Economics Quiz-2

25 Questions

1. Human wants refer to all goods and services individual

0/1 A need
1/1 B desire
0/1 C have
0/1 D none of the answers

2. ________ cost is the value of the next best alternative or option.

0/1 A production
0/1 B marginal
1/1 C oppurtunity
0/1 D total

3. According to marginal analysis, optimal decision-making involves taking actions whenever:

0/1 A the marginal benefit is positive.
0/1 B the average benefit is positive.
1/1 C the marginal benefit exceeds the marginal cost.
0/1 D the average benefit exceeds the average cost.

4. You are planning to run a vegan burger stand during a forthcoming food fair. You originally estimated that you will generate sales revenue of £4000 and you have already spent £2000 building the vegan burger stand. The stand is nearly completed but now you estimate total sales to be only £1000 because the fair clashes with a major music festival in a nearby location. You can complete the vegan burger for another £500. Your decision rule should be to complete the vegan burger as long as the cost to complete the stand is less than

1/1 **A** 1000

0/1 **B** 500

0/1 **C** 2000

0/1 **D** none of the answers

5. Suppose a society can build concert halls for £15m each. Economists estimate that there is a total benefit of £22m for building one concert hall, and a total benefit of £33m for building two concert halls. Which of the following three statements are correct?

1. The marginal benefit of building the second concert hall is £11m.
2. The marginal cost of building the second concert hall is £30m.
3. Only one concert hall should be built.

0/1 **A** 2 only

0/1 **B** 2 and 3 only

1/1 **C** 1 and 3 only

0/1 **D** 1,2 and 3

6. Points beyond the production possibilities frontier are

0/1 **A** efficient

0/1 **B** inefficient.

1/1 **C** unattainable.

0/1 **D** none of the answers

7. If the demand for a good rises when income increases, the good is called

1/1 **A** a normal good

0/1 **B** an inferior good

0/1 **C** a private good

0/1 **D** a public good

8. If butter and margarine are substitutes

0/1 **A** an increase in the price of butter will decrease the demand for margarine

1/1 **B** a decrease in the price of butter will decrease the demand for margarine.

0/1 **C** a decrease in the price of butter do not have any impact on the demand for margarine.

0/1 **D** none of the answers

9. The quantity supplied of a good is ________ related to the price of inputs used to make that good.

0/1 **A** not

0/1 **B** positively

1/1 **C** negatively

0/1 **D** increasingly

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

0/1 **A** an increase in the equilibrium price and quantity.

0/1 **B** an increase in the equilibrium price and a decrease in the equilibrium quantity.

0/1 **C** a decrease in the equilibrium price and an increase in the equilibrium quantity.

1/1 **D** a decrease in the equilibrium price and quantity.

11. All of the following scenarios/events shift the supply of bikes to the right except

0/1 **A** an advance in the technology used to manufacture bikes.

1/1 **B** an increase in the price of bikes

0/1 **C** a decrease in the wage of workers employed to manufacture bikes.

0/1 **D** manufacturers' expectation of lower bikes prices in the future.

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

- 0/1 **A** there is a shortage (i.e., an excess demand) of that good and its price will rise.
- 0/1 **B** there is a shortage (i.e., an excess demand) of that good and its price will fall.
- 0/1 **C** there is a surplus (i.e., an excess supply) of that good and its price will rise.
- 1/1 **D** there is a surplus (i.e., an excess supply) of that good and its price will fall.

13. If the price elasticity of demand for a good is 0.75, the demand for the good can be described as

- 0/1 **A** normal
- 1/1 **B** elastic
- 0/1 **C** inferior
- 0/1 **D** inealstic

14. A 10 percent increase in the quantity of spinach demanded results from a 20 percent decline in its price. The price elasticity of demand for spinach is

- 0/1 **A** 10
- 0/1 **B** 20
- 0/1 **C** 2
- 1/1 **D** 0.5

15. If the cross-price elasticity between goods B and A is -2 and the price of good B increases by 5%, the quantity demanded of good A will:

- 1/1 **A** decrease by 10%.
- 0/1 **B** decrease by 5%.
- 0/1 **C** increase by 10%.
- 0/1 **D** decrease by 5%.

16. If there are no implicit costs of production,

0/1 A accounting profit will exceed economic profit.

0/1 B economic profit will always be zero.

0/1 C economic profit will exceed accounting profit.

1/1 D economic profit and accounting profit will be equal.

17. At which time all the factors of production may be changed?

0/1 A short run

1/1 B long run

0/1 C very long run

0/1 D all of the answers

18. If marginal costs are higher than average variable costs,

0/1 A average variable costs are falling.

0/1 B average variable costs are maximized

1/1 C average variable costs are rising

0/1 D average variable costs are minimized.

19. What happens when production is shut down

0/1 A Fixed costs increase.

0/1 B Variable costs decline.

1/1 C Variable costs equal zero.

0/1 D Fixed costs equal zero.

20. In perfect competition,

0/1 **A** all firms in the market sell their product at the same price.

0/1 **B** there are no restrictions on entry.

0/1 **C** there are no restrictions on entry.

1/1 **D** all of the answers

21. In long-run equilibrium in a competitive market, firms are operating at

0/1 **A** their efficient scale.

0/1 **B** zero economic profit

0/1 **C** the intersection of marginal cost and marginal revenue.

1/1 **D** all of the asnwers

22. If a benevolent social planner chooses to produce more than the equilibrium quantity of a good, then

0/1 **A** the value placed on the last unit of production by buyers exceeds the cost of production.

0/1 **B** producer surplus is maximized.

1/1 **C** the cost of production on the last unit produced exceeds the value placed on it by buyers.

0/1 **D** the cost of production on the last unit produced exceeds the value placed on it by buyers.

23. If a market is inefficient, then

0/1 **A** the market allocates buyers to the sellers who can produce the good at the least cost.

0/1 **B** the quantity produced in the market maximizes the sum of consumer and producer surplus.

0/1 **C** the market allocates output to the buyers that value it the most.

1/1 **D** none of the answers

24. Which of the following three statements are correct about a common resource?

1. It is difficult to exclude people from benefiting from it.
2. One person's use of it will not limit the consumption of another person.
3. More is consumed in a free market than is socially efficient.

0/1 **A** 1 only

1/1 **B** 1 and 3 only

0/1 **C** 2 and 3 only

0/1 **D** 1, 2 and 3

25. If a producer has market power (can influence the price of the product in the market) then free market solutions

0/1 **A** are efficient

0/1 **B** are equitable.

0/1 **C** maximize consumer surplus.

1/1 **D** are inefficient.