

Is a statement of fact.

Is a hypothesis used to test economic theory.

Is a statement of what ought to be, not what is.

Is a statement of what will occur if certain assumptions are true.

Question # 6 of 10 (Start time: 03:02:10 AM) Total Marks: 1
The effect of a change in income on the quantity of the good consumed is called the:
Select correct option:

Income effect

Budget effect

Substitution effect

Real income effect

Question # 7 of 10 (Start time: 03:03:07 AM) Total Marks: 1
A market with few entry barriers and with many firms that sell differentiated products is known as:
Select correct option:

Purely competitive

A monopoly

Monopolistically competitive (see page # 54)

Oligopolistic

Question # 8 of 10 (Start time: 03:04:20 AM) Total Marks: 1
In a free-market economy the allocation of resources is determined by:
Select correct option:

Votes taken by consumers.

A central planning authority.

By consumer preferences.

The level of profits of firms.

(not 100% sure, but I selected option # 3)

Question # 9 of 10 (Start time: 03:04:42 AM) Total Marks: 1
If marginal product is equal to average product:
Select correct option:

The total product will fall

The average product will not change

Average variable costs will fall

Total revenue will fall

Question # 10 of 10 (Start time: 03:05:54 AM) Total Marks: 1
A negatively sloped isoquant implies:
Select correct option:

Products with negative marginal utilities.

Products with positive marginal utilities.

Inputs with negative marginal products.

Inputs with positive marginal products

ECO401 – Economics
Online Quiz # 2
December 29, 2009

Just had my quiz. Here it is;
Kindly verify answers, some could be wrong too. And if you find any wrong answer, let everyone know about it

Question # 1 of 10 (Start time: 10:19:18 PM) Total Marks: 1
The cross elasticity of demand of complements goods is:
Select correct option:

Less than 0. (see page # 21)

Equal to 0.

Greater than 0.

Between 0 and 1.

Question # 2 of 10 (Start time: 10:20:47 PM) Total Marks: 1

The oligopoly model that predicts that oligopoly prices will tend to be very rigid is the _______________ model.
Select correct option:

Cournot

Stackelberg

Dminant firm

kinked demand

(Not 100% sure, kindly verify it, i selected "Kinked Demand", 4th option)

Question # 3 of 10 (Start time: 10:21:48 PM) Total Marks: 1
The law of diminishing marginal utility states:
Select correct option:

The supply curve slopes upward.

Your utility grows at a slower and slower rate as you consume more and more units of a good.

The elasticity of demand is infinite.

None of the given options.

Question # 4 of 10 (Start time: 10:23:02 PM) Total Marks: 1
If the income elasticity of demand is 1/2, the good is:
Select correct option:

A luxury.

A normal good (but not a luxury).

An inferior good.

A Giffen good.

(I selected option # 2, and i think i selected the right one, see page # 23 of handouts)

Question # 5 of 10 (Start time: 10:23:15 PM) Total Marks: 1
The point at which AC intersects MC is where:
Select correct option:

AC is decreasing.

MC is at its minimum.

AC is at its minimum.

AC is at its maximum.

Reference: BCom Text book written by Mr. Sohail Akhtar.

It says, "At a minimum point of ATC (Average total cost) curve, MC curve intersects ATC curve from below, that is when ATC is minimum, MC is equal to ATC"

Question # 6 of 10 (Start time: 10:23:39 PM) Total Marks: 1
Which of the following can be thought of as a barrier to entry?
Select correct option:

Scale economies.

Patents.

Strategic actions by incumbent firms.

All of the given options are true.

(not sure, please verify it, I selected 4th option, but it could be wrong)

Question # 7 of 10 (Start time: 10:24:53 PM) Total Marks: 1
If marginal product is equal to average product:
Select correct option:

The total product will fall

The average product will not change

Average variable costs will fall

Total revenue will fall

Question # 8 of 10 (Start time: 10:26:13 PM) Total Marks: 1
When oligopolists collude, they are able to:
Select correct option:

Raise price, but not restrict output

Raise price and restrict output, but not attain the monopoly profit

Raise price and restrict output, and therefore attain the monopoly profit

Restrict output, but not raise price

Question # 9 of 10 (Start time: 10:27:28 PM) Total Marks: 1
If marginal product is above the average product:
Select correct option:

The total product will fall

The average product will rise

Average variable costs will fall

Total revenue will fall

Question # 10 of 10 (Start time: 10:28:02 PM) 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

ECO401 – Economics
Online Quiz # 3
January 13, 2010

Total Questions: 15

Just did my quiz. Here it is.
Kindly verify the answers. Some answers could be wrong too. If you find any incorrect answer, do let everyone know about it

Question # 1 of 15 (Start time: 02:25:39 AM) Total Marks: 1
If the total product of labor per day is as shown in the chart below and the price of the product is $10/unit, how many employees will be hired if the wage rate is $99/day? Labor Total output 1 10 2 25 3 35 4 40 5 41
Select correct option:

1

2

3

4

Question # 2 of 15 (Start time: 02:26:53 AM) Total Marks: 1
According to economy is always at full employment level. Economy would automatically find the new equilibrium in the short run.
Select correct option:

True

False

(Well this question seems to be incomplete, the question is "According to...", now according to what/who? I think this question is taken from Revised handouts, page 110, which says, "According to classicals, economy is always at full employment level. Economy would automatically find the new equilibrium in the long run; they did not talk about short run". So according to this statement, the correct answer to this question should be option # 2 "False")

Question # 3 of 15 (Start time: 02:28:12 AM) Total Marks: 1

In monopolist market, a new entrant firm should produce where:
Select correct option:

Marginal Cost < Marginal Revenue.

Marginal Cost > Marginal Revenue.

Marginal Cost = Marginal Revenue.

Marginal Cost = Average Revenue.

(I got confused after reading the statement of the question... Coz according to my knowledge if a new entrant enters a market, it no longer remains a monopoly...? Right? Can someone explain this question please...?)

Question # 4 of 15 (Start time: 02:29:14 AM) Total Marks: 1
We know that the demand for a product is elastic if:
Select correct option:

When price rises, revenue rises

When price rises, revenue falls

When price rises, quantity demanded rises

When price falls, quantity demanded rises

Question # 5 of 15 (Start time: 02:29:57 AM) Total Marks: 1
A partial explanation for the inverse relationship between price and quantity demanded is that a:
Select correct option:

Lower price shifts the supply curve to the left

Higher price shifts the demand curve to the left

Lower price shifts the demand curve to the right

Higher price reduces the real incomes of buyers

(Not 100% sure, but I selected option # 4, kindly verify it)

Question # 6 of 15 (Start time: 02:30:56 AM) Total Marks: 1
According to the model of aggregate supply and aggregate demand, in the long run, an increase in the money supply should cause
Select correct option:

Prices to rise and output to rise.

Prices to fall and output to remain unchanged

Prices to fall and output to fall.

Prices to rise and output to remain unchanged

Question # 7 of 15 (Start time: 02:32:03 AM)
Which of the following is a flow variable?
Select correct option:

The value of the house in which you live

The balance in your savings account

Your monthly consumption of hamburgers

The number of hamburgers in your refrigerator at the beginning of the month

(Option # 3 seems more appropriate "Your monthly consumption of hamburgers".)

Question # 8 of 15 (Start time: 02:33:12 AM) Total Marks: 1
Other things equal, expected income can be used as a direct measure of well-being:
Select correct option:

No matter what a person's preference to risk.

If and only if individuals are not risk-loving.

If and only if individuals are risk averse.

If and only if individuals are risk neutral.

Question # 9 of 15 (Start time: 02:34:23 AM) Total Marks: 1
Cartels are:
Select correct option:

Organizations of independent firms, producing similar products, that work together to raise prices and restrict output

Organizations of interdependent firms

Oligopolies

All of the above

(Not 100% sure again, :-P I selected option # 4 "All of the above")

Question # 10 of 15 (Start time: 02:35:10 AM) Total Marks: 1
One explanation why the economy does not self correct quickly is
Select correct option:

With less consumption and more savings the interest rate will drop

In the short run workers are fully employed and cannot produce enough to get to long run equilibrium

Wages and prices are flexible

Wages and prices are sticky

Question # 11 of 15 (Start time: 02:36:19 AM) Total Marks: 1
Which of the following events shifts the short-run aggregate supply curve to the right?
Select correct option:

A decrease in the money supply

A drop in oil prices

An increase in government spending on military equipment

An increase in price expectations

Question # 12 of 15 (Start time: 02:37:35 AM) Total Marks: 1
In pure capitalism, freedom of enterprise means that:
Select correct option:

Businesses are free to produce products that consumers want

Consumers are free to buy goods and services that they want

Resources are distributed freely to businesses that want them

Government is free to direct the actions of businesses

(I selected option # 3, and it seems to be correct, Read page # 1 here:
<u>http://facstaff.gpc.edu/~poyofo/OldChapters/Chapter4.pdf)</u>

Question # 13 of 15 (Start time: 02:38:48 AM) Total Marks: 1
The AD Curve is downward sloping because of all of the following reasons except that:
Select correct option:

The Fed raises real interest rates as inflation increases

The Fed raises nominal interest rates as inflation rises

The Fed intentionally tries to reduce the level of aggregate demand when inflation rises.

The Fed intentionally tries to increase the level of output as unemployment increases

Question # 14 of 15 (Start time: 02:40:03 AM) Total Marks: 1
If there is a price ceiling, there will be:
Select correct option:

Shortages

Surpluses

Equilibrium

None of the given options.

Question # 15 of 15 (Start time: 02:40:42 AM) Total Marks: 1
A schedule which shows the various amounts of a product consumers are willing and able to purchase at each price in a series of possible prices during a specified period of time is called:
Select correct option:

Supply

Demand

Quantity supplied

Quantity demanded

(This quetsion is being asked again and again, can anyone clear it, whether its Demand or Quantity Demanded.)

ECO401 – Economics
Online Quiz # 3
January, 14, 2010

Total Questoins: 15

Here's a freind's quiz.
Kindly verify the answers.

Question # 1 of 15 (Start time: 03:35:57 AM) Total Marks: 1
Which school of thought holds that decreases in aggregate demand decrease real output but leave the price level largely unaffected?
Select correct option:

Monetarism

New Classical theory

Real Business Cycle theory

Keynesian

Question # 2 of 15 (Start time: 03:37:06 AM) Total Marks: 1
The extra value that consumers receive above what they pay for that good is called:
Select correct option:

Producer surplus

Utility

Marginal utility

Consumer surplus

(I'm not 100% sure, but I selected option # 4, i think it seems most appropriate)

Question # 3 of 15 (Start time: 03:38:06 AM) Total Marks: 1
If a consumer's marginal rate of substitution equals 2 eggs for 1 hamburger:
Select correct option:

The consumer's indifference curve must be positively sloped.

The consumer's indifference curve must be convex with respect to the origin of the graph.

The ratio of the consumer's marginal utility of 1 egg to that of 1 hamburger must equal ½.

All of the given options.

Question # 4 of 15 (Start time: 03:38:55 AM) Total Marks: 1
Cartels are:
Select correct option:

Organizations of independent firms, producing similar products, that work together to raise prices and restrict output

Organizations of interdependent firms

Oligopolies

All of the above

Question # 5 of 15 (Start time: 03:39:29 AM) Total Marks: 1
For a monopolist, changes in demand will lead to changes in:
Select correct option:

Price with no change in output

Output with no change in price

Both price and quantity

Any of the above is possible

(not sure, I selected option # 3, but kindly verify it)

Question # 6 of 15 (Start time: 03:40:45 AM) Total Marks: 1
If the cost of computer components falls, then
Select correct option:

The demand curve for computers shifts to the right.

The demand curve for computers shifts to the left.

The supply curve for computers shifts to the right

The supply curve for computers shifts to the left

Question # 7 of 15 (Start time: 03:41:25 AM) Total Marks: 1
The demand curve facing a perfectly competitive firm is:
Select correct option:

The same as the market demand curve.

Downward-sloping and less flat than the market demand curve.

Downward-sloping and more flat than the market demand curve.

Perfectly horizontal.

Question # 8 of 15 (Start time: 03:42:03 AM) Total Marks: 1
If your demand price for one unit of a good is $100 and the market price is $75, your consumer's surplus is:
Select correct option:

$25

$50

$75

$100

Question # 9 of 15 (Start time: 03:42:41 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 # 10 of 15 (Start time: 03:43:51 AM) Total Marks: 1
The law of diminishing marginal utility states:
Select correct option:

The supply curve slopes upward.

Your utility grows at a slower and slower rate as you consume more and more units of a good.

The elasticity of demand is infinite.

None of the given options.

(I'm not 100% sure, but I selected option # 2 for the above MCQ)

Question # 11 of 15 (Start time: 03:44:25 AM) Total Marks: 1
Which of the following can be thought of as a barrier to entry?
Select correct option:

Scale economies.

Patents.

Strategic actions by incumbent firms.

All of the given options are true.

Question # 12 of 15 (Start time: 03:44:43 AM) Total Marks: 1
Moving from left to right, the typical production possibilities curve:
Select correct option:

Has a constant negative slope

Has a constant positive slope

Illustrates increasing opportunity costs

Illustrates decreasing opportunity costs

Question # 13 of 15 (Start time: 03:45:10 AM) Total Marks: 1
The AD Curve is downward sloping because of all of the following reasons except that:
Select correct option:

The Fed raises real interest rates as inflation increases

The Fed raises nominal interest rates as inflation rises

The Fed intentionally tries to reduce the level of aggregate demand when inflation rises.

The Fed intentionally tries to increase the level of output as unemployment increases

Question # 14 of 15 (Start time: 03:45:45 AM) Total Marks: 1
If a firm pays cash to buy a building so as to have office space for its workers, the monthly opportunity cost of the building is best measured as:
Select correct option:

The price the firm paid divided by twelve.

Zero.

The rent the firm could earn if it rented the building to another firm.

The monthly mortgage payment the firm would have had to pay.

(I selected option # 3 which seems to be the most appropriate, anyways kindly verify it)

Question # 15 of 15 (Start time: 03:46:59 AM) Total Marks: 1
A group of modern economists who believe that markets clear very rapidly and that expanding the money supply will always increase prices rather than employment are the:
Select correct option:

Keynesians

Monetarists

New Classical school

Post-Keynesians