Exam

Name___________________________________

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

1)
Economists describe all of your wants - and how intense each want is - as your preferences.

1)

____

2)
Making a choice depends on what substitutes are available and what they cost.

2)

____

3)
Smart choices should be based on a comparison of expected benefits and opportunity costs.

3)

____

4)
Substitutes need to be exactly the same product/service.

4)

____

5)
What you can afford is limited by more than just money.

5)

____

6)
Buying a product/service that has no alternatives means that our expected benefits must be zero.

6)

____

7)
We are generally willing to pay more for a product/service that has no close substitutes.

7)

____

8)

The term *demand* describes a consumer's willingness and ability to pay for a product/service.

8)

____

9)
A person's demand for a product/service is independent of how much income he or she has.

9)

____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

10)
Your preferences measure

10)

______

A)
how limited time your time is.
B)
the availability of substitutes.
C)
how badly you want something.
D)
the availability of alternatives.
E)
the price of a product.

11)
Attending a Sociology class is a substitute for attending an Economics class if

11)

______

A)
both classes are at the same time.
B)
both classes are taught by the same professor.
C)
the tuition for the two courses is the same.
D)
attending the two classes has the same opportunity cost.
E)
the two classes satisfy the same want.

12)
Substitutes must

12)

______

A)

have the same opportunity cost.

B)

be exactly the same product/service.

C)

have the same price.

D)

be sold in the same store.

E)

satisfy the same want.

13)

In order to get tickets to see the Spice Girls reunion tour Sue missed a day at work, which cost her $300, drove her car downtown and parked, which cost her $30, and paid $170 for the concert ticket, including taxes. We can conclude that Sue's expected benefits from attending the concert are at least

13)

______

A)

$200.

B)

$300.

C)

$130.

D)

$500.

E)

$170.

14)

What you can afford is limited by

14)

______

A)

externalities.

B)

demand.

C)

preferences.

D)

substitutes.

E)
money.

15)
What you can afford is limited by

15)

______

A)
externalities.
B)
preferences.
C)
time.
D)
demand.
E)
substitutes.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

16)
Marginal benefits change with circumstances.

16)

______

17)
Your marginal benefits from a choice do not reflect how intensely you want it.

17)

______

18)
Charging people more for a product that has high marginal benefits is a bad idea because the economics is flawed; people won't actually pay more.

18)

______

19)
Your marginal benefits from a choice reflect the fact that you have a limited amount of time.

19)

______

20)
A once-in-a-lifetime trip to Paris will give you marginal benefits that will be the same as total benefits.

20)

______

21)
Products/services that are unnecessary frills will always have high marginal benefits.

21)

______

22)
Products/services that are essential to survival will always have low marginal benefits.

22)

______

23)
The marginal benefit from a product/service typically gets smaller as you consume more of it.

23)

______

24)
Marginal benefits will always be larger than total benefits.

24)

______

25)
A second date is never as exciting as the first one because total benefits decline as you date more.

25)

______

26)
Tourists are typically willing to pay more for products/services than local consumers because tourists get larger total benefits from these items.

26)

______

27)
The additional benefit from your second hamburger is less than the additional benefit from your first hamburger because your total benefits are getting smaller.

27)

______

28)
The fact that dry cleaners often charge men a much lower price for their services than they charge to women reflects a belief that men get smaller total benefits from having a clean clothes.

28)

______

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

29)
People take their parents for granted because parents typically have ________ total benefits and ________ marginal benefits.

29)

______

A)
small; small.

B)
zero; infinite.

C)
small; large.

D)
large; small.

E)
large; small.

30)
People who have just landed from a frightening plane ride often drop to their knees and kiss the ground. This is because being back on the ground has ________ total benefits and ________ marginal benefits.

30)

______

A)
large; small.

B)
small; large.

C)
small; small.

D)
zero; infinite.

E)
large; small.

31)
Products/services that are rare and essential will typically

31)

______

A)
have a large total benefit.
B)
have many alternatives.
C)
have a low price.
D)
have a high marginal benefit.
E)
have a low marginal benefit.

32)
A person's marginal growth (in height) decreases as they age because

32)

______

A)
older people prefer Pepsi over Coke.
B)
our parents lose their ability to measure us as we get older.
C)
people grow more quickly when they are younger.
D)
circumstances change as we age.
E)
total growth is decreasing; we begin to get shorter once we get old enough.

33)
Cellular data plans typically charge a high amount for the first 10 megabytes, a lower price for the next 100 megabytes, and a very low price for the next 1000 megabytes. An economist would say this is because

33)

______

A)
total benefits decline as you use more megabytes.
B)
1000 megabytes can be transmitted more cheaply than 100 megabytes.
C)
marginal benefits decline as you use more megabytes.
D)
not many people have cell phones these days.
E)
marginal benefits get smaller as circumstances change.

34)
Cellular data plans typically charge a high amount for daytime use and a lower price on evenings and weekends. An economist would say this is because

34)

______

A)
marginal benefits increase as you talk longer.
B)
total benefits decline as you use more minutes.
C)
marginal benefits get smaller as circumstances change.
D)
it is less expensive to provide service when it is dark outside.
E)
not many people have cell phones these days.

35)
People pay more for diamonds than for water because

35)

______

A)
people don't make smart choices.
B)
the total benefits from diamonds are high and the total benefits from water are low.
C)
the marginal benefits from water are low and the marginal benefits from diamonds are high.
D)
there are no substitutes for water.
E)
water is scarce.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

36)
The law of demand says that when price goes up, quantity demanded goes down.

36)

______

37)
The law of demand states that when price goes up, quantity demanded goes up.

37)

______

38)
If the price of a movie ticket increases, the quantity demanded should also increase.

38)

______

39)
As the price of a product/service goes up, smart consumers will switch to cheaper substitutes and quantity demanded will decrease.

39)

______

40)
As the price of a product/service goes up, smart consumers will switch to cheaper substitutes and demand will decrease.

40)

______

41)
By increasing the price of water, the City of Toronto encouraged smart consumers to take their laundry to the dry cleaners.

41)

______

42)
A cellular provider who offers lower prices per minute to customers who use a lot of minutes is behaving in a way that is inconsistent with the law of demand.

42)

______

43)
Because we are all covered by provincial health insurance, the price of medical care is zero. With "free" medical care, and smart consumers, the marginal benefits of health care are zero.

43)

______

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

44)
An online music store charges $1.30 per song. Your VISA bill shows that you spent $390 last month. This means that

44)

______

A)
your quantity demanded was 300 songs.

B)
your marginal costs must be more than $1.30 per song.

C)
your marginal benefits must be less than $1.30 per song.

D)
your quantity demanded was 390 dollars.

E)
your quantity demanded was 1.30 dollars.

45)
At a price of $2.00, Michael wishes to buy 4 muffins and Matthew wishes to buy 6 muffins. Market demand for these two individuals is equal to

45)

______
A)
6 muffins.
B)
10 muffins.
C)
2 muffins.
D)
2 dollars.
E)
20 dollars.

46)
An economics professor offers to sell cookies to his class. At a price of 50 cents per cookie, each of the 100 students in the class spent $2.00 on cookies. Market demand in this class is equal to

46)

______
A)
400 cookies.
B)
200 dollars.
C)
50 cents.
D)
100 students.
E)
1 professor.

47)
Franco the barber charges $15 for a haircut. He has 200 customers; each of these customers pay Franco $30 a month. Market demand for Franco's haircuts is equal to

47)

______
A)
400 haircuts per month.
B)
6,000 dollars per month.
C)
200 haircuts per month.
D)
200 customers per month.
E)

15 dollars per haircut.

48)
Gina and George had a cash bar at their party last week. At $2.00 a ticket, the 50 people at their party bought 2000 tickets. Market demand at Gina and George's party is equal to

48)

______
A)
100 dollars.
B)
2,000 tickets.
C)
50 people.
D)
400 tickets.
E)
4,000 dollars.

49)
At the Cineplex they charge $8.00 for admission. The 200-seat theatre is full. Market demand is equal to

49)

______
A)
1,600 people.
B)
1,600 dollars.
C)
1,600 tickets.
D)
200 tickets.
E)
8 dollars.

50)
If the price of gasoline continues to increase

50)

______
A)
the demand for substitutes for gasoline will decrease.
B)
the quantity demanded of gasoline will decrease.
C)
the quantity demanded of gasoline will increase.
D)
the demand for gasoline will decrease.
E)
the quantity demanded for substitutes for gasoline will increase.

51)
At $1.20 a litre you spent $240 on gasoline last month. This means that

51)

______
A)
your quantity demanded is 1.20 dollars.
B)
your quantity demanded is 200 litres.
C)
your quantity demanded is 240 litres.
D)
your quantity demanded is 240 dollars.
E)
your marginal cost must be less than 1.20 per litre.

52)
Smart consumers who will not pay $150 for a designer t-shirt make this choice because

52)

______
A)
their quantity demanded is greater than 1 t-shirt.
B)
the marginal benefits they would get from this t-shirt are more than $150.
C)
the marginal cost they would get from this t-shirt is less than $150.
D)
the marginal benefits they would get from this t-shirt are less than $150.
E)
they are willing to pay more than $150.

53)
As the price of butter increases smart consumers will

53)

______
A)
buy more substitutes and quantity demanded of butter will decrease.
B)
buy more substitutes and demand for butter will decrease.
C)
buy fewer substitutes and demand for butter will increase.
D)
buy fewer substitutes and quantity demanded of butter will increase.
E)
buy fewer substitutes and quantity demanded of butter will decrease.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

54)
Economists use the term *quantity demanded* to summarize the influences of factors other than price on the number of units that consumers wish to purchase.

54)

______

55)
Demand is a much more limited term than *quantity demanded*.

55)

______

56)
A successful advertising campaign can affect your ability to pay for a product or service.

56)

______

57)
If the prices of hamburgers at McDonald's increases, it will make the demand for hamburgers at Wendy's increase because the goods are substitutes.

57)

______

58)
If the price of hamburgers at McDonald's increases, it will make the demand for french fries at McDonald's decrease because the goods are complements.

58)

______

59)
If the price of gasoline continues to increase, it should cause a decrease in the demand for automobiles because the goods are complements.

59)

______

60)
If the price of automobiles fell, it should cause a decrease in the demand for bicycles and an increase in the demand for gasoline.

60)

______

61)
Toronto gasoline retailers are notorious for increasing the price of gasoline on weekends. Because we all expect the price on Saturday will be higher, we increase our demand for gasoline on Friday.

61)

______

62)
If commodity traders expect the price of gold to rise tomorrow, they will increase their demand for gold today.

62)

______

63)
If the minimum age required to purchase and consume beer was decreased to 16, the increase in the number of buyers could result in an increase in the demand for beer.

63)

______

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

64)
Quantities demanded ________ if consumers' incomes ________ and this is a ________ product/service.

64)

______

A)
increase; increase; inferior.
B)
decrease; increase; normal.
C)
increase; decrease; normal.
D)
decrease; decrease; inferior.
E)
increase; decrease; inferior.

65)
Demand increases when there are

65)

______

A)
reductions in the price of complementary products/services.
B)
reductions in the price of substitute product/services.
C)

reductions in the number of consumers who are eligible to buy this product/service.

D)

expectations of lower prices tomorrow.

E)

reductions in your income, but this only works for normal products/services.

66)

Instead of running advertisements on television, the retailing strategists at Abercrombie and Fitch might try to increase your demand by

66)

______

A)

reducing your income, but this only works for normal product/services.

B)

making you think that the price of this product/service will be lower tomorrow.

C)

decreasing the price of substitute product/services.

D)

decreasing the price of complementary product/services.

E)

increasing the amount of time required to make a purchase.

67)

Quantities demanded ________ if the price of a ________ product/service ________.

67)

______

A)

decrease; substitute; increases.

B)

increase; substitute; increases.

C)

increase; substitute; decreases.

D)

increase; complement; increases.

E)

decrease; complement; decreases.

68)

Economists use the term *demand* to summarize

68)

______

A)

the behaviour of irrational consumers interacting with government in the marketplace.

B)

the concept of scarcity and how it applies to the world.

C)

the activities of profit-oriented businessmen.

D)
the influence of factors other than price on the number of units we want to purchase.
E)
how changes in price can affect the consumer's purchasing power.

69)
Economists use the term *quantities demanded* to summarize

69)

______
A)
the concept of scarcity and how it applies to the world.
B)
how changes in price will influence the number of units we want to purchase.
C)
the activities of profit-oriented businessmen.
D)
the behaviour of irrational consumers interacting with government in the marketplace.
E)
how changes in factors other than price can affect the number of units we wish to purchase.

70)
If Apple increases the price for a downloaded song at the iTunes store we would expect to see

70)

______
A)
an increase in demand for substitutes.
B)
an increase in demand for iPods.
C)
consumers' incomes to increase; downloaded songs are normal goods.
D)
consumers' incomes to decrease; downloaded songs are inferior goods.
E)
a decrease in quantities demanded.

71)
The number of movie goers has decreased. One explanation would be that

71)

______
A)
the prices of complementary goods have decreased.
B)
people have higher incomes; movies are a normal product/service.
C)
people have lower incomes; movies are an inferior product/service.
D)
the prices of substitute goods have decreased.

E)
people expect the price of movies will increase in the future.

72)
When Wendy's runs a successful television ad for their new Baconator Hamburger

72)

______
A)
demand for hamburgers at McDonald's increases.
B)
demand for french fries at Wendy's increases, because they are complementary products.
C)
demand for french fries at Wendy's decreases because these are complementary products.
D)
consumer incomes increase.
E)
consumer incomes decrease.

73)
The demand for gasoline has increased. One explanation would be that

73)

______
A)
everyone expects tomorrow's price will be lower.
B)
consumers' incomes are lower and gasoline is a normal product.
C)
the number of consumers has decreased.
D)
the price of automobiles is higher and gasoline and automobiles are complements.
E)
consumers' incomes are higher and gasoline is a normal product.

74)
Demand for gasoline increases on Fridays because

74)

______
A)
the prices of substitute products decrease on Fridays.
B)
everyone expects the price will be lower on Saturday.
C)
the prices of complementary products increase on Fridays.
D)
everyone expects the price will increase on Saturday.
E)
our incomes are lower on Fridays and gasoline is a normal product.

75)
Demand for airline travel typically increases during the summer. One explanation would be that

75)

______

A)
consumers' incomes are higher in the summer; airline travel is an inferior service.
B)
VIA Rail offers a lot of price discounts during the summer.
C)
there are more customers during the summer.
D)
hotels offer a lot of price discounts during the summer.
E)
consumers' incomes are lower in the summer; airline travel is a normal service.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

76)
The price elasticity of demand measures how much quantity demanded responds to a change in price.

76)

______

77)
Demand is inelastic when the percentage change in quantity per percentage change in price is less than one.

77)

______

78)
Your price elasticity of demand for some products is likely to get bigger when you are on vacation.

78)

______

79)
Luxury goods, like diamonds or yachts, tend to have big price elasticities.

79)

______

80)
Joanna has a price elasticity of demand for hamburgers that is equal to 12. Her good friend Eric rarely eats meat. This means that Eric's price elasticity of demand must be smaller than 12 a number like 1 or 2.

80)

______

81)
Hannah has a price elasticity of demand for yellow tennis balls equal to 5. She doesn't care what colour ball she uses. Karen is more particular. She strongly prefers yellow tennis balls rather than the white ones. This means that Karen's price elasticity of demand will be smaller than Hannah's maybe a number like 2.

81)

______

82)
A smoker has a price elasticity of demand for cigarettes that is very small, perhaps even zero.

82)

______

83)
Joon is heavily addicted to Starbuck's espresso. He'll pay almost any price to get one. This means that his price elasticity of demand is a very big number, maybe something like 25.

83)

______

84)
The price elasticity of demand for bus tickets is typically smaller for senior citizens.

84)

______

85)
Part-time students are typically more elastic than are full-time students.

85)

______

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

86)
A dry cleaner can increase revenues by charging higher prices to women because the price elasticity of demand for these services by women customers tends to be ________ and by men customers tends to be ________.

86)

______

A)
inelastic; elastic.

B)
elastic; elastic.

C)

inelastic; inelastic.
D)
elastic; non-existent.
E)
elastic; inelastic.

87)
A gas station can increase revenues by charging a lower price on Monday and a higher price on Saturday if demand for gasoline on Monday is ________ and demand for gasoline on Saturday is ________.

87)

______
A)
elastic; non-existent.
B)
elastic; inelastic.
C)
inelastic; inelastic.
D)
elastic; elastic.
E)
inelastic; elastic.

88)
Your demand will be highly inelastic when

88)

______
A)
buying this good is not necessary to your survival.
B)
you spend a large fraction of your income on the good.
C)
close substitutes are easily found.
D)
the good isn't very expensive.
E)
there isn't very much time to alter your spending patterns.

89)
Your demand will be highly elastic when

89)

______
A)
you are addicted to the good.
B)
you spend a large fraction of your income on this good.
C)
there isn't much time to alter your spending patterns.

D)
the good is absolutely essential to your survival.
E)
close substitutes not are easily found.

90)
Laryssa buys 40 litres of gasoline a week; the price is $1.00 a litre. When the price was up at $1.50 last summer she found ways to cut back; she bought 30 litres a week. Because this 50% increase in price caused a 25% reduction in quantity demand, we know that Laryssa's price elasticity of demand is equal to

90)

______
A)
2.0

B)

0.2

C)

0.5

D)

0.0

E)

5.0

91)
Laryssa buys 40 litres of gasoline a week; the price is $1.00 a litre. When the price was up at $1.50 last summer she found ways to cut back; she bought 30 litres a week. Because this 50% increase in price caused a 25% reduction in quantity demand we know that Laryssa's demand is ________ and that her total expenditure (P × Q) would have ________ last summer.

91)

______
A)
elastic; stayed exactly the same.
B)
elastic; been lower.
C)
elastic; been higher.
D)
inelastic; been lower.
E)
inelastic; been higher.

92)

When the Toronto Star reduced their weekly subscription price $5.70 to $2.85; a savings of 50%, they found that the number of subscriptions sold tripled. This suggests that the price elasticity of demand is equal to

92)

______

A)

4.0

B)

0.5

C)

2.0

D)

3.0

E)

6.0

93)

When the Toronto Star reduced their weekly subscription price $5.70 to $2.85; a savings of 50%, they found that the number of subscriptions sold tripled. This suggests that their customers have a ________ demand and that dropping price would have ________ revenues.

93)

______

A)

elastic; decreased.

B)

elastic; increased.

C)

inelastic; not changed.

D)

inelastic; decreased.

E)

inelastic; increased.

94)

The Winnipeg Transit Commission needs to adjust bus fares. Based on the relationship between total revenue and elasticity they know that total revenues will ________ if they ________ bus fares because consumer demand is ________.

94)

______

A)

fall; increase; elastic.

B)
rise; decrease; inelastic.
C)
stay the same; increase; elastic.
D)
fall; decrease; elastic.
E)
rise; increase; elastic.

95)
Joon buys 20 Starbuck's espressos a day; he pays $2.00 per cup. He has heard that Starbuck's will be increasing prices to $2.20; a ten percent increase. Joon says he's cutting back. He'll only drink 16 cups of espresso a day. This is a twenty percent decrease. We know that Joon has a price elasticity of demand that is equal to

95)

______
A)
200.

B)

10.

C)

1/2.

D)

2.

E)

1/4.

96)
Ian drives to school 5 days a week. Last year he paid $5 a day for parking. This year, the price was increased by 20 percent. Ian still parks 5 days a week. This means that Ian's price elasticity of demand is

96)

______
A)
six.

B)

infinity.

C)

zero.

D)

one.

E)

twenty.

97)
Gina used to spend $120 a month at the movies. After the most recent price increase, Gina says that she is now spending $150 a month at the movies. This tells us that Gina's demand is ________ because her total spending ________.

97)

______
A)
elastic; decreased.
B)
zero; remained unchanged.
C)
inelastic; increased.
D)
elastic; decreased.
E)
inelastic; increased.

98)
At $1.00 a litre, Joanna used to spend $200 a month on gasoline. Now that prices are at $1.25 a litre Joanna is still spending $200 a month on gasoline. This means that Joanna's price elasticity of demand is equal to

98)

______
A)
0.25

B)

200

C)

infinity

D)

zero

E)

one

99)
Santiago used to pay \$3.50 for a slice of pizza. He bought 4 slices a week. When the price was increased to \$4.50 Santiago stopped buying pizza altogether. This means that his price elasticity of demand is

99)

______
A)
one.
B)
four.
C)
zero.
D)
infinite.
E)
four and one-half.

100)
Kiran rides the bus to school. This is 10 trips a week. She used to pay \$2.50 for a ticket. Recently the university has introduced a free bus pass for students. Even though bus rides are now free, Kiran still takes 10 trips a week. This means that her price elasticity of demand is

100)

_____
A)
zero.
B)
infinity.
C)
ten.
D)
two and one-half.
E)
one.

1)

TRUE
2)
TRUE
3)
TRUE
4)
FALSE
5)
TRUE
6)
FALSE
7)
TRUE
8)

TRUE
9)
FALSE
10)
C
11)
E
12)
E
13)
D
14)
E
15)
C
16)
TRUE
17)
FALSE
18)
FALSE
19)
FALSE
20)
TRUE
21)
TRUE
22)
FALSE
23)
TRUE
24)
FALSE
25)
TRUE
26)
TRUE
27)
TRUE
28)
FALSE
29)
E
30)
A
31)
D
32)
C
33)
C
34)

C

35)

C

36)

TRUE

37)

FALSE

38)

FALSE

39)

TRUE

40)

FALSE

41)

TRUE

42)

FALSE

43)

TRUE

44)

A

45)

B

46)

A

47)

A

48)

B

49)

D

50)

B

51)

B

52)

D

53)

A

54)

FALSE

55)

FALSE

56)

FALSE

57)

TRUE

58)

TRUE

59)

TRUE

60)

TRUE
61)
TRUE
62)
TRUE
63)
TRUE
64)
E
65)
A
66)
D
67)
B
68)
D
69)
B
70)
E
71)
D
72)
B
73)
E
74)
D
75)
C
76)
TRUE
77)
TRUE
78)
TRUE
79)
FALSE
80)
TRUE
81)
TRUE
82)
TRUE
83)
FALSE
84)
TRUE
85)
TRUE
86)

A

87)

B

88)

E

89)

B

90)

C

91)

E

92)

A

93)

B

94)

A

95)

D

96)

C

97)

E

98)

E

99)

D

100)

A