For an economist, the idea of making assumptions is regarded generally as a
a. bad idea, since doing so leads to the omission of important ideas and variables from
economic models.
b. bad idea, since doing so invariably leads to data-collection problems.
c. good idea, since doing so helps to simplify the complex world and make it easier to
understand.
d. good idea, since economic analysis without assumptions leads to complicated results that
the general public finds hard to understand.

Production possibilities frontiers are usually bowed outward. This is because
a. the more resources a society uses to produce one good, the fewer resources it has available
to produce another good.
b. it reflects the fact that the opportunity cost of producing a good decreases as more and
more of that good is produced.
c. of the effects of technological change.
d. resources are specialized; that is, some are better at producing particular goods rather than
other goods.

Refer to Figure 2-4. It is possible for this economy to produce
a. 40 toothbrushes and 20 toasters.
b. 50 toothbrushes and 30 toasters.
c. 70 toothbrushes and 40 toasters.
d. All of the above.
4. **Refer to Figure 2-4.** It is *not* possible for this economy to produce at point
   a. A.
   b. B.
   c. C.
   d. D.

**Figure 2-5**

5. **Refer to Figure 2-5.** A movement from point C to point D could be caused by
   a. unemployment.
   b. a decrease in society's preference for bananas.
   c. fewer resources available for production of bananas.
   d. All of the above are correct.

Chapter 3

**Table 3-1**

Assume that Sardi and Tinaka can switch between producing corn and producing pork at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Minutes Needed to Make 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bushel of Corn</td>
</tr>
<tr>
<td>Sardi</td>
<td>20</td>
</tr>
<tr>
<td>Tinaka</td>
<td>15</td>
</tr>
</tbody>
</table>

6. **Refer to Table 3-1.** Sardi has an absolute advantage in the production of
   a. corn and Tinaka has an absolute advantage in the production of pork.
   b. pork and Tinaka has an absolute advantage in the production of corn.
   c. both goods and Tinaka has an absolute advantage in the production of neither good.
   d. neither good and Tinaka has an absolute advantage in the production of both goods.

7. **Refer to Table 3-1.** Sardi has a comparative advantage in the production of
   a. corn and Tinaka has a comparative advantage in the production of pork.
   b. pork and Tinaka has a comparative advantage in the production of corn.
   c. both goods and Tinaka has a comparative advantage in the production of neither good.
d. neither good and Tinaka has a comparative advantage in the production of both goods.

Chapter 4

8. The following table contains a demand schedule for a good.

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity Demanded</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>100</td>
</tr>
<tr>
<td>$20</td>
<td>?</td>
</tr>
</tbody>
</table>

If the law of demand applies to this good, then “?” could be
a. 0.
b. 100.
c. 200.
d. 400.

9. Which of the following would not shift the demand curve for mp3 players?
   a. a decrease in the price of mp3 players
   b. a fad that makes mp3 players more popular among 12-25 year olds
   c. an increase in the price of CDs, a complement for mp3 players
   d. a decrease in the price of satellite radio, a substitute for mp3 players

10. Good X and good Y are substitutes. If the price of good Y increases, then the
    a. demand for good X will decrease.
    b. quantity demanded of good X will decrease.
    c. demand for good X will increase.
    d. quantity demanded of good X will increase.

11. Suppose you like to make, from scratch, pies filled with banana cream and vanilla pudding. You notice that the price of bananas has increased. How would this price increase affect your demand for vanilla pudding?
    a. It would decrease.
    b. It would increase.
    c. It would be unaffected.
    d. There is insufficient information given to answer the question.

Figure 4-3
12. Refer to Figure 4-3. The shift from D to D’ is called
a. an increase in demand.
b. a decrease in demand.
c. a decrease in quantity demanded.
d. an increase in quantity demanded.

Table 4-3

<table>
<thead>
<tr>
<th>Price</th>
<th>Firm A’s Quantity Supplied</th>
<th>Firm B’s Quantity Supplied</th>
<th>Firm C’s Quantity Supplied</th>
<th>Firm D’s Quantity Supplied</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>$2</td>
<td>8</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>$4</td>
<td>6</td>
<td>6</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>$6</td>
<td>4</td>
<td>9</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>$8</td>
<td>2</td>
<td>12</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>$10</td>
<td>0</td>
<td>15</td>
<td>4</td>
<td>25</td>
</tr>
</tbody>
</table>

13. Refer to Table 4-3. Which supply schedules obey the law of supply?
   a. Firm A’s only.
   b. Firm B’s, Firm C’s, and Firm D’s.
   c. Firm A’s and Firm C’s.
   d. Firm B’s and Firm D’s.

14. An increase in the price of oranges would lead to
   a. an increased supply of oranges.
   b. a reduction in the prices of inputs used in orange production.
   c. an increased demand for oranges.
   d. a movement up and to the right along the supply curve for oranges.

15. When the price of a good is higher than the equilibrium price,
   a. a shortage will exist.
   b. buyers desire to purchase more than is produced.
   c. sellers desire to produce and sell more than buyers wish to purchase.
   d. quantity demanded exceeds quantity supplied.
16. A surplus exists in a market if
   a. there is an excess demand for the good.
   b. the situation is such that the law of supply and demand would predict an increase in the
      price of the good from its current level.
   c. the current price is above its equilibrium price.
   d. quantity demanded exceeds quantity supplied.

**Table 4-6**

A country club usually only allows members to purchase tickets for its celebrity golf tournament, but the club is considering allowing non-members to purchase tickets this year. The demand and supply schedules are as follows:

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity Demanded by Members</th>
<th>Quantity Demanded by Non-members</th>
<th>Quantity Supplied</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>1000</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>$15</td>
<td>800</td>
<td>400</td>
<td>600</td>
</tr>
<tr>
<td>$20</td>
<td>600</td>
<td>300</td>
<td>600</td>
</tr>
<tr>
<td>$25</td>
<td>400</td>
<td>200</td>
<td>600</td>
</tr>
<tr>
<td>$30</td>
<td>200</td>
<td>100</td>
<td>600</td>
</tr>
</tbody>
</table>

17. **Refer to Table 4-6.** If only members are allowed to purchase tickets to this year's celebrity golf tournament, then what will be the equilibrium price?
   a. $10
   b. $15
   c. $20
   d. $25

18. **Refer to Table 4-6.** If both members and non-members are allowed to purchase tickets to this year's celebrity golf tournament, then what will be the equilibrium price?
   a. $10
   b. $15
   c. $20
   d. $25

**Figure 4-10**
19. Refer to Figure 4-10. In this market, equilibrium price and quantity, respectively, are
a. $15 and 400.
   b. $20 and 600.
   c. $25 and 500.
   d. $25 and 800.

20. Refer to Figure 4-10. At a price of $20, which of the following statements is not correct?
   a. The market is in equilibrium.
   b. Equilibrium price is equal to equilibrium quantity.
   c. There is no pressure for price to change.
   d. The quantity of the good that is bought and sold is 600.

Figure 4-14
21. Refer to Figure 4-14. Panel (a) shows which of the following?
   a. an increase in demand and an increase in quantity supplied
   b. an increase in demand and an increase in supply
   c. an increase in quantity demanded and an increase in quantity supplied
   d. an increase in quantity demanded and an increase in supply

22. Refer to Figure 4-14. Panel (b) shows which of the following?
   a. a decrease in demand and a decrease in quantity supplied
   b. a decrease in demand and a decrease in supply
   c. a decrease in quantity demanded and a decrease in quantity supplied
   d. a decrease in quantity demanded and a decrease in supply

23. Refer to Figure 4-14. Panel (c) shows which of the following?
   a. an increase in demand and an increase in quantity supplied
   b. an increase in demand and an increase in supply
   c. an increase in quantity demanded and an increase in quantity supplied
   d. an increase in quantity demanded and an increase in supply

24. An early frost in the vineyards of Napa Valley would cause
   a. an increase in the demand for wine, increasing price.
   b. an increase in the supply of wine, decreasing price.
   c. a decrease in the demand for wine, decreasing price.
   d. a decrease in the supply of wine, increasing price.

25. Suppose the incomes of buyers in a market for a particular normal good decrease and there is also a reduction in input prices. What would we expect to occur in this market?
   a. Equilibrium price would decrease, but the impact on equilibrium quantity would be ambiguous.
   b. Equilibrium price would increase, but the impact on equilibrium quantity would be ambiguous.
   c. Equilibrium quantity would decrease, but the impact on equilibrium price would be ambiguous.
   d. Equilibrium quantity would increase, but the impact on equilibrium price would be ambiguous.
26. Pens are normal goods. What will happen to the equilibrium price of pens if the price of pencils rises, consumers experience an increase in income, writing in ink becomes fashionable, people expect the price of pens to rise in the near future, the population increases, fewer firms manufacture pens, and the wages of pen-makers increase?
   a. Price will rise.
   b. Price will fall.
   c. Price will stay exactly the same.
   d. The price change will be ambiguous.

27. The signals that guide the allocation of resources in a market economy are
   a. surpluses and shortages.
   b. quantities.
   c. government policies.
   d. prices.

Chapter 5

28. Goods with many close substitutes tend to have
   a. more elastic demands.
   b. less elastic demands.
   c. price elasticities of demand that are unit elastic.
   d. income elasticities of demand that are negative.

29. If the price elasticity of demand for a good is 0.4, then a 10 percent increase in price results in a
   a. 0.4 percent decrease in the quantity demanded.
   b. 2.5 percent decrease in the quantity demanded.
   c. 4 percent decrease in the quantity demanded.
   d. 40 percent decrease in the quantity demanded.

30. If a 20% increase in price for a good results in a 15% decrease in quantity demanded, the price elasticity of demand is
   a. 0.75.
   b. 1.25.
   c. 1.33.
   d. 1.60.

Table 5-3
The following table shows the demand schedule for a particular good.

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15</td>
<td>0</td>
</tr>
<tr>
<td>$12</td>
<td>5</td>
</tr>
<tr>
<td>$9</td>
<td>10</td>
</tr>
<tr>
<td>$6</td>
<td>15</td>
</tr>
<tr>
<td>$3</td>
<td>20</td>
</tr>
<tr>
<td>$0</td>
<td>25</td>
</tr>
</tbody>
</table>

31. Refer to Table 5-3. Using the midpoint method, what is the price elasticity of demand when price rises from $9 to $12?
   a. 0.43
   b. 0.67
c. 1.50
d. 2.33

32. Refer to Table 5-3. Using the midpoint method, when price rises from $6 to $9, the price elasticity of demand is
a. 0.43
b. 0.67
c. 1.00
d. 1.5

33. In which of these instances is demand said to be perfectly inelastic?
   a. An increase in price of 2% causes a decrease in quantity demanded of 2%.
   b. A decrease in price of 2% causes an increase in quantity demanded of 0%.
   c. A decrease in price of 2% causes a decrease in total revenue of 0%.
   d. The demand curve is horizontal.
Econ 202 Exam 1 Practice Problems
Answer Section

MULTIPLE CHOICE

1. C
2. D
3. A
4. C
5. A
6. D
7. B
8. A
9. A
10. C
11. A
12. B
13. D
14. D
15. C
16. C
17. C
18. D
19. B
20. B
21. A
22. A
23. D
24. D
25. A
26. A
27. D
28. A
29. C
30. A
31. D
32. C
33. B