



Pearson

Parkin&Bade, Microeconomics, 2nd edition

Chapter 1: Getting Started

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

1. Scarcity exists because:

- A) human wants exceed the resources available to satisfy them.
- B) some people make bad economic decisions.
- C) people take too much leisure time.
- D) some individuals have low incomes.
- E) the costs of production are high.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

2. Scarcity requires that we

- A) have unlimited resources.
- B) make choices about what goods and services to produce.
- C) learn to limit our wants.
- D) have the most rapid economic growth possible.
- E) produce efficiently.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

3. Because human wants are insatiable and unlimited while available resources are limited, people are said to face the problem of

- A) social interest versus self-interest.
- B) macroeconomics.
- C) microeconomics.
- D) scarcity.
- E) why to produce.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

4. Which of the following statements best describes the study of economics?

- A) Economics studies how firms make profits.
- B) Economics studies how to organise production so that scarcity does not occur.
- C) Economics studies how businesses reach decisions.
- D) Economics studies how we make choices in the face of scarcity.
- E) Economics studies how to create incentives so that scarcity does not exist.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

5. Scarcity forces people to:

- A) cheat and steal.
- B) choose among the available alternatives.
- C) be unwilling to help others.
- D) live at a low standard of living.
- E) consume as much as they can as quickly as they can.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

6. Economics is best defined as the social science that studies

- A) how choices made in the social interest must conflict with choices made in the self-interest.

- B) how a person can get everything he or she wants.
- C) the choices that societies, and the people and institutions that make up societies, make in dealing with the issue of scarcity.
- D) the reason money exists.
- E) the way to eliminate choices in our decisions.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

7. The primary focus of microeconomics is

- A) to examine the operation of the entire (aggregate) economy.
- B) the levels of employment and inflation.
- C) to examine the behaviour and operation of the individual units or sectors that make up the economy.
- D) to study how we managed to eliminate scarcity.
- E) our government's monetary policy.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

8. Which of the following is a microeconomic issue?

- A) The unemployment rate soars in Spain.
- B) The Brazilian economy experiences rapid economic growth.
- C) Inflation skyrockets in Russia.
- D) The price of petrol increases in the United States this year.
- E) The Australian government cuts taxes to combat a recession.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

9. Which of the following is a microeconomic issue?

- A) The Australian government cuts taxes to combat a recession.
- B) The inflation rate fell this year.
- C) The quantity of wheat grown in South Australia increases this year.

- D) Growth in the Australian economy slowed.
- E) Increased federal government expenditures have lowered the unemployment rate.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

10. Which of the following is a microeconomic topic?

- i. K-Mart's decision to close stores that are not making a profit.
- ii. Bunning's choice to hire more full-time employees because its sales increased.
- iii. Virgin Airlines changes its fares.

A) i only

B) i and iii

C) ii and iii

D) i, ii, and iii

E) i and ii only

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

11. Which of the following BEST describes macroeconomics?

A) It is not a social science because its predictions cannot be tested.

B) It examines how the choices that individuals make affect governments.

C) It analyses the aggregate effects on the national economy of the choices made by individuals, firms and governments.

D) Proving causation is never a problem for macroeconomics.

E) It studies the choices that individuals and businesses make when coping with scarcity

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

12. Which of the following is a topic studied in macroeconomics?

A) How the wheat industry determines how much wheat to grow.

B) The effect on economic growth if the government raises taxes.

C) The impact of higher prices for petrol on the number of SUVs people buy.

D) The pricing decisions in the computer hardware industry.

E) The impact of labour unions on wages.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

13. Which of the following is a macroeconomic topic?

- i. China increases interest rates to slow its economic growth.
- ii. Parliament lowers tax rates to try to lower the unemployment rate.
- iii. Nissan decides to produce more electric Leaf models and fewer Altima sedans.

A) ii and iii

B) i and iii

C) iii only

D) i and ii

E) i only

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

14. Which of the following is the best example of a 'what?' question?

- A) Should higher-income or lower-income people buy SUVs?
- B) Should cars be produced using workers or robots?
- C) Should we make faster microprocessors or pest-resistant corn?
- D) Should migrant workers or domestic workers be used to pick grapes?
- E) What should doctors be paid?

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

15. When Tesla decides to increase production of electric cars, it directly answers the _____ question.

A) why

B) how

- C) what
- D) for whom
- E) where

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

16. The question of 'What goods and services get produced?' most closely relates to which of the following issues?

- A) The distribution of goods and services in the economy.
- B) Building a missile defence system, or putting a computer in every primary school classroom.
- C) Producing goods and services in the least costly manner.
- D) Obtaining specialised training to increase one's income.
- E) Taxing high-income workers to give payments to poor households

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

17. When a home builder decides to computerise all of his production schedule, it directly answers the _____ question.

- A) what
- B) where
- C) why
- D) for whom
- E) how

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

18. When an electricity distribution company decides to use manpower to bury its lines, it directly answers the _____ question.

- A) for whom

- B) how
- C) what
- D) why
- E) when

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

19. Which economic question depends on the incomes that people earn and the prices they pay for goods and services?

- A) For whom?
- B) What?
- C) Where?
- D) How?
- E) Why?

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

20. When an AFL player earns more than a police officer, society answers the _____ question.

- A) for whom
- B) why
- C) what
- D) social interest versus self-interest
- E) how

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

21. Australia has a universal health care system called Medicare, so that everyone, regardless of their ability to pay, has some access to health care. Based on this observation,

Australia has decided that 'everyone, regardless of their ability to pay' is the answer to what microeconomic question?

- A) How will health care be produced?
- B) Why will we offer health care?
- C) What type of health care will be produced and in what quantity?
- D) Must we offer health care?
- E) For whom will health care be produced?

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

22. Self-interest

- A) occurs only when wants exceed available resources.
- B) reflects choices that are best for society as a whole.
- C) reflects choices that are best for the individual who makes them.
- D) cannot be used to determine how goods are produced.
- E) has nothing to do with determining what goods are produced

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

23. Choices that are best for the society as a whole are choices in pursuit of

- A) answering the 'how?' question.
- B) answering the 'for whom?' question.
- C) self-interest.
- D) incentives.
- E) the social interest.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

24. Scarcity results from the fact that

- A) not all goals are desirable.
- B) we cannot answer the major economic questions.

- C) choices made in self-interest are not always in the social interest.
- D) the population keeps growing.
- E) people's wants exceed the resources available to satisfy them

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

25. Which of the following statements is true regarding scarcity?

- A) An economy experiences scarcity only when the incomes of its citizens decline.
- B) Scarcity could be overcome if people would make all choices in the social interest.
- C) Poor people experience scarcity more often than do rich people.
- D) Scarcity affects poorer countries only.
- E) All citizens in a wealthy economy experience scarcity.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

26. Which of the following is a microeconomic issue?

- A) Why has unemployment risen nationwide?
- B) What is the impact on the quantity of Pepsi purchased if consumers' tastes change in favour of non-carbonated drinks?
- C) Why has economic growth been rapid in China?
- D) Why did overall production increase in Australia last year?
- E) Why is the average income lower in Africa than in Latin America?

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

27. When Ferrari decides to produce 1,200 '360 Modenas' each year, Ferrari is answering the _____ question.

- A) why
- B) for whom

- C) scarcity
- D) how
- E) what

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

28. Whether a company produces fishing rods mostly by hand or using high-tech machinery is a question of

- A) 'when will the goods be produced?'
- B) 'where will the goods be produced?'
- C) 'why will the goods be produced?'
- D) 'for whom will goods be produced?'
- E) 'how will the goods be produced?'

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

29. The question 'should economics majors or sociology majors earn more after they graduate?' is an example of a _____ question.

- A) how
- B) what
- C) for whom
- D) why
- E) where

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.1 Definitions and Questions

30. Rational choice:

- A) is always efficient.
- B) is a choice that uses the available resources to best achieve the objective of the person making the choice.

C) provides the answer to only the 'how?' question.

D) is made by comparing different incentives.

E) is what you must give up to get what you want

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.2 The Economic Way of Thinking

31. What is NOT true about rational choice?

A) It is the same for all individuals.

B) It can result in different decisions for different individuals.

C) It is a choice that uses the available resources to best achieve the objective of the person making the choice.

D) It might turn out not to have been the best choice after the event.

E) It involves comparing costs and benefits

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.2 The Economic Way of Thinking

32. An opportunity cost is

A) the benefits of the highest-valued alternative forgone.

B) another term for all the sunk costs.

C) the dollar amount that is paid.

D) whatever is paid out and cannot be reduced or reversed.

E) anything the decision maker believes costs to be.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.2 The Economic Way of Thinking

33. The opportunity cost of a decision is measured in terms of

A) sunk cost.

B) the next best thing given up.

C) the price of the alternative we choose.

D) time.

E) the price of a new opportunity that arises.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.2 The Economic Way of Thinking

34. You have chosen to take a trip during the mid-semester break. If you had not gone, you would either have worked at a temporary job or studied for exams. The opportunity cost of your trip is

A) We cannot determine what the opportunity cost is without knowing which alternative, working or studying, you would have preferred.

B) the wages you would have earned from working.

C) the wages you would have earned from working and the lower grade earned by not studying.

D) the value of the trip.

E) the lower grade earned by not studying.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.2 The Economic Way of Thinking

35. Ali decides to attend the one-hour review session for microeconomics instead of working at his job. His job pays him \$10 per hour. Ali's opportunity cost of attending the review session is

A) the one-hour review session.

B) equal to the benefit he gets from the review session.

C) the \$10 he could have earned at his job.

D) the value of the session minus the \$10 he could have earned at his job.

E) nothing, because the review session does not cost anything.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.2 The Economic Way of Thinking

36. Suppose that, instead of taking this test, you could either have worked and earned income or partied and had a pleasurable time. Your opportunity cost of taking the test is the

- A) forgone party.
- B) forgone working and partying.
- C) test because you are taking it.
- D) forgone working or partying, depending on which was your next best choice.
- E) forgone work.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.2 The Economic Way of Thinking

37. The cost of a one-unit increase in an activity is called the

- A) margin.
- B) marginal cost.
- C) rational cost.
- D) opportunity benefit.
- E) marginal benefit.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.2 The Economic Way of Thinking

38. Mothers Against Drunk Drivers (MADD) campaigned to increase the legal penalties of drunk driving. This successful campaign _____ of drunk driving.

- A) increased the marginal benefit
- B) had no effect on the marginal cost or marginal benefit but did affect the total benefit
- C) decreased the marginal benefit
- D) increased the marginal cost
- E) decreased the marginal cost

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head: 1.2 The Economic Way of Thinking

39. Your lecturer changes the penalty for cheating on exams from getting a 0 on the exam to getting an F in the course. Your lecturer has

- A) recognised that students don't make rational choices.
- B) decreased the marginal benefit of cheating.
- C) made all the students act in the social interest.
- D) recognised that students don't respond to incentives.
- E) increased the marginal cost of cheating.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

40. Matthew has eaten two hamburgers and is considering a third. The marginal benefit in his decision is the pleasure from consuming

- A) all three hamburgers.
- B) just the third hamburger.
- C) just the second hamburger.
- D) the third hamburger minus the pleasure from consuming zero hamburgers.
- E) the two previous hamburgers.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

41. What typically happens to benefits as the amount of an activity is increased?

- A) Marginal benefit increases.
- B) Marginal benefit decreases.
- C) Marginal benefit remains constant.
- D) The marginal benefit changes only if the marginal cost changes.
- E) Total benefit remains constant.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

42. Suppose you eat two hamburgers for lunch. The marginal benefit of the first burger is usually _____ of the second burger.

- A) equal to the marginal benefit
- B) equal to the marginal cost and the marginal benefit
- C) larger than the marginal benefit
- D) not related to the marginal benefit
- E) smaller than the marginal benefit

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

43. Decision making on the margin involves

- A) eliminating the additional cost when making a decision.
- B) comparing the total cost and the total benefit when making a decision.
- C) comparing the marginal cost and marginal benefit when making a decision.
- D) comparing the benefits for the social interest to the benefits for the person's self-interest.
- E) determining the total benefit of a decision.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

44. In making your decision whether to spend a week on the Gold Coast during the mid-semester break, you compare all the other activities you could undertake. As a result, you

- A) are making a choice on the margin.
- B) limit the cost and the benefit you can gain.
- C) are not making a rational choice.
- D) must have made a choice in the social interest.
- E) do not face an opportunity cost.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

45. In order to determine whether to major in economics, a rational individual compares the _____ of the decision.

- A) marginal benefit and marginal cost
- B) normative benefits and positive costs
- C) self-interest and social interest
- D) positive benefits and normative costs
- E) opportunity cost and the sunk cost

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

46. When Gabriel made a rational choice to spend his entire allowance on chocolate bars, he did so by comparing the

- A) benefits of the chocolate bars to the scarcity of the chocolate bars.
- B) marginal benefits of the chocolate bars to the marginal costs of the chocolate bars.
- C) opportunity costs of the chocolate bars to the scarcity of the chocolate bars.
- D) self-interest to the social interest.
- E) benefits of the chocolate bars to the desire he had for the chocolate bars.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

47. Going skiing will cost Adam \$80 a day. He also loses \$40 per day in wages because he has to take time off from work. Yet, Adam still decides to go skiing.

- A) He loses a total of \$120 per day, so his decision is irrational.
- B) Adam is definitely making a decision that is in the social interest.
- C) Adam's lost \$40 per day in wages is not an opportunity cost and so did not affect his decision.

D) His decision is rational if Adam's marginal benefit of spending a day skiing is greater than his marginal cost.

E) The \$80 price of skiing is not an opportunity cost and so did not affect Adam's decision.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

48. An incentive is

A) the marginal cost of some course of action.

B) a constraint that society imposes on those who make self-interested choices.

C) the net gain of some course of action.

D) an inducement to take a particular action.

E) the marginal benefit of some course of action.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

49. Proponents of cuts to income tax rates argue that when income tax rates are cut, workers have an incentive to increase their work hours. This argument is based on the assumption that

A) the opportunity cost of working is negative.

B) the marginal cost of each additional work hour is not important to most workers.

C) workers are irrational.

D) workers make decisions based on the marginal benefit of each hour worked compared to the marginal cost of work.

E) workers make decisions based on the social interest.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

50. Your economics lecturer offers 10 bonus marks on the final exam if you attend a review session before the exam. These bonus marks are an example of

- A) a rational choice.
- B) a decrease in the marginal benefit of attending the review session.
- C) an incentive to attend the review session.
- D) an increase in the marginal cost of attending the review session.
- E) None of the above answers is correct.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

51. Correlation means:

- A) other things remaining the same.
- B) 'after this, therefore because of this'.
- C) 'on the margin'.
- D) a natural experiment has been conducted.
- E) the tendency for the values of two variables to move in a predictable and related way.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

52. In examining two variables, we find that as one variable changes, the other changes. These variables are said to be

- A) significantly related.
- B) statistics.
- C) independent.
- D) casually related.
- E) correlated.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

53. A positive statement:

- i. makes a statement about how the world operates.
- ii. is a true statement.
- iii. can be tested against the facts.

- A) ii and iii
- B) i, ii and iii
- C) i and ii
- D) i only
- E) i and iii

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

54. The statement that 'increases in the tax on petrol increase the price of petrol' is an example of which of the following?

- A) Marginal statement.
- B) Rational-decision statement.
- C) Macroeconomic statement.
- D) Positive statement.
- E) Normative statement.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

55. 'Lower ticket prices would lead to more people attending football games.' This statement is a:

- A) statement that confuses marginal cost and sunk cost.
- B) macroeconomic statement.
- C) normative statement.
- D) positive statement.
- E) statement assessing the social interest versus the private interest.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

56. Which of the following statements is a positive statement?

- A) Too many people are unemployed.
- B) Our country must increase military spending.
- C) There should be a computer in every primary school classroom.
- D) Online shopping increased by 50 per cent last Christmas season.
- E) We need to spend less on luxury items for the wealthy, and more on necessities for the less fortunate.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

57. Which of the following is a positive statement?

- A) Everyone should have some knowledge of economics.
- B) Social security must be reformed.
- C) Taxes on petrol should be lower so that petrol is more affordable for the poor.
- D) If we reduce welfare payments given to the poor, they will find jobs.
- E) The rich should pay more in taxes.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

58. Normative statements

- i. describe how the world is.
- ii. describe how the world ought to be.
- iii. depend on people's values and cannot be tested.

A) i and iii

B) ii only

C) ii and iii

D) i only

E) iii only

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

59. A normative statement:

- i. can be tested as to whether it is true or false.
- ii. is considered negative.
- iii. depends on a person's values.

- A) i only
- B) iii only
- C) i and iii
- D) ii and iii
- E) i, ii and iii

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

60. Which of the following is a normative statement?

- A) Flood victims should pay for their own rebuilding.
- B) Recessions lead to increases in the unemployment rate.
- C) When the price of kiwi fruit increases, fewer people eat kiwi fruit.
- D) An increase in the supply of computers has caused computer prices to fall.
- E) Cyclones strike mainly Queensland and Western Australia.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

61. A statement that 'all children should receive free health care' is an example of what kind of statement?

- A) A natural experiment statement
- B) A normative statement
- C) A fair statement
- D) A positive statement
- E) A statement on the margin

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

62. Which of the following is an example of a normative statement?

- A) Car prices should be affordable.
- B) Fewer people die in larger cars than in smaller cars.
- C) If wages increase, firms will fire some workers.
- D) If cars become more expensive, fewer people will buy them.
- E) Cars emit pollution.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

63. John has two hours of free time this evening. He ranked his alternatives, first go to a concert, second go to a movie, third study for an economics exam, and fourth answer his email. What is the opportunity cost of attending the concert for John?

- A) Attending a movie
- B) Answering his email
- C) Studying for an economics exam
- D) Going to the concert because that is what John chose to do
- E) Attending a movie, studying for an economics exam, and answering his email

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

64. Jamie has enough money to buy either a Mountain Dew, a Pepsi, or a bag of chips. He chooses to buy the Mountain Dew. The opportunity cost of the Mountain Dew is

- A) the Mountain Dew.
- B) the Pepsi and the bag of chips.
- C) the Pepsi or the bag of chips, whichever is the highest-valued alternative forgone.
- D) the Pepsi, because it is a drink as is the Mountain Dew.
- E) zero because he enjoys the Mountain Dew.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.2 The Economic Way of Thinking

65. If there is no scarcity,

- A) choices are no longer rational.
- B) the opportunity cost of an action would be greater than its sunk cost.
- C) all marginal benefits would equal zero.
- D) an action would have zero opportunity cost.
- E) the marginal cost of an action is greater than its marginal benefit.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.2 The Economic Way of Thinking

66. The _____ of something is the gain or pleasure that it brings.

- A) benefit
- B) rational choice
- C) opportunity cost
- D) rational margin
- E) marginal cost

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

67. The marginal benefit of an activity is:

- i. the benefit from a one-unit increase in the activity.
- ii. the benefit of a small, unimportant activity.
- iii. measured by what the person is willing to give up to get one additional unit of the activity.

- A) i only
- B) ii only
- C) iii only
- D) i and iii
- E) ii and iii

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

68. If the marginal benefit of the next slice of pizza exceeds the marginal cost, you will

- A) not eat the slice of pizza.
- B) eat the slice of pizza.
- C) eat half the slice.
- D) be unable to choose between eating and not eating.
- E) More information is needed about how much the marginal benefit exceeds the marginal cost to determine if you will or will not eat the slice.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

69. By donating \$1,000 to the Salvation Army, Caroline reduced her taxable income. To Caroline, the reduction in her taxable income is

- A) a marginal benefit.
- B) a marginal cost.
- C) an incentive.
- D) an opportunity cost.
- E) the margin.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

70. When the Adelaide Crows score more than 100 points in a home game, they win the game. This is an example of

- A) an incentive to win the game.
- B) an economic theory.
- C) a normative statement.
- D) a statement on the margin.
- E) a correlation.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

71. Which of the following is a positive statement?

- A) The class average on this test should be more than 80 per cent.

- B) A 10 per cent increase in income leads to a 4 per cent increase in the consumption of beef.
- C) Taxes should be lower because then people get to keep more of what they earn, so they will work more.
- D) Given their negative impact on productivity, the government should eliminate labour unions.
- E) My economics class should last for two terms because it is my favourite class.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

72. Which of the following is NOT a normative economic statement?

- A) People over the age of 75 should not be allowed to drive cars.
- B) Teenagers are responsible for most driving fatalities.
- C) The price of petrol is too high.
- D) States should reduce the tax on heating fuel oil during the winter.
- E) We don't spend enough money on anti-smoking campaigns.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Reflective thinking

A-head:1.2 The Economic Way of Thinking

73. The vertical axis in a graph

- A) is named the y-axis.
- B) has no origin.
- C) is named the x-axis.
- D) measures time only in a time-series graph.
- E) measures time in a cross-section and time-series graph.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head: 1.3 Appendix: Making and Using Graphs

74. A graph of the value of one variable against the value of another variable is known as a:

- A) three-dimensional graph.
- B) scatter diagram.
- C) time-series graph.

- D) two-variable graph.
- E) two-dimensional graph.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

75. To show how a variable _____, we typically use a _____.

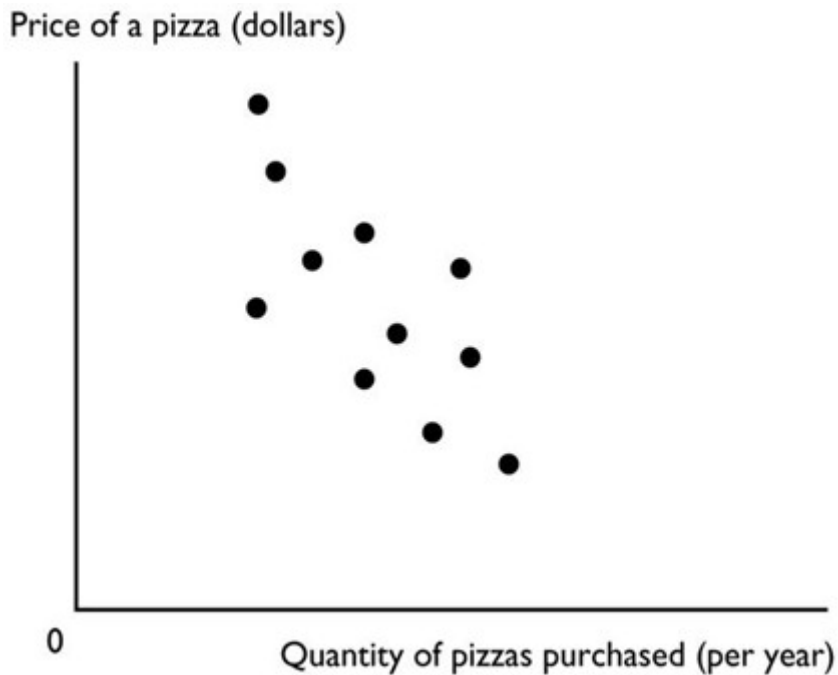
- A) changes over time; cross-time chart
- B) relates to another variable; time-series graph
- C) changes over time; cross-section graph
- D) relates to another variable; pie chart
- E) changes over time; time-series graph

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs



76. The figure above shows a

- A) slope.
- B) cross-section graph.
- C) time-series graph.
- D) scatter diagram.
- E) trend diagram.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

77. A steep slope in a time-series graph means the variable is

- A) rising or falling quickly.
- B) rising or falling slowly.
- C) very close to its trend point.
- D) falling.
- E) high.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking
A-head:1.3 Appendix: Making and Using Graphs

78. Which type of economic graph reveals trends in data?

- A) Time-series graph
- B) Cross-section graph
- C) Scatter diagram
- D) Answers A and C are correct.
- E) Answers A, B and C are all correct.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking
A-head:1.3 Appendix: Making and Using Graphs

79. A graph shows the wage rate of factory workers. The slope of the line is positive for periods when the wage rate is

- A) high and not changing.
- B) rising.
- C) falling.
- D) high and falling.
- E) low and falling.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking
A-head:1.3 Appendix: Making and Using Graphs

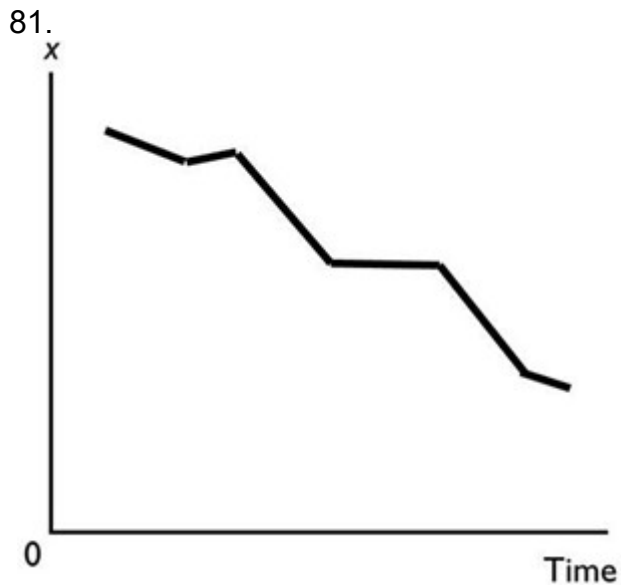
80. A trend is

- A) a measure of closeness on a scatter diagram.
- B) the minimum value of a variable.
- C) the difference between the maximum value of a variable and the minimum value of the variable.
- D) the maximum value of a variable.
- E) a general tendency for a variable to rise or fall.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking
A-head:1.3 Appendix: Making and Using Graphs



In the above figure, the diagram shows

- A) a two-variable scatter diagram.
- B) a cross-section graph between x and time.
- C) an upward trend in x .
- D) a scatter diagram.
- E) a downward trend in x .

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

82. A cross-section graph

- A) shows the values of an economic variable for different groups in a population at a point in time.
- B) is divided into different sections.
- C) measures time on the x -axis and the variable in which we are interested on the y -axis.
- D) Both answers A and C are correct.
- E) Both answers A and B are correct.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

83. A graph showing the values of an economic variable for different groups in a population at a point in time is called a

- A) time-series graph.
- B) Venn diagram.
- C) scatter diagram.
- D) cross-section graph.
- E) None of the above answers is correct.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

84. A cross-section graph:

- A) is divided into different sections.
- B) measures time on the x-axis and the variable in which we are interested on the y-axis.
- C) shows the values of an economic variable for different groups in a population at a point in time.
- D) Both answers A and C are correct.
- E) Both answers B and C are correct.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

85. You have data for the amount of rainfall in 50 cities for the month of June. The type of graph to best display these data would be a

- A) multi-variable time series graph.
- B) time-series graph.
- C) cross-section graph.
- D) scatter diagram.
- E) trend-line diagram.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

86. You have data for sales of pizza for each Australian state in 2019¹. The type of graph to best display these data would be a

- A) trend-line diagram.
- B) scatter diagram.
- C) time-series graph.
- D) cross-section graph.
- E) multi-variable time-series graph.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

87. A graph shows the average ATAR scores for males and females in 2019². The kind of graph used to show these data would be a

- A) scatter diagram.
- B) trend figure.
- C) time-series graph.
- D) cross-section graph.
- E) time-stationary graph.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

88. Demonstrating how an economic variable changes from one year to the next is best illustrated by a

- A) time-series graph.
- B) linear graph.
- C) Venn diagram.
- D) scatter diagram.
- E) cross-section graph.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

89. A linear relationship

- A) when graphed is a straight line.

- B) when graphed is a line whose slope changes.
- C) can be a positive or a negative relationship.
- D) Both answers A and C are correct.
- E) Both answers A and B are correct.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

90. If two variables are positively related, then

- A) neither variable can be positively related to any other variable.
- B) an increase in one variable is accompanied by a decrease in the other.
- C) they change together, but not necessarily in the same direction.
- D) an increase in one variable is accompanied by an increase in the other.
- E) one variable causes the other.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

91. If the change in $y = 10$ and the change in $x = 3$, there is

- A) a positive relationship between y and x .
- B) no relationship between y and x .
- C) an independent relationship between y and x .
- D) a $+0.33$ relationship between the two variables.
- E) a negative relationship between y and x .

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

92. Which of the following statements is correct?

- A) When a line slopes downwards moving to the right, the variable measured on the x -axis and the variable measured on the y -axis are directly related.
- B) When a line slopes upwards moving to the right, the variable measured on the x -axis and the variable measured on the y -axis are directly related.
- C) If two variables are directly related, a graph of the two variables has a negative slope.

D) The higher the temperature, the more ice cream people consume. Thus the temperature and ice-cream consumption are inversely related.

E) None of the above statements is correct.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

93. If x increases whenever y decreases, then x and y are

A) related but whether positively or negatively related depends on whether the x variable or the y variable is plotted on the vertical axis.

B) not related.

C) negatively related.

D) positively related.

E) directly related.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

94. 'As the price of petrol increases, fewer people buy cars that are petrol guzzlers.' A graph showing this relationship would

A) be a vertical line.

B) have a direct relationship.

C) be a horizontal line.

D) have a negative slope.

E) have a positive relationship.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

95. As the number of days without rain increases, the amount of wheat grown per acre declines. A graph showing this relationship shows

A) a horizontal line.

B) a positive relationship.

C) a line with a positive slope.

D) a vertical line.

E) None of the above answers is correct.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

96. If the change in $y = -4$ and the change in $x = 2$, there is

A) a negative relationship between y and x .

B) a relationship between x and y , but more information is needed to determine if it is a negative or positive relationship.

C) a positive relationship between y and x .

D) an independent relationship between y and x .

E) no relationship between y and x .

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

97. A graph shows the price of a kilo of cucumbers on the vertical axis and the quantity of new cars sold by Honda on the horizontal axis. The price of a kilo of cucumbers remains constant as the quantity of new cars sold increases. The graph of these data is a

A) horizontal line.

B) negatively sloped line.

C) curve with a maximum.

D) vertical line.

E) positively sloped line.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

98. Matt pays a \$50 a month membership fee at Bruno's Gym. He can exercise at the gym as many times as he wishes. If the membership fee is measured along the vertical axis and the number of times he exercises is measured along the horizontal axis, the graph between his membership fee and the number of times he exercises will

A) start out positively sloped and then, as Matt loses interest, become negatively sloped.

B) be a horizontal line.

C) be negatively sloped.

D) be a vertical line.

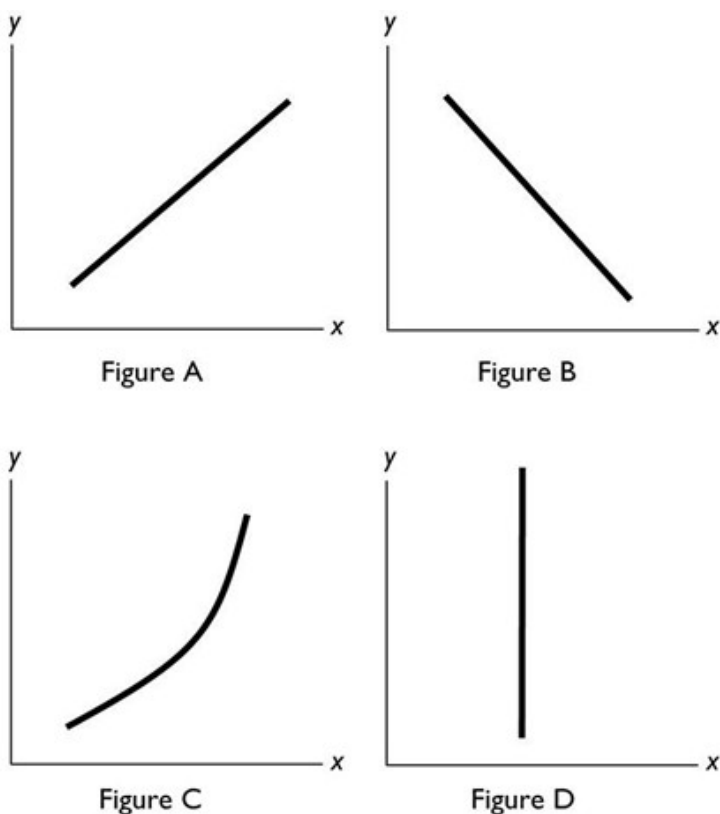
E) be positively sloped.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs



In the diagram above, which figure(s) show(s) a direct relationship between the variables?

- A) Only D
- B) Only B
- C) Both B and C
- D) Both A and C
- E) Only A

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

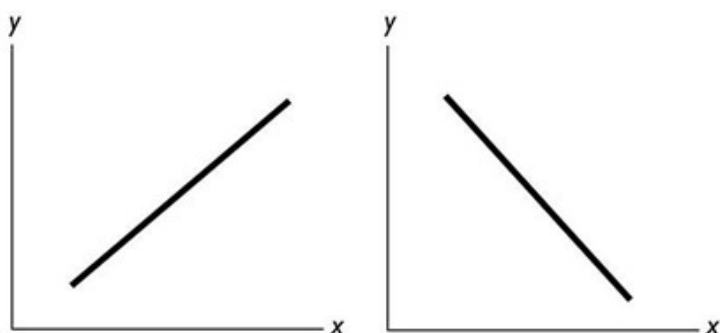


Figure A

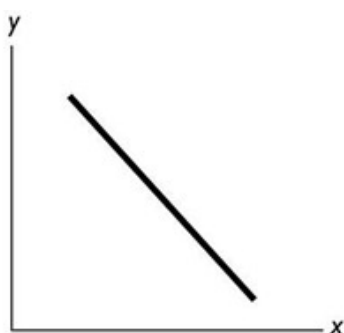


Figure B

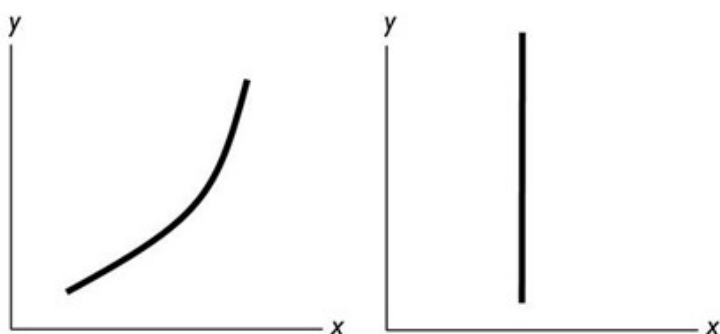


Figure C

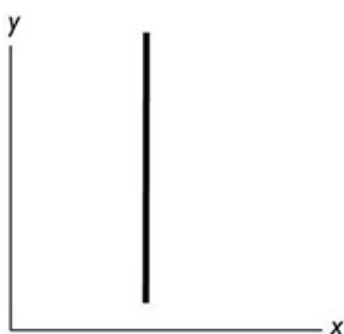


Figure D

100. In the diagram above, which figure(s) show(s) an inverse relationship between the variables?

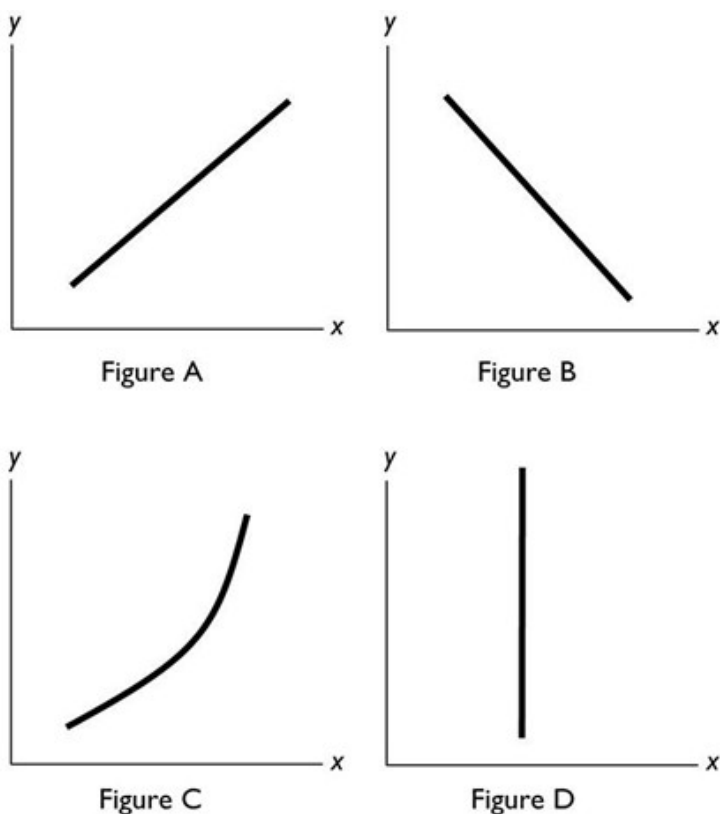
- A) Both B and C
- B) Only C
- C) Only D
- D) Both A and C
- E) Only B

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs



101. In the diagram above, which figure(s) show(s) no relationship between the variables?

- A) Only D
- B) Only B
- C) Both B and C
- D) Both A and B
- E) Both A and C

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

102. As a shoe factory adds more workers, shoe production grows, reaches a maximum, and then shrinks. In a diagram that has the number of workers on the horizontal axis and the number of shoes on the vertical axis, the relationship between the number of workers and the number of shoes starts as _____ and then, after the maximum point, is _____.

- A) negative; positive

- B) linear; negative
- C) positive; non-existent
- D) positive; linear
- E) positive; negative

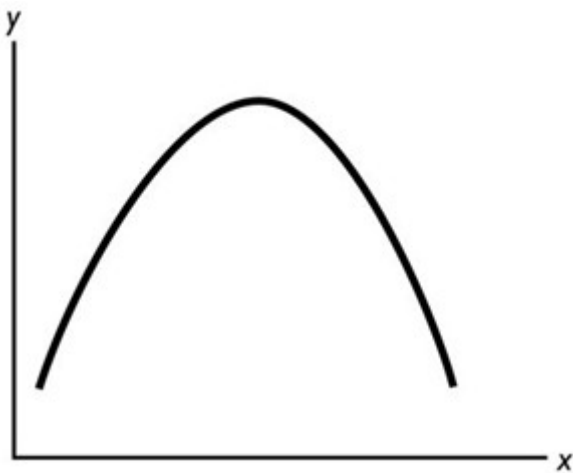
Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

103.



In the figure above, the relationship between the x variable and the y variable

- A) is negative.
- B) is positive.
- C) is non-existent because the two variables are unrelated.
- D) starts by being negative and then becomes positive.
- E) starts by being positive and then becomes negative.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

104. If a curve falls and then rises, it

- A) has a minimum.
- B) has a linear relationship.

- C) shows no relationship between the two variables.
- D) has a constant-slope relationship.
- E) has a maximum.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

105. An economist observed that, as more computers are added to a factory, the costs of production initially decline, reach a minimum, and then rise. In a diagram that has costs on the vertical axis and the number of computers on the horizontal axis, the relationship always is

- A) negative both before and after the minimum point.
- B) negative and then positive after the minimum point.
- C) negative and then linear after the minimum point.
- D) positive and then negative after the minimum point.
- E) linear and then positive after the minimum point.

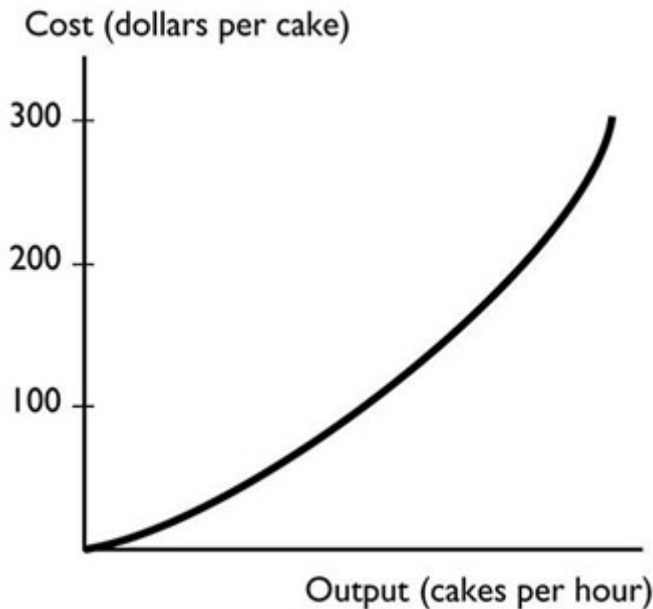
Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

106.



The graph shows a:

- A) positive relationship that becomes steeper.
- B) negative relationship that becomes steeper.
- C) negative trend between the total cost of a cake and the output of cakes.
- D) negative relationship that become less steep.
- E) positive relationship that becomes less steep.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

107. A graph shows that the number of Australian tourists visiting a Caribbean island increases as the temperature in southern Australia falls. The graph shows

- A) a direct relationship.
- B) a negative relationship.
- C) an invalid relationship.
- D) no relationship.
- E) a positive relationship.

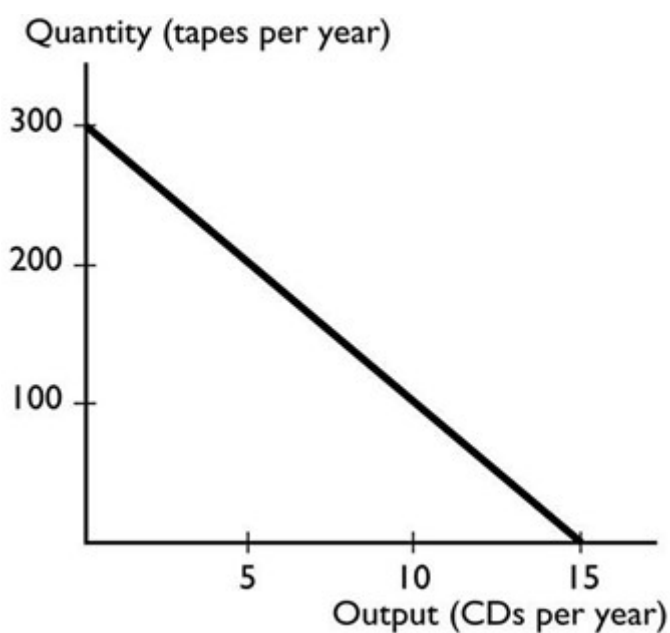
Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

108.



The graph shows a:

- A) negative relationship that is linear.
- B) negative relationship that becomes less steep.
- C) positive relationship that is linear.
- D) positive relationship that becomes less steep.
- E) None of the above answers is correct.

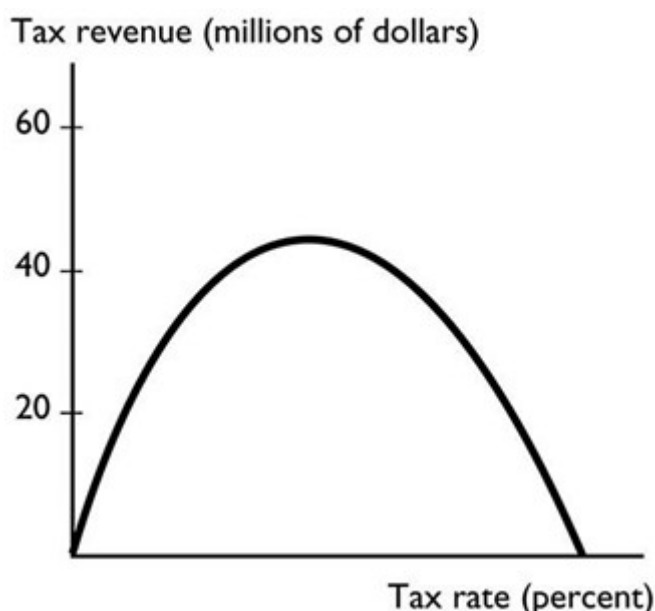
Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

109.



The graph shows

- A) a linear relationship.
- B) a relationship with a minimum.
- C) a cross-section relationship.
- D) a relationship with a maximum.
- E) no relationship.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

110. A slope is measured as the:

- A) value of the variable measured on the x-axis minus the value of the variable measured on the y-axis.
- B) change in the value of variable on the y-axis divided by the change in the value of the variable on the x-axis.
- C) value of the variable measured on the y-axis divided by the value of the variable measured on the x-axis.
- D) value of the variable measured on the y-axis minus the value of the variable measured on the x-axis.

E) value of the variable measured on the x-axis divided by the value of the variable measured on the y-axis.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

111. 'The change in the value of the variable measured on the y-axis divided by the change in the value of the variable measured on the x-axis' is the definition of

A) slope.

B) a relationship.

C) a graph.

D) a curve.

E) a trend.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

112. The slope of a line equals the change in the variable measured along the

A) x-axis multiplied by the change in the variable measured along the y-axis.

B) y-axis minus the change in the variable measured along the x-axis.

C) x-axis divided by the change in the variable measured along the y-axis.

D) x-axis minus the change in the variable measured along the y-axis.

E) y-axis divided by the change in the variable measured along the x-axis.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

113. With y measured on the vertical axis and x measured on the horizontal axis, the slope of a straight line is defined as

A) (change in y)/(change in x).

B) $y - x$.

C) x/y .

D) (change in x)/(change in y).

E) y/x .

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking
A-head:1.3 Appendix: Making and Using Graphs

114. A curve with a positive but decreasing slope represents a relationship where, every time the variable measured along the horizontal axis increases by one unit, the variable measured along the vertical axis

- A) does not change by much.
- B) increases by a constant amount.
- C) decreases.
- D) increases by an increasing amount.
- E) increases by a decreasing amount.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking
A-head:1.3 Appendix: Making and Using Graphs

115. Which of the following statements is correct?

- A) The slope of a straight line changes depending where on the line it is calculated.
- B) A straight line that slopes upward moving to the right has a positive slope.
- C) The slope of a curved line is not defined because it is impossible to calculate the slope along a curved line.
- D) Answers A and B are correct.
- E) Answers A and C are correct.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking
A-head:1.3 Appendix: Making and Using Graphs

116. If the quantity of the variable on the y-axis increases by 10 when the quantity of the variable on the x-axis decreases by 2, then the slope of the curve equals

- A) 10.
- B) 2.
- C) -5.
- D) -10.
- E) None of the above answers is correct.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

117. If the quantity of the variable on the y-axis increases by 3 when the quantity of the variable on the x-axis increases by 4, then the slope of the curve equals

A) 3.

B) $\frac{3}{4}$.

C) 4.

D) 1.

E) $\frac{4}{3}$.

Answer: B

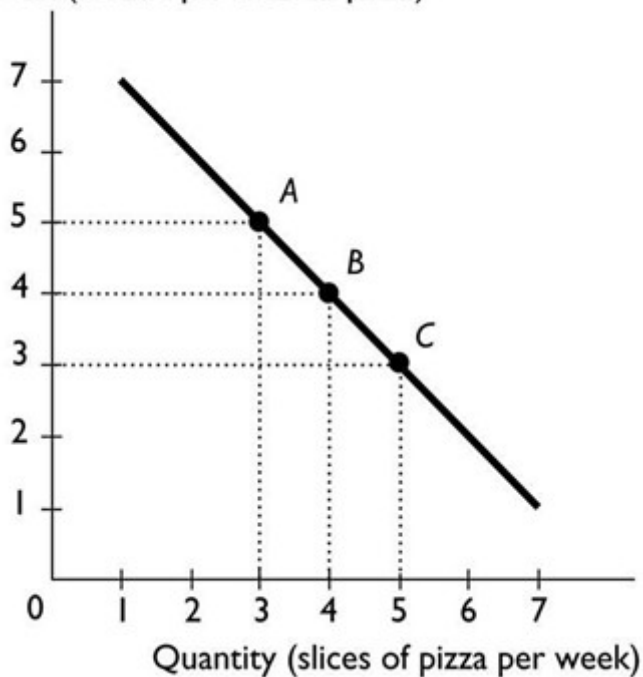
Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

118.

Price (dollars per slice of pizza)



The above figure shows the relationship between the price of a slice of pizza and how many slices of pizza Ricardo buys in a week. Between points A and B, the slope of the line equals

- A) -4.
- B) -2
- C) -3.
- D) -1.
- E) -5.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

119. The above figure shows the relationship between the price of a slice of pizza and how many slices of pizza Ricardo buys in a week. Between points A and B, the slope of the line is _____ the slope of the line between points B and C.

- A) less than
- B) equal to
- C) greater than
- D) not comparable to
- E) unrelated to

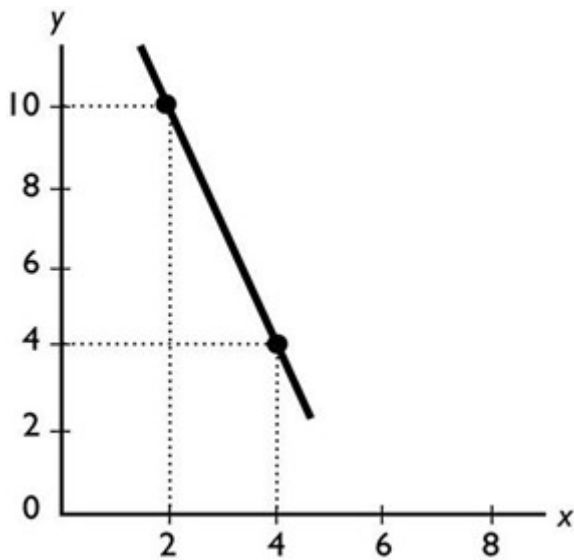
Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

120.



The slope of the line shown in the above figure is

- A) -5.
- B) -1.
- C) -3.
- D) $-1/3$.
- E) -10.

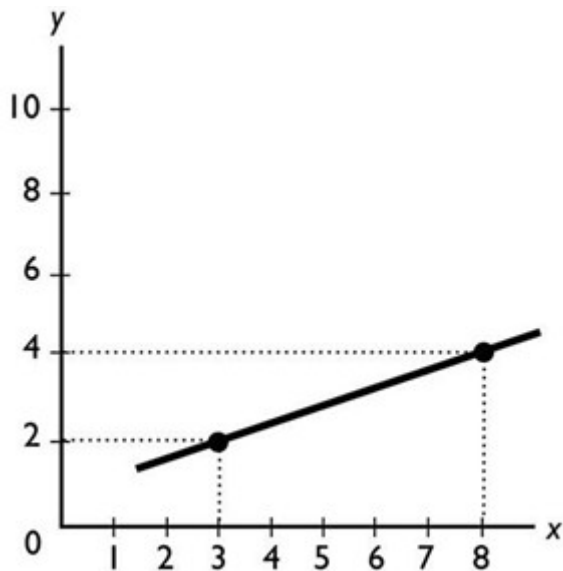
Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

121.



The slope of the line shown in the above figure is

A) $5/2$.

B) 5.

C) $2/3$.

D) $2/5$.

E) 2.

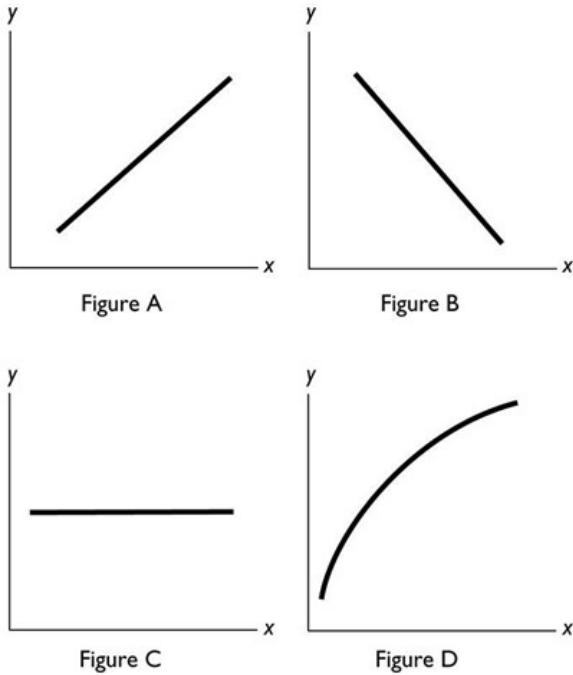
Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

121.



In the above figure, which of the figures show a relationship between x and y with a negative slope?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D
- E) Both Figure A and Figure B

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

122.

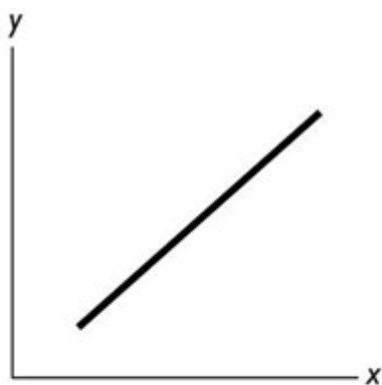


Figure A

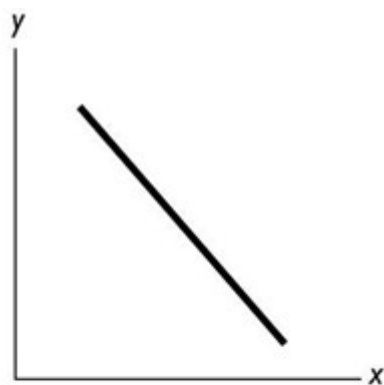


Figure B

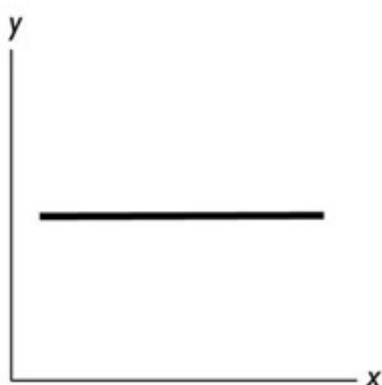


Figure C

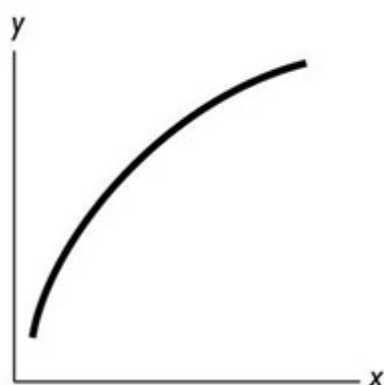


Figure D

In the above figure, which of the figures show a relationship between x and y with a positive slope?

- A) Figure A and Figure D
- B) Figure B and Figure C
- C) Figure C only
- D) Figure D only
- E) Figure A and Figure B

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

123.

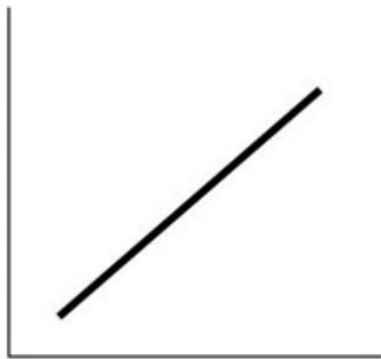


Figure A

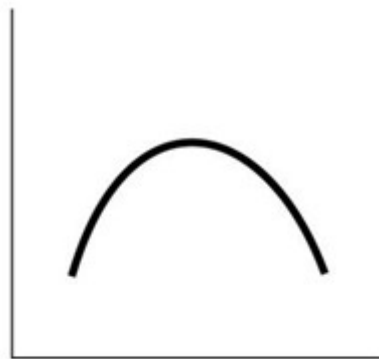


Figure B

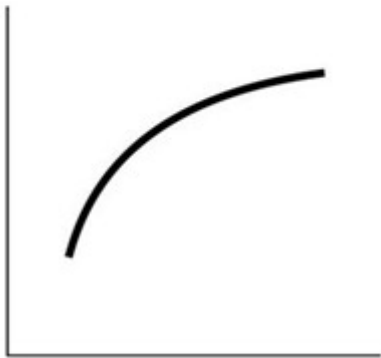


Figure C

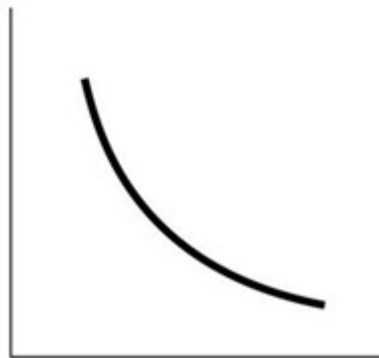


Figure D

In the above, which figures show a relationship between the variables that is always positive?

- A) Figures A and B
- B) Figures C and D
- C) Figures A, C and D
- D) Figures A and C
- E) Figure A only

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

124.

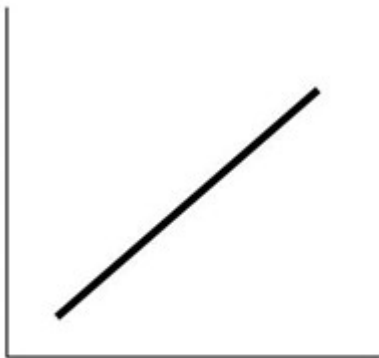


Figure A

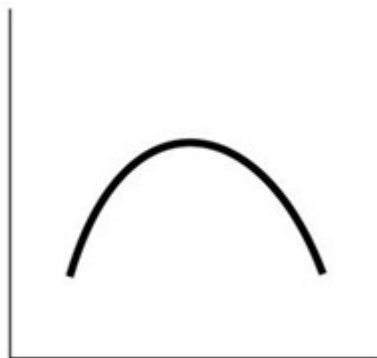


Figure B

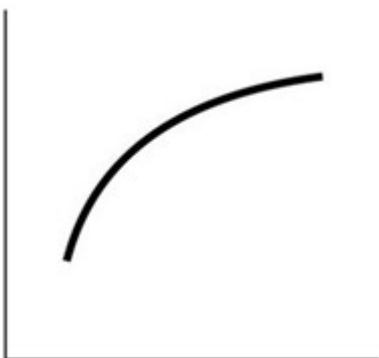


Figure C

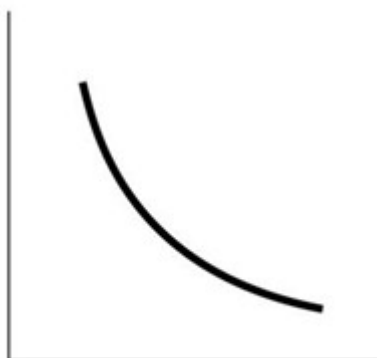


Figure D

In the above, which figures show a relationship between the variables that is always negative?

- A) Figure D only
- B) Figures A and C
- C) Figures A, C and D
- D) Figure A only

E) Figure B only

Answer: A

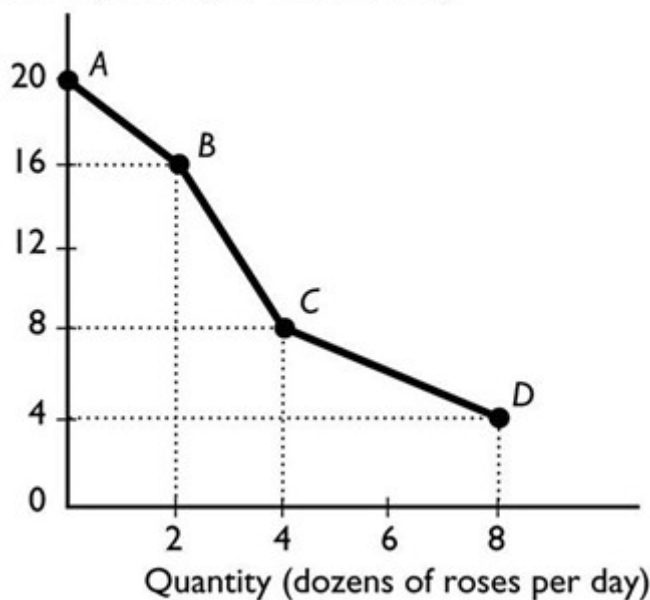
Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

125.

Price (dollars per dozen roses)



The figure above shows the relationship between the price of a dozen roses and the quantity of roses a florist can sell. The relationship between the price and the quantity the florist can sell is

A) non-existent.

B) cross-sectionally trended.

C) negative.

D) linear.

E) positive.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

126. The figure above shows the relationship between the price of a dozen roses and the quantity of roses a florist can sell. The slope between points A and B is

- A) 16.
- B) 2.
- C) 4.
- D) 20.
- E) non-existent because at point A no roses are sold.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

127. The figure above shows the relationship between the price of a dozen roses and the quantity of roses a florist can sell. The slope between points B and C equals

- A) 16.
- B) 4.
- C) 8.
- D) 14.
- E) 2.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

128. The figure above shows the relationship between the price of a dozen roses and the quantity of roses a florist can sell. The slope between points C and D equals

- A) 8.
- B) 1.
- C) 2.
- D) 4.
- E) 12.

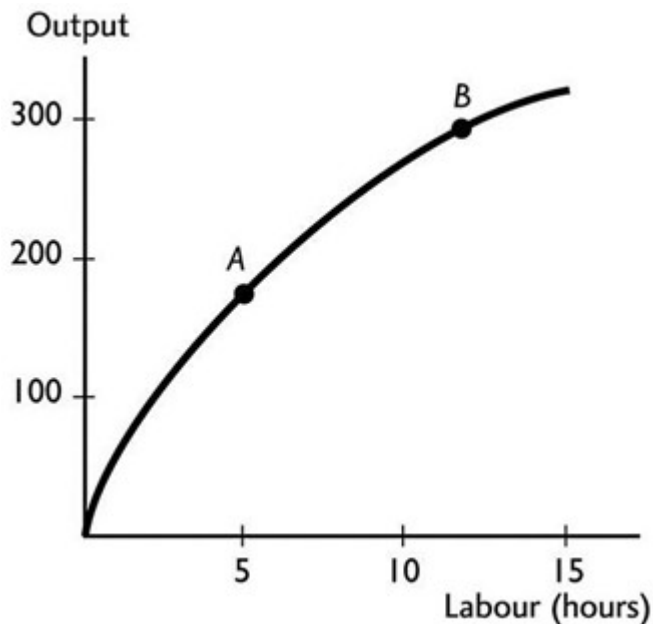
Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

129.



The slope of the curve at point B

A) is less than the slope at point A.

B) cannot be compared with the slope at point A.

C) can be compared with the slope at point A, but more information is needed to determine if the slope is greater than, less than or equal to the slope at point A.

D) is greater than the slope at point A.

E) is equal to the slope at point A.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

130. The Latin term 'ceteris paribus' means

A) 'what is true of the whole is not necessarily true of the parts.'

B) 'obviously true.'

C) 'after this, therefore because of this.'

D) 'other things remaining the same.'

E) 'false unless proven true.'

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

131. We are investigating the relationship among three variables. We have graphed two of them. Suppose that the variable that is not measured on the x-axis or the y-axis changes. Then, there is

- A) an omitted variable.
- B) a violation of the absence of trend assumption.
- C) a shift in the plotted curve.
- D) a movement along the plotted curve.
- E) no impact on the plotted curve because the variable is not measured on either of the axes.

Answer: C

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

132. When two variables in a graph are related to a third, changing the third causes
A) either a shift or a movement in the curve but more information is needed to determine which occurs.

- B) a movement along the curve.
- C) no change in the curve because the third variable isn't on the axes.
- D) a shift of the curve.
- E) None of the above answers is correct.

Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

133. On a graph showing the relationship between x and y, the ceteris paribus condition implies that

- A) the value of x and the value of y are held constant.
- B) the value of x is held constant.
- C) no other variables are related to x and y.
- D) other variables not shown are held constant.
- E) the value of y is held constant.

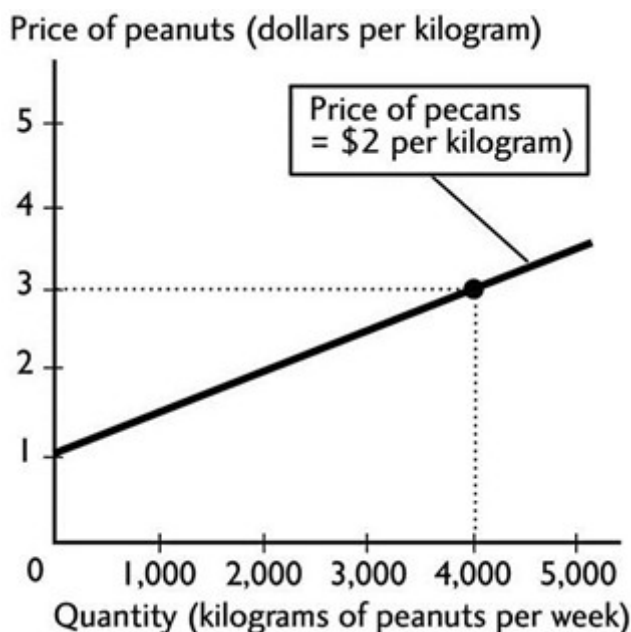
Answer: D

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

134.



The above figure shows how many kilograms of peanuts farmers are willing to sell at different prices per kilogram of peanuts. If the price of a kilogram of peanuts is \$1 and the price of a kilogram of pecans is \$2, peanut farmers are willing to sell

- A) no peanuts.
- B) 1,000 kilograms of peanuts.
- C) 2,000 kilograms of peanuts.
- D) 4,000 kilograms of peanuts.
- E) more than 4,000 kilograms of peanuts.

Answer: A

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

135. In the above figure, while drawing the line showing the relationship between the price of a kilogram of peanuts and the quantity sold, the

- A) the quantity of peanuts that farmers supply does not change.
- B) price of a kilogram of pecans does not change.
- C) price of a kilogram of peanuts does not change.
- D) Both answers A and B are correct.

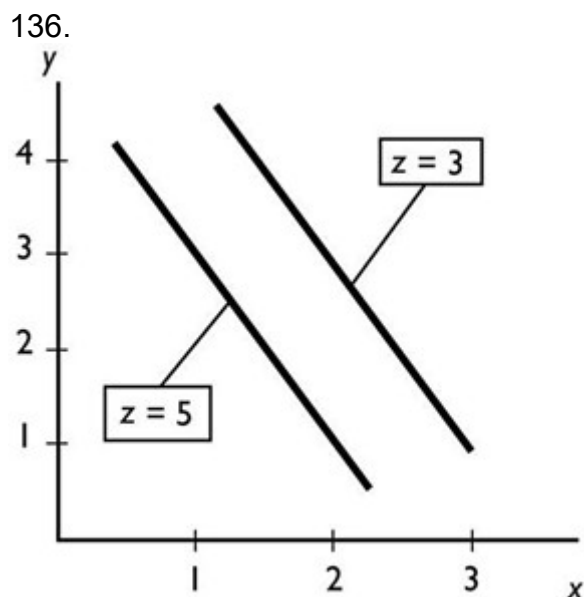
E) Both answers B and C are correct.

Answer: B

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs



In the figure above, an increase in z leads to a

A) movement up along one of the lines showing the relationship between x and y .

B) movement down along one of the lines showing the relationship between x and y .

C) rightward shift of the line showing the relationship between x and y .

D) trend change in both x and y .

E) leftward shift of the line showing the relationship between x and y .

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs

137. In the figure above, *ceteris paribus*, an increase in x is associated with

- A) an increase in y.
- B) a random change in z.
- C) an increase in z.
- D) no change in either y or z.
- E) a decrease in y.

Answer: E

Difficulty: Basic

Standard/Graduate Attribute AACSB: Analytical thinking

A-head:1.3 Appendix: Making and Using Graphs