

Economics pre-midterm exam 26 Questions

1. Economics is the study of

- 17/107 ☐ A How society manages its unlimited resources
- 22/107 ☐ B How to reduce our needs until we are satisfied
- 57/107 ☒ C How society manages its scarce resources
- 11/107 ☐ D How to avoid having to make trade-offs

2. Which of the following involve a trade-off?

- 36/110 ☐ A Watching a series on Netflix
- 8/110 ☐ B Going to university
- 10/110 ☐ C Taking a nap
- 56/110 ☒ D All of these answers

3. Since people respond to incentives, we would expect that, if the average salary of journalists increases by 60% while the average salary of pharmacists increase by 70%, then,

- 62/109 ☐ A Fewer students will take degree courses in Journalism, and more will take Pharmacy courses.
- 22/109 ☐ B Fewer students will take degree courses in Pharmacy, and more will take Journalism courses.
- 12/109 ☐ C Fewer students will attend university
- 13/109 ☒ D None of these answers

4. Trade-offs are required because
wants are unlimited, and resources are

- 20/108 ☐ A economical
- 7/108 ☐ B unlimited
- 13/108 ☐ C efficient
- 68/108 ☒ D scarce

5. Rational people act only when:

- 61/111 ☒ A the marginal benefit of the action exceeds the marginal cost.
- 38/111 ☐ B the average benefit of the action exceeds the average cost.
- 6/111 ☐ C it is fair to do so.
- 6/111 ☐ D none of these answers

6. Suppose you were given £30 as a gift. If you choose to use the £30 to go to a concert, your opportunity cost of going to the concert is

- 15/109 ☐ A nothing, because you were given the money.
- 66/109 ☒ B £30 (because you could have used the £30 to buy other things) plus the value of your time spent at the concert.
- 17/109 ☐ C £30 (because you could have used the £30 to buy other things).
- 11/109 ☐ D There is not enough information to answer this question

7. Points on the production possibilities frontier (PPF) are

- 25/107 ☐ A inefficient.
- 30/107 ☐ B normative.
- 18/107 ☐ C unattainable.
- 34/107 ☒ D none of these answers.

8. Points **above** the production possibilities frontier (PPF)

- 8/107 ☐ A are attainable
- 22/107 ☐ B are inefficient
- 44/107 ☒ C can only be attainable by trade and/or technology
- 33/107 ☐ D are efficient

9. If the demand for goods increases when income increases, the good is called:

- 38/109 ☒ A normal good
- 26/109 ☐ B inferior good
- 20/109 ☐ C private good
- 25/109 ☐ D public good

10. If the demand for good fall when income increases, the good is called:

- 23/109 **A** normal good
- 54/109 **B** inferior good
- 16/109 **C** private good
- 16/109 **D** public good

11. If golf clubs and golf balls are complements,

- 49/108 **A** an increase in the price of golf clubs will decrease the demand for golf balls
- 33/108 **B** a decrease in the price of golf clubs will decrease the demand for golf balls
- 14/108 **C** a decrease in the price of golf clubs does not have any impact on the demand for golf balls
- 12/108 **D** none of these answers

12. The law of supply states that:

- 28/108 **A** as the price rises, the supply falls
- 43/108 **B** as the price rises, the demand falls
- 33/108 **C** as the price rises, the supply rises
- 4/108 **D** none of these answers

13. An increase (rightward shift) in the demand for a good will tend to cause

- 46/107 **A** an increase in the equilibrium price and quantity
- 27/107 **B** an increase in the equilibrium price and decrease in the equilibrium quantity
- 21/107 **C** a decrease in the equilibrium price and an increase in the equilibrium quantity
- 13/107 **D** a decrease in the equilibrium price and quantity

14. A decrease (leftward shift) in the demand for a good will tend to cause

- 17/108 **A** an increase in the equilibrium price and quantity
- 32/108 **B** an increase in the equilibrium price and decrease in the equilibrium quantity
- 24/108 **C** a decrease in the equilibrium price and an increase in the equilibrium quantity
- 35/108 **D** a decrease in the equilibrium price and quantity

15. A decrease in the supply of a good will tend to cause

- 20/107 **A** an increase in the equilibrium price and quantity
- 56/107 **B** an increase in the equilibrium price and a decrease in the equilibrium quantity
- 14/107 **C** a decrease in the equilibrium price and an increase in the equilibrium quantity
- 17/107 **D** a decrease in the equilibrium price and quantity

16. An increase in the supply of a good will tend to cause

- 30/108** **A** an increase in the equilibrium price and quantity
- 27/108** **B** an increase in the equilibrium price and a decrease in the equilibrium quantity
- 41/108** **C** a decrease in the equilibrium price and an increase in the equilibrium quantity
- 10/108** **D** a decrease in the equilibrium price and quantity

17. All the following shift the supply of watches to the right, except:

- 22/107** **A** an advanced in the technology used to manufacture watches
- 38/107** **B** an increase in the price of watches
- 17/107** **C** a decrease in the wage of workers employed to manufacture watches
- 30/107** **D** manufacturer's expectation of lower watch prices in the future

18. Which of the following shifts demand for watches to the right?

- 23/107** **A** an increase in the price of watches
- 36/107** **B** a decrease in the price of watch batteries if watch batteries and watches are complements
- 17/107** **C** a decrease in the consumer incomes if watches are a normal good
- 31/107** **D** a decrease in the price of watches

19. There once was a trend towards "Dubai Chocolate" which has been covered in the news, on social media, and various other platforms. This chocolate was known for being expensive relative to its production costs. What contributed to the high price of Dubai Chocolate?

- 14/108** **A** There was a high supply of Dubai Chocolate therefore it was expensive
- 4/108** **B** It tastes very good, so it was expensive
- 86/108** **C** There was a very high demand due to being a recent trend therefore, it was expensive
- 4/108** **D** It was expensive because it was being traded from Dubai

20. When the conflict between Russia and Ukraine began in 2014, petrol prices doubled or tripled in many countries that were trade partners with Russia. What economic reasons contributed to the increase in oil prices?.

- 61/107** **A** There was a shortage of petrol traded from Russia, resulting in a price increase.
- 32/107** **B** Russia needed more funds, so it sold oil at a higher price.
- 9/107** **C** Ukraine won the conflict, which caused oil prices to rise.
- 5/107** **D** None of these answers.

21. If the price of a good is below the equilibrium price,

- 42/109 **A** there is a shortage (i.e., an excess demand) and the price will rise.
14/109 **B** there is a shortage (i.e., an excess demand) and the price will fall.
27/109 **C** there is a surplus (i.e., an excess supply) and the price will rise.
26/109 **D** there is a surplus (i.e., an excess supply) and the price will fall.

22. If the price of a good is above the equilibrium price,

- 29/106 **A** there is a shortage (i.e., an excess demand) and the price will rise.
20/106 **B** there is a shortage (i.e., an excess demand) and the price will fall.
24/106 **C** there is a surplus (i.e., an excess supply) and the price will rise.
33/106 **D** there is a surplus (i.e., an excess supply) and the price will fall.

23. Suppose the equation $Q = -2P + 60$ gives the supply of a good, and $Q = 3P - 40$ gives the demand for a good. Which of the following options provides the equilibrium quantity and supply

- 6/109 **A** $P = 20, Q = 10$
94/109 **B** $P = 20, Q = 20$
7/109 **C** $P = 30, Q = 30$
2/109 **D** $P = 40, Q = 40$

24. Which of the following is not a principle of economics?

- 12/108 **A** The cost of something is what you give up getting it
10/108 **B** People respond to incentives
12/108 **C** Trade can make everyone better off
74/108 **D** Governments' target is to make everyone richer.

25. If a market is efficient, then

- 24/108 **A** the market allocates buyers to the sellers who can produce the good at the least cost
30/108 **B** the quantity produced in the market maximises the sum of consumer and producer surplus.
15/108 **C** the market allocates output to the buyers that value it the most.
39/108 **D** All of these answers.

26. The PPF curve below represents the production of goods X and Y by a firm. Which of the listed statements is false?

- 28/108** **A** The opportunity cost of producing 60 additional units of Y is 20 units of X.
- 21/108** **B** The opportunity cost of producing 20 more units of X is 60 units of Y.
- 16/108** **C** To produce more of one product, the firm must reduce the production of the other good.
- 43/108** **D** The maximum production of X is 280.

