

1. All of the following factors will cause a demand curve to shift EXCEPT changes in:
 - a. The cost of production for the product.
 - b. The number of consumers in the market.
 - c. The prices of related goods.

2. In the short run, producers will respond to a decrease in demand most likely by:
 - a. Increasing the amount of labor used in production.
 - b. Increasing the amount of capital expenditures.
 - c. Reducing the price of goods.

3. In the long run, a shift in the supply curve to the right will result in:
 - a. An increase in price and an increase in quantity.
 - b. A decrease in price and a decrease in quantity.
 - c. A decrease in price and an increase in quantity.

4. Given a shift to the left in the demand curve, which of the following identifies the short-run response and long-run response of supply relative to beginning supply?
 - a. Short-run Response of Supply Decreases modestly, Long-Run Response of Supply Increases Modestly
 - b. Short-run Response of Supply Decreases modestly, Long-Run Response of supply Decreases Substantially
 - c. Short-run Response of Supply Increases modestly, Long-Run Response of Supply Decreases Substantially

5. New legislation setting a price ceiling will most likely cause:
 - a. A market surplus.
 - b. A decrease in demand.
 - c. A market shortage.

6. Producer surplus is the
 - a. Area under the supply curve to the left of the amount sold
 - b. Area under the supply curve to the right of the amount sold
 - c. Amount the seller is paid less the cost of production

7. During the 1990's, the price of VCR's fell about 30%, and quantity sold decreased by the same amount. The demand for VCR's must
 - a. Be inelastic
 - b. Be elastic
 - c. Have shifted to the left

8. Which of the following will occur if a legal price floor is placed on a good below its free-market equilibrium?
 - a. Surpluses will develop
 - b. The equilibrium price will ration the good
 - c. The quantity sold will increase

9. A marketing survey shows that gate receipts would increase if the price of tickets to a summer rock concert increased, even though the number of tickets sold would fall. What does this imply about the price elasticity of demand for concert tickets?
 - a. Demand is inelastic
 - b. Demand is elastic
 - c. Demand is unit elastic

10. Assume the demand curve for compact discs slopes downwards, and the supply curve slopes upwards. If the price of CD players decreases, then:
 - a. The equilibrium price of compact discs will fall
 - b. The equilibrium price of compact discs will rise
 - c. None of the given is correct

11. Indifference curves that are convex to the origin reflect:
 - a. An increasing marginal rate of substitution
 - b. A decreasing marginal rate of substitution
 - c. A constant marginal rate of substitution

12. Jonathon's preferences satisfy the non-satiation assumption. This means that he must prefer the bundle consisting of two glasses of orange juice and one sandwich to which of the following bundles?
 - a. One glass of orange juice and two sandwiches
 - b. Three glasses of orange juice and one sandwiches
 - c. One glass of orange juice and one sandwich

13. The value of price elasticity of demand:
 - a. Depends on the units that are used to measure quantities
 - b. Has the same value as the slope of the demand curve
 - c. Does not depend on the units in which quantity and price are measured.

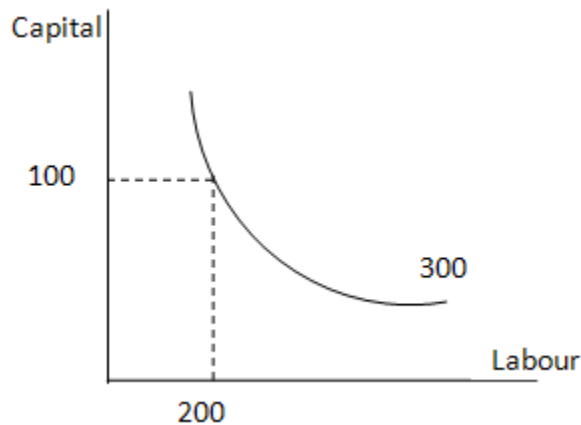
14. If a 5% increase in income leads to a 12% increase in the quantity demanded of mobile phones, ceteris paribus, the value of the income elasticity of demand for mobile phones is:
 - a. 2.4 and mobile phones are a normal good
 - b. 0.42 and mobile phones are a normal good
 - c. 2.4 and mobile phones are an inferior good

15. Fred divides his purchases between beer and pizzas. Suppose Fred's budget constraint is graphed with beer on the horizontal axis and pizzas on the vertical axis. If the price of beer is \$1.50 per pint, the price of pizzas is \$2 each, and Fred's income is \$30 per week, then the budget constrain has a slope equal to:
 - a. -1.33
 - b. -2
 - c. -0.75

16. Demand for a good is likely to be more elastic:
 - a. The smaller the fraction of consumer income absorbed by the good
 - b. In the short run than in the long run
 - c. The greater the number of available substitutes for the good

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17. The rate at which a firm can substitute one factor for another while still producing the same level of output is known as the:
- Degree of returns to scale
 - Marginal rate of substitution
 - Marginal rate of technical substitution
18. The marginal output rule states that if a firm does not shut down, then it should produce output at a level where:
- Marginal revenue equals marginal cost
 - Marginal revenue equals average cost
 - Marginal cost equals average revenue
19. Assume that a firm is a price taker in its input markets. If the firm's technology is characterised by diminishing marginal physical product of its variable input in the short run, the firm's short run:
- Marginal cost curve rises as output rises
 - Average cost curve rises as output rises
 - Both a and b are correct
20. Refer to the figure below. Consider the isoquant for an output level of 300 units. The firm's amount of capital is fixed at 100 units in the short run. The user cost of capital is \$200 per day, and the wage rate is \$80 per day per worker. The short run total cost of producing 300 units is equal to:



- \$20,000 per day
- \$36,000 per day
- \$16,000 per day