

Chapter 01 Limits, Alternatives, and Choices

1. The economic concept that serves as the basis for the study of economics is:
 - A.
 - B.
 - C.
 - D.
2. As a consequence of the condition of scarcity:
 - A.
 - B.
 - C.
 - D.
3. In every economic system, choices must be made because resources are:
 - A.
 - B.
 - C.
 - D.
4. Opportunity cost is best defined as:
 - A.
 - B.
 - C.
 - D.
5. Tammie makes \$150 a day as a bank clerk. She takes off two days of work without pay to fly to another city to attend the concert of her favourite music group. The cost of transportation for the trip is \$250. The cost of the concert ticket is \$50. The opportunity cost of Tammie's trip to the concert is:
 - A.
 - B.
 - C.
 - D.

6. When a provincial government chooses to build more roads, the required resources are no longer available for spending on public education. This dilemma illustrates the concept of:
- A.
 - B.
 - C.
 - D.
7. Specialization and trade are beneficial to society because:
- A.
 - B.
 - C.
 - D.
8. When economists describe "a market," they mean:
- A.
 - B.
 - C.
 - D.
9. The institution that coordinates actions of consumers and producers to establish prices for goods and services is known as:
- A.
 - B.
 - C.
 - D.
10. A major argument for economic growth is that it:
- A.
 - B.
 - C.
 - D.

11. One of the basic economic defences of economic growth rests on the conclusion that:
- A.
 - B.
 - C.
 - D.
12. Concern about the general level of prices in an economy is primarily a concern about the economic goal of:
- A.
 - B.
 - C.
 - D.
13. Assume that a tradeoff exists in the short run between inflation and unemployment. This relationship means that:
- A.
 - B.
 - C.
 - D.
14. The study of economics is primarily concerned with:
- A.
 - B.
 - C.
 - D.
15. The assertion that "There is no free lunch" means:
- A.
 - B.
 - C.
 - D.

16. The study of economics exists because:
- A.
 - B.
 - C.
 - D.
17. Economics may best be defined as:
- A.
 - B.
 - C.
 - D.
18. Purposeful behaviour suggests that:
- A.
 - B.
 - C.
 - D.
19. "Consumers spend their incomes to get the maximum benefit or satisfaction from the goods and services they purchase." This is a reflection of:
- A.
 - B.
 - C.
 - D.
20. The "economic perspective" refers to:
- A.
 - B.
 - C.
 - D.
21. The "economic perspective" entails:
- A.
 - B.
 - C.
 - D.

22. The economic perspective used in customer decision making at fast-food restaurants is reflected in:
- A.
 - B.
 - C.
 - D.
23. How is the economic perspective reflected in lines for fast food?
- A.
 - B.
 - C.
 - D.
24. From an economic perspective, when consumers leave a fast-food restaurant because the lines to be served are too long, they have concluded that the:
- A.
 - B.
 - C.
 - D.
25. Consumers might leave a fast-food restaurant without being served because:
- A.
 - B.
 - C.
 - D.
26. At fast-food restaurants:
- A.
 - B.
 - C.
 - D.

27. Economics involves "marginal analysis" because:
- A.
 - B.
 - C.
 - D.
28. You should decide to go to a movie:
- A.
 - B.
 - C.
 - D.
29. Marginal costs exist because:
- A.
 - B.
 - C.
 - D.
30. Even though local newspapers are very inexpensive, people rarely buy more than one of them each day. This fact:
- A.
 - B.
 - C.
 - D.
31. The process of developing hypotheses, testing them against facts, and using the results to construct theories is called:
- A.
 - B.
 - C.
 - D.
32. A "hypothesis" is:
- A.
 - B.
 - C.
 - D.

33. From the perspective of economists, which term provides the highest degree of confidence for explaining economic behaviour?
- A.
 - B.
 - C.
 - D.
34. In constructing models, economists:
- A.
 - B.
 - C.
 - D.
35. Economic models:
- A.
 - B.
 - C.
 - D.
36. An economic model is:
- A.
 - B.
 - C.
 - D.
37. The term "ceteris paribus" means:
- A.
 - B.
 - C.
 - D.

38. Suppose an economist says that "Other things equal, the lower the price of bananas, the greater the amount of bananas purchased." This statement indicates that:
- A.
 - B.
 - C.
 - D.
39. The term "other things equal" means that:
- A.
 - B.
 - C.
 - D.
40. The basic purpose of the "other things equal" assumption is to:
- A.
 - B.
 - C.
 - D.
41. Microeconomics is concerned with:
- A.
 - B.
 - C.
 - D.
42. Microeconomics:
- A.
 - B.
 - C.
 - D.

43. Which of the following is a microeconomic statement?
- A.
 - B.
 - C.
 - D.
44. Macroeconomics approaches the study of economics from the viewpoint of:
- A.
 - B.
 - C.
 - D.
45. Which of the following is associated with macroeconomics?
- A.
 - B.
 - C.
 - D.
46. The problems of aggregate inflation and unemployment are:
- A.
 - B.
 - C.
 - D.
47. Which of the following statements pertains to macroeconomics?
- A.
 - B.
 - C.
 - D.

48. Macroeconomics can best be described as the:
- A.
 - B.
 - C.
 - D.
49. Which of the following is a macroeconomic statement?
- A.
 - B.
 - C.
 - D.
50. A positive statement is one which is:
- A.
 - B.
 - C.
 - D.
51. Which of the following is a positive statement?
- A.
 - B.
 - C.
 - D.
52. A positive statement is concerned with:
- A.
 - B.
 - C.
 - D.
53. A normative statement is one which:
- A.
 - B.
 - C.
 - D.

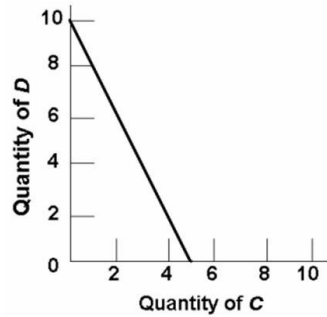
54. Which of the following is a normative statement?
- A.
 - B.
 - C.
 - D.
55. Normative statements are concerned with:
- A.
 - B.
 - C.
 - D.
56. Most of the disagreement among economists involves:
- A.
 - B.
 - C.
 - D.
57. "Economics is concerned with using scarce productive resources efficiently in attempting to satisfy society's material wants." This statement is:
- A.
 - B.
 - C.
 - D.
58. Ben says that "An increase in the tax on beer will raise its price." Holly argues that "Taxes should be increased on beer because college students drink too much." We can conclude that:
- A.
 - B.
 - C.
 - D.

59. The global financial crisis that spread to Canada in late 2008 has been dubbed:
- A.
 - B.
 - C.
 - D.
60. The individuals and society both face an economic problem. This problem arises from the fact that:
- A.
 - B.
 - C.
 - D.
61. The individual's limited income problem:
- A.
 - B.
 - C.
 - D.
62. When an economist says that material wants are insatiable, this means that:
- A.
 - B.
 - C.
 - D.
63. As used in economics, the notion of scarce resources means that:
- A.
 - B.
 - C.
 - D.
64. The budget line shows:
- A.
 - B.
 - C.
 - D.

65. The price ratio of the two products is the:

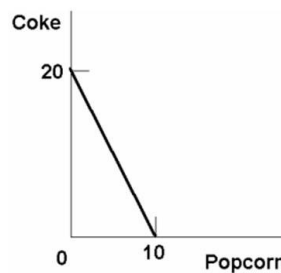
- A.
- B.
- C.
- D.

66. Refer to the budget line shown in the diagram below. If the consumer's money income is \$20, the:



- A.
- B.
- C.
- D.

67. Refer to the diagram below, suppose you have a money income of \$10 all of which you spend on Coke and boxes of popcorn. The prices of Coke and popcorn respectively are:



- A.
- B.
- C.
- D.

68. In moving along a given budget line:

- A.
- B.
- C.
- D.

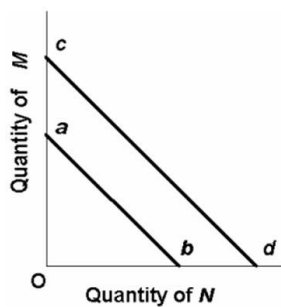
69. In drawing a budget line it is assumed that:

- A.
- B.
- C.
- D.

70. Any combination of goods lying outside of the budget line:

- A.
- B.
- C.
- D.

71. The budget line shift from cd to ab in the below figure is consistent with:



- A.
- B.
- C.
- D.

72. A leftward shift of a consumer's budget line to a position parallel with the original one could indicate that the:
- A.
 - B.
 - C.
 - D.
73. Which of the following statements is not correct?
- A.
 - B.
 - C.
 - D.
74. The society must also make choices under conditions of scarcity. This problem arises from the fact that:
- A.
 - B.
 - C.
 - D.
75. The fundamental problem of economics is:
- A.
 - B.
 - C.
 - D.
76. Economic resources are also called:
- A.
 - B.
 - C.
 - D.

77. Money is not considered to be an economic resource because:
- A.
 - B.
 - C.
 - D.
78. Which of the following is real capital?
- A.
 - B.
 - C.
 - D.
79. The main function of the entrepreneur is to:
- A.
 - B.
 - C.
 - D.
80. The following production possibilities table represents an economy which is producing two products, tanks and autos. Refer to the table, in moving from possibility C to D, the cost of a tank in terms of autos is:

Product	A	B	C	D
Tanks	0	1	2	3
Autos	1000	950	850	650

- A.
- B.
- C.
- D.

(The following economy produces two products.)

Production Possibilities Table

Product	A	B	C	D
Steel	0	1	2	3
Wheat	100	90	75	55

81. Refer to the above table. A change from possibility C to B means that:
- A.
 - B.
 - C.
 - D.
82. Refer to the above table. In moving from possibility C to D, the cost of a unit of steel in terms of a unit of wheat is:
- A.
 - B.
 - C.
 - D.
83. Refer to the above table. A change from possibility B to C means that:
- A.
 - B.
 - C.
 - D.
84. The production possibilities curve represents which of the following?
- A.
 - B.
 - C.
 - D.

85. The production possibilities curve represents:
- A.
 - B.
 - C.
 - D.
86. The construction of a production possibilities curve assumes:
- A.
 - B.
 - C.
 - D.
87. Assume an economy is operating at some point on its production possibilities curve which shows civilian and military goods. If the output of military goods is increased, the output of civilian goods:
- A.
 - B.
 - C.
 - D.
88. The production possibilities curve shows:
- A.
 - B.
 - C.
 - D.
89. The negative slope of the production possibilities curve is a graphical way of indicating that:
- A.
 - B.
 - C.
 - D.

90. If an economy is operating on its production possibilities curve for consumer goods and capital goods, this means that:
- A.
 - B.
 - C.
 - D.
91. In drawing a production possibilities curve we hold constant:
- A.
 - B.
 - C.
 - D.
92. The production possibilities curve tells us:
- A.
 - B.
 - C.
 - D.
93. When an economy is operating with maximum efficiency, the production of more of commodity A will mean the production of less of commodity B because:
- A.
 - B.
 - C.
 - D.
94. The production possibilities curve:
- A.
 - B.
 - C.
 - D.

95. The production possibilities curve illustrates the basic principle that:
- A.
 - B.
 - C.
 - D.
96. A production possibilities curve illustrates:
- A.
 - B.
 - C.
 - D.
97. A production possibilities curve shows:
- A.
 - B.
 - C.
 - D.
98. In drawing the production possibilities curve we assume that:
- A.
 - B.
 - C.
 - D.
99. Which of the following is assumed in constructing a typical production possibilities curve?
- A.
 - B.
 - C.
 - D.
100. Which of the following is not correct? A typical production possibilities curve:
- A.
 - B.
 - C.
 - D.

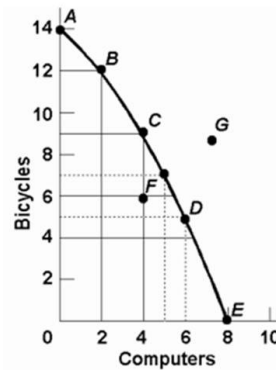
101. Which one of the following statements is correct?

- A.
- B.
- C.
- D.

102. The typical production possibilities curve is:

- A.
- B.
- C.
- D.

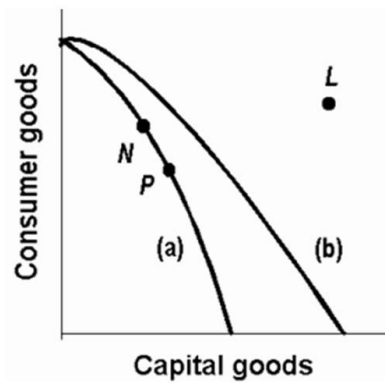
103. Refer to the diagram below. Points A, B, C, D, and E show:



- A.
- B.
- C.
- D.

104.

Refer to the following production possibilities curves. Curve (a) is the current curve for the economy. Given production possibilities curve (a), the combination of capital and consumer goods indicated by point L:



- A.
- B.
- C.
- D.

105.

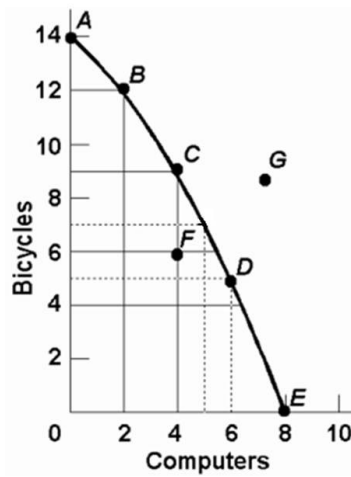
A point on the frontier of the production possibilities curve is:

- A.
- B.
- C.
- D.

106.

A point inside the production possibilities curve is:

- A.
- B.
- C.
- D.



107. Refer to the above diagram. The combination of computers and bicycles shown by point G is:

- A.
- B.
- C.
- D.

108. Refer to the above diagram. The combination of computers and bicycles shown by point F:

- A.
- B.
- C.
- D.

109. Refer to the above diagram. If society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more units of bicycles:

- A.
- B.
- C.
- D.

110. Refer to the above diagram. The movement down the production possibilities curve from point A to point E suggests that the production of:

- A.
- B.
- C.
- D.

111. The slope of the typical production possibilities curve:

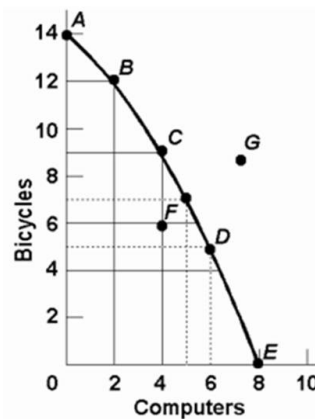
- A.
- B.
- C.
- D.

112. The production possibilities curve has:

- A.
- B.
- C.
- D.

113. The law of increasing opportunity costs states that:

- A.
- B.
- C.
- D.



114. Refer to the above diagram. This production possibilities curve is:
- A.
 - B.
 - C.
 - D.
115. Refer to the above diagram. If society is currently producing 9 units of bicycles and 4 units of computers and it now decides to increase computer output to 6, the cost:
- A.
 - B.
 - C.
 - D.
116. The concept of opportunity cost:
- A.
 - B.
 - C.
 - D.
117. Which of the following is not an illustration of the idea of opportunity cost?
- A.
 - B.
 - C.
 - D.
118. Opportunity cost is best defined as:
- A.
 - B.
 - C.
 - D.

Production possibilities tables for two countries,
North Cantina and South Cantina:

North Cantina

Production possibilities (alternatives)

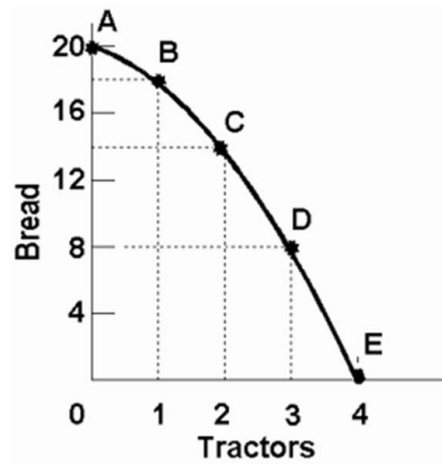
	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	10	18	24

South Cantina

Production possibilities (alternatives)

	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	8	15	21

119. Refer to the above tables. If South Cantina is producing at production alternative D, the opportunity cost of the third unit of capital goods is:
- A.
 - B.
 - C.
 - D.
120. Refer to the above tables. If North Cantina is producing at production alternative B, the opportunity cost of the eleventh unit of consumer goods will be:
- A.
 - B.
 - C.
 - D.
121. Refer to the above tables. The opportunity cost of the fifth unit of capital goods:
- A.
 - B.
 - C.
 - D.



122. Refer to the above diagram. Starting at point A, the opportunity cost of producing each successive unit of tractors is:

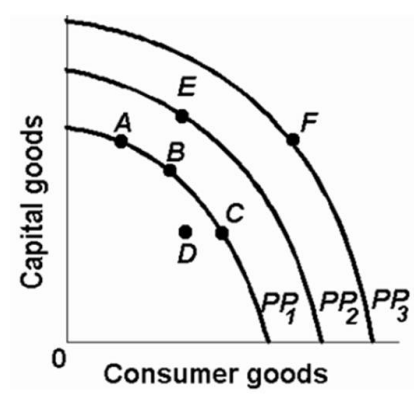
- A.
- B.
- C.
- D.

123. Refer to the above diagram. Starting at point E, the production of successive units of bread will cost:

- A.
- B.
- C.
- D.

124.

Refer to the diagram below. The concept of opportunity cost is best represented by the:



- A.
- B.
- C.
- D.

125.

The fact that the slope of the production possibilities curve becomes steeper as we move down along the curve indicates that:

- A.
- B.
- C.
- D.

Production possibilities (alternatives)				
	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	5	9	12

126.

Refer to the above table. If the economy is producing at production alternative C, the opportunity cost of the tenth unit of consumer goods will be:

- A.
- B.
- C.
- D.

127. Refer to the above table. For these data the law of increasing opportunity costs is reflected in the fact that:

- A.
- B.
- C.
- D.

128. Refer to the table below. In moving from possibility A to F, the cost of a unit of steel in terms of a unit of wheat:

(The following economy produces two products.)
Production Possibilities

Product	A	B	C	D
Steel	0	1	2	3
Wheat	100	90	75	55

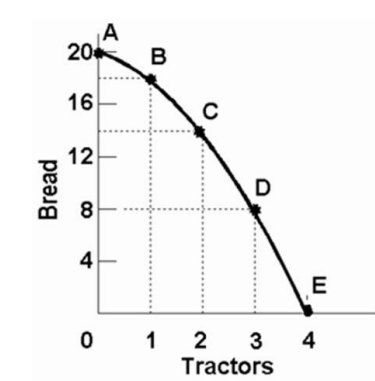
- A.
- B.
- C.
- D.

129. A typical concave production possibilities curve implies:

- A.
- B.
- C.
- D.

130.

Refer to the diagram below. This production possibilities curve is constructed such that:



- A.
- B.
- C.
- D.

131.

The law of increasing opportunity costs exists because:

- A.
- B.
- C.
- D.

132.

The law of increasing opportunity costs is reflected in a production possibilities curve which is:

- A.
- B.
- C.
- D.

The production possibilities curve below shows the hypothetical relationship between the production of capital goods and consumer goods in an economy.

Products	Production Alternatives				
	A	B	C	D	E
Capital goods	0	1	2	3	4
Consumer goods	22	18	13	7	0

133.

Refer to the above table. What is the opportunity cost of producing the third unit of capital goods?

A.

B.

C.

D.
134.

Refer to the above table. What is the total opportunity cost of producing two units of capital goods?

A.

B.

C.

D.
135.

Refer to the above table. What is the opportunity cost of producing the fourth unit of capital goods?

A.

B.

C.

D.
136.

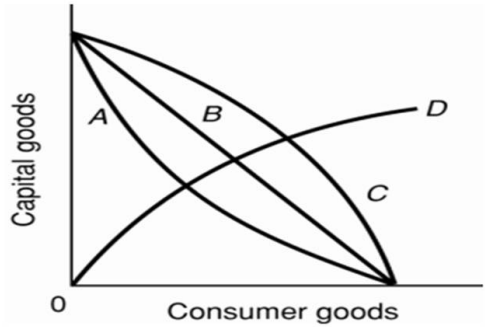
Refer to the above table. What is the total opportunity cost of producing three units of capital goods?

A.

B.

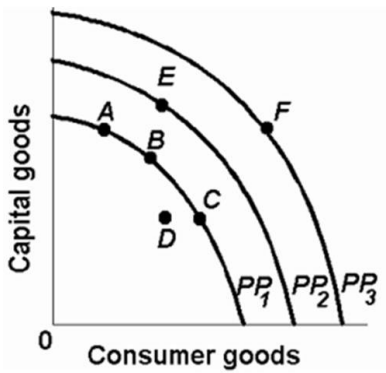
C.

D.



137. Refer to the above diagram. As it relates to production possibilities analysis, the law of increasing opportunity cost is reflected in curve:
- A.
 - B.
 - C.
 - D.
138. Refer to the above diagram. Curve B is a:
- A.
 - B.
 - C.
 - D.
139. If the production possibilities curve is a straight line:
- A.
 - B.
 - C.
 - D.
140. A nation's production possibilities curve is "bowed out" from the origin because:
- A.
 - B.
 - C.
 - D.
141. If the production possibilities curve were a straight downsloping line, this would suggest that:
- A.
 - B.
 - C.
 - D.

142. Refer to the diagram below. The concave shape of each production possibilities curve indicates that:



- A.
- B.
- C.
- D.

143. The marginal benefit curve is:

- A.
- B.
- C.
- D.

144. The marginal cost curve is:

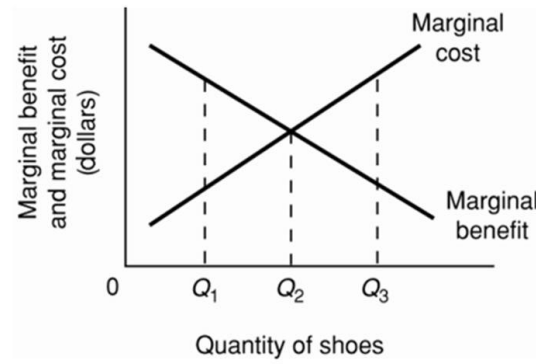
- A.
- B.
- C.
- D.

145. The output of blu ray players should be:

- A.
- B.
- C.
- D.

146. If the output of product X is such that marginal benefit equals marginal cost:

- A.
- B.
- C.
- D.



147. Refer to the above diagram for athletic shoes. The optimal output of shoes:

- A.
- B.
- C.
- D.

148. Refer to the above diagram for athletic shoes. If the current output of shoes is Q_1 , then:

- A.
- B.
- C.
- D.

149. Refer to the above diagram for athletic shoes. If the current output of shoes is Q_3 , then:

- A.
- B.
- C.
- D.

150. Recessions are typically characterised by points:

- A.
- B.
- C.
- D.

Production possibilities (alternatives)

	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	5	9	1

151. Refer to the above table. As compared to production alternative D, the choice of alternative C would:

- A.
- B.
- C.
- D.

152. Refer to the above table. A total output of 3 units of capital goods and 4 units of consumer goods:

- A.
- B.
- C.
- D.

153. Refer to the above table. For this economy to produce a total output of 3 units of capital goods and 13 units of consumer goods it must:

- A.
- B.
- C.
- D.

Production possibilities tables for two countries,
North Cantina and South Cantina:

North Cantina Production possibilities
(alternatives)

	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	10	18	24

South Cantina Production possibilities
(alternatives)

	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	8	15	21

154. Refer to the above tables. Suppose that North Cantina is producing 2 units of capital goods and 17 units of consumer goods while South Cantina is producing 2 units of capital goods and 21 units of consumer goods. We can conclude that:

A.
B.
C.
D.

155. Refer to the above tables. Suppose that resources in North Cantina and South Cantina are identical in quantity and quality. We can conclude that:

A.
B.
C.
D.

156. Refer to the table below. According to the production possibilities schedule for the economy which produces two products, a combination of four tanks and 650 autos is:

Production Possibilities

Product	A	B	C	E
Tanks	0	1	2	3
Autos	1000	950	850	6

A.
B.
C.
D.

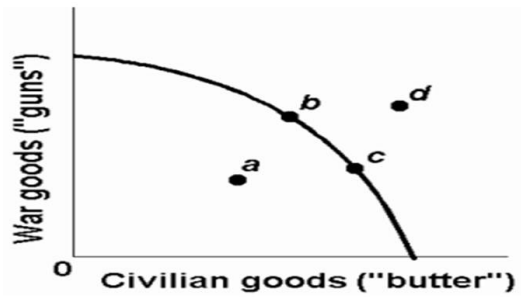
157. Assume that a change in government policy results in the increased production of both consumer goods and investment goods. It can be concluded that:

A.
B.
C.
D.

158. Refer to the diagram. This economy will experience unemployment if it produces at point:

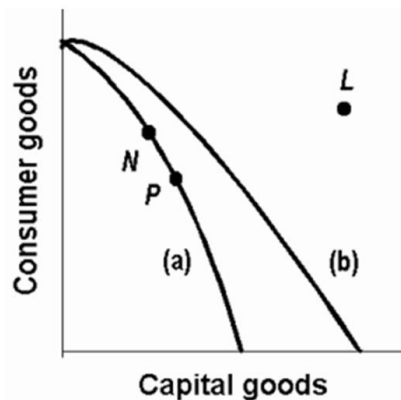


A.
B.
C.
D.



159. Refer to the above production possibilities curve. At the onset of World War II Canada had large amounts of idle human and property resources. Its economic adjustment from peacetime to wartime can best be described by the movement from point:
- A.
 - B.
 - C.
 - D.
160. Refer to the above production possibilities curve. At the onset of World War II the Soviet Union's economy was already at full employment. Its economic adjustment from peacetime to wartime can best be described by the movement from point:
- A.
 - B.
 - C.
 - D.
161. Any point inside the production possibilities curve indicates:
- A.
 - B.
 - C.
 - D.
162. Unemployment and/or productive inefficiencies:
- A.
 - B.
 - C.
 - D.

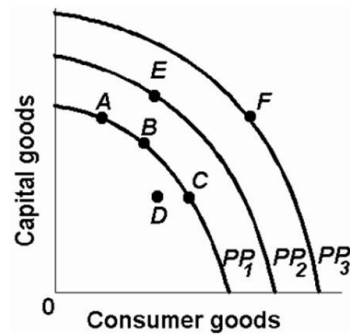
163. A point inside a production possibilities curve may indicate:
- A.
 - B.
 - C.
 - D.
164. Assume an economy is incurring unemployment and failing to realize least-cost production. The immediate effect of resolving these problems will be to:
- A.
 - B.
 - C.
 - D.
165. If an economy is operating inside its production possibilities curve for consumer goods and capital goods, this means that it:
- A.
 - B.
 - C.
 - D.
166. Which of the following will not require an outward shift of the production possibilities curve?
- A.
 - B.
 - C.
 - D.



167. Refer to the above production possibilities curves. Curve (a) is the current curve for the economy. The movement from curve (a) to curve (b) suggests:
- A.
 - B.
 - C.
 - D.
168. Refer to the above production possibilities curves. Curve (a) is the current curve for the economy. Other things being equal, society's current choice of point P on curve (a) will:
- A.
 - B.
 - C.
 - D.
169. The basic difference between consumer goods and capital goods is that:
- A.
 - B.
 - C.
 - D.
170. Which of the following would be most likely to shift the production possibilities curve to the right?
- A.
 - B.
 - C.
 - D.
171. Which of the following will not shift a nation's production possibilities curve?
- A.
 - B.
 - C.
 - D.

172. Which of the following will shift the production possibilities curve to the right?
- A.
B.
C.
D.
173. Other things equal, which of the following would shift an economy's production possibilities curve to the left?

- A.
B.
C.
D.



174. Refer to the above diagram. An improvement in technology will:
- A.
B.
C.
D.
175. Refer to the above diagram. Which one of the following would shift the production possibilities curve from PP_1 to PP_2 ?

- A.
B.
C.
D.

176. Which situation would most likely shift the production possibilities curve for a nation in an outward direction?
- A.
 - B.
 - C.
 - D.
177. Which situation would most likely cause a nation's production possibilities curve to shift inward?
- A.
 - B.
 - C.
 - D.
178. All of the following could immediately or eventually lead to an inward shift of a nation's production possibilities curve, except:
- A.
 - B.
 - C.
 - D.
179. Some agricultural sub-Saharan nations of Africa have over-farmed and overgrazed their land to the extent that significant portions of it have turned into desert. This suggests that:
- A.
 - B.
 - C.
 - D.
180. Which of the following statements, if any, is correct for a nation which is producing only consumption and capital goods?
- A.
 - B.
 - C.
 - D.

181. If country A has been investing a larger proportion of its domestic output than Canada has, then, we would expect:

- A.
- B.
- C.
- D.

182. Deltonia produces both consumer and capital goods. If it reduces the percentage of its output devoted to capital goods, then:

- A.
- B.
- C.
- D.

183. Refer to the diagram below. Other things equal, this economy will achieve the most rapid rate of growth if:

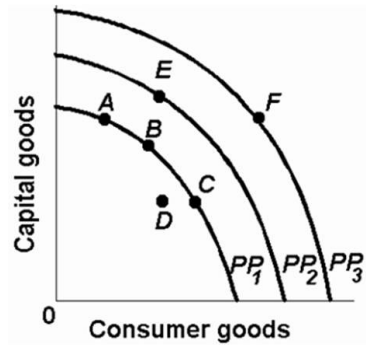


- A.
- B.
- C.
- D.

184. The future location of the economy's production possibilities curve will be affected by:

- A.
- B.
- C.
- D.

185. Refer to the diagram below. Which of the following positions relative to PP_1 would be the most likely to result in a future production possibilities curve of PP_3 , rather than PP_2 ?



- A.
B.
C.
D.
186. Through specialization and international trade a nation:
- A.
B.
C.
D.
187. A country can achieve some combination of goods outside its production possibilities curve by:
- A.
B.
C.
D.
188. International specialization and trade:
- A.
B.
C.
D.

189.

Economists:

- A.
- B.
- C.
- D.

190.

If we say that two variables are directly related, this means that:

- A.
- B.
- C.
- D.

191.

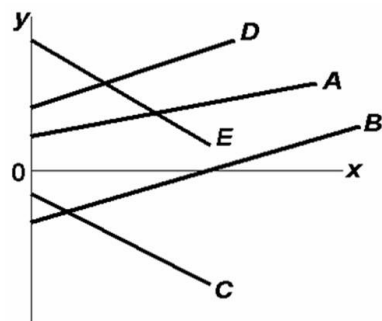
If we say that two variables are inversely related, this means that:

- A.
- B.
- C.
- D.

192.

Which of the following statements is correct?

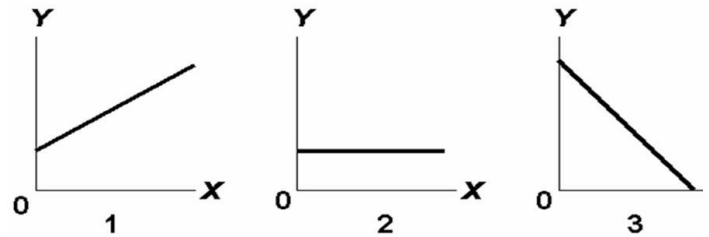
- A.
- B.
- C.
- D.



193. Refer to the above diagram. Which line(s) show(s) a positive relationship between x and y ?
- A.
B.
C.
D.
194. Refer to the above diagram. Which line(s) show(s) a negative relationship between x and y ?
- A.
B.
C.
D.
195. Refer to the above diagram. Which line(s) show(s) a positive vertical intercept?
- A.
B.
C.
D.
196. Refer to the above diagram. Which line(s) show(s) a negative vertical intercept?
- A.
B.
C.
D.
197. If two variables are inversely related, then as the value of one variable:
- A.
B.
C.
D.

198. If a positive relationship exists between x and y :

- A.
- B.
- C.
- D.



199. Answer on the basis of the relationships shown in the above four figures. The amount of Y is directly related to the amount of X in:

- A.
- B.
- C.
- D.

200. Answer on the basis of the relationships shown in the above four figures. The amount of Y is inversely related to the amount of X in:

- A.
- B.
- C.
- D.

201. Answer on the basis of the relationships shown in the above four figures. The amount of Y is unrelated to the amount of X in:

- A.
- B.
- C.
- D.

202.

If price (P) and quantity (Q) are directly related, this means that:

- A.
- B.
- C.
- D.

Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment so that investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest \$10 billion. If the interest rate were 12 percent, \$20 billion would be invested. Assume that total investment continues to increase by \$10 billion for each successive 4 percentage point decline in the interest rate.

203.

Refer to the above information. Which of the following is an accurate verbal statement of the described relationship?

- A.
- B.
- C.
- D.

204.

Refer to the above information. Using i and I to indicate the interest rate and investment (in billions of dollars) respectively, which of the following is the correct tabular presentation of the described relationship?

<u>(A)</u>		<u>(B)</u>		<u>(C)</u>	
i	I	i	I	i	I
20	\$50	24	\$10	20	\$0
16	40	20	20	16	10
12	30	16	30	12	20
8	20	12	40	8	30
4	10	8	50	4	40
0	0	4	60	0	50

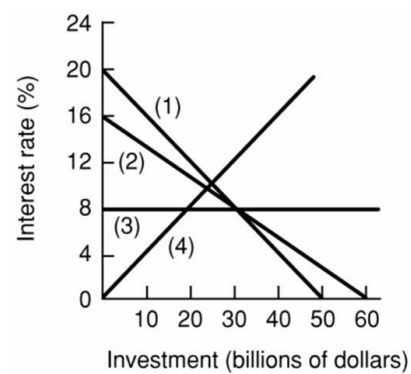
-
- A.
- B.
- C.
- D.

205.

Refer to the above information. Which of the following correctly expresses the indicated relationship as an equation?

- A.
- B.
- C.
- D.

206. Refer to the above information. Which of the following is the correct graphical presentation of the indicated relationship?



- A.
- B.
- C.
- D.

<u>After-tax</u> <u>income</u>	<u>Consumption</u>
\$1000	\$900
2000	1800
3000	2700
4000	3600
5000	4500

207. The above data suggest that:

- A.
- B.
- C.
- D.

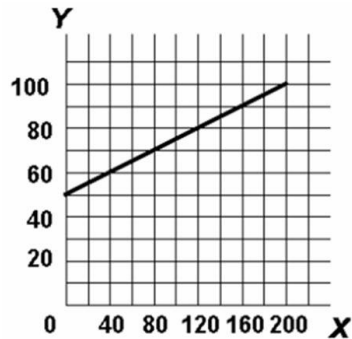
208. The above data indicates that:

- A.
- B.
- C.
- D.

209.

The above data suggest that:

- A.
- B.
- C.
- D.



210.

Refer to the above diagram. The variables X and Y are:

- A.
- B.
- C.
- D.

211.

Refer to the above diagram. The vertical intercept:

- A.
- B.
- C.
- D.

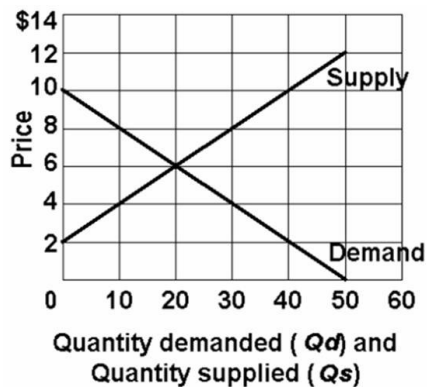
212.

Refer to the above diagram. The slope of the line:

- A.
- B.
- C.
- D.

213. Refer to the above diagram. The equation which shows the relationship between Y and X is:
- A.
 - B.
 - C.
 - D.

214. The slope of a straight line can be determined by:
- A.
 - B.
 - C.
 - D.



215. Refer to the above graph. Which of the following statements is correct?
- A.
 - B.
 - C.
 - D.

216.

Refer to the above graph. Which of the following schedules correctly reflects "demand"?

<u>(A)</u>		<u>(B)</u>		<u>(C)</u>	
P	Qd	P	Qd	P	Qd
\$12	0	\$14	0	\$14	60
10	0	12	0	12	50
8	10	10	20	10	40
6	20	8	40	8	30
4	30	6	60	6	20
2	40	4	80	4	10

- A.
- B.
- C.
- D.

217.

Refer to the above graph. Which of the following schedules correctly reflects "supply"?

<u>(A)</u>		<u>(B)</u>		<u>(C)</u>		
P	Qs	P	Qs	P	Qs	P
\$12	50	\$14	50	\$12	50	\$12
10	30	12	40	10	40	10
8	10	10	30	8	30	8
6	0	8	20	6	20	6
4	0	6	10	4	10	4
2	0	4	0	2	0	2

- A.
- B.
- C.
- D.

218.

Refer to the above graph. Using Q_d for quantity demanded and P for price, which of the following equations correctly states the demand for this product?

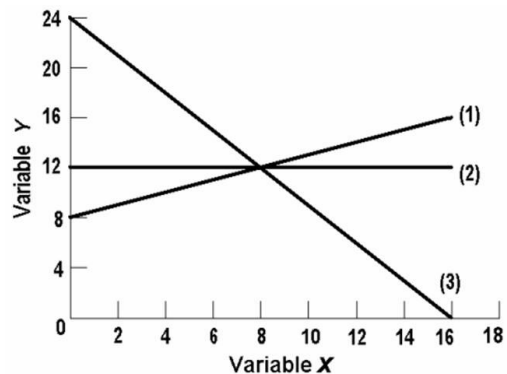
- A.
- B.
- C.
- D.

219. Refer to the above graph. Using Q_s for quantity supplied and P for price, which of the following equations correctly states the supply of this product?

- A.
- B.
- C.
- D.

220. Assume a household would consume \$100 worth of goods and services per week if its weekly income were zero and would spend an additional \$80 per week for each \$100 of additional income. Letting C represent consumption and Y represent income, the equation which summarizes this relationship is:

- A.
- B.
- C.
- D.



221. In line (1) on the above graph, the variables x and y are:

- A.
- B.
- C.
- D.

222. In line (3) on the above graph, variables x and y are:
- A.
 - B.
 - C.
 - D.
223. The linear equation for line (1) on the above graph is:
- A.
 - B.
 - C.
 - D.
224. The slope of line (2) on the above graph is:
- A.
 - B.
 - C.
 - D.
225. The linear equation for line (3) on the above graph is:
- A.
 - B.
 - C.
 - D.
226. The vertical intercept of line (2) on the above graph is:
- A.
 - B.
 - C.
 - D.
227. If the equation $y = 5 + 6x$ was graphed, the:
- A.
 - B.
 - C.
 - D.

228.

If the equation $y = 15 - 4x$ was plotted, the:

- A.
- B.
- C.
- D.

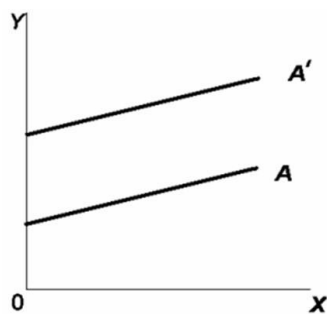
229.

If the equation $y = -10 + 2.5x$ was plotted

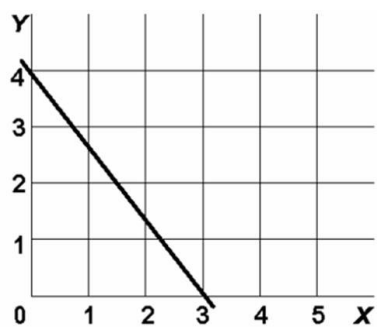
- A.
- B.
- C.
- D.

230.

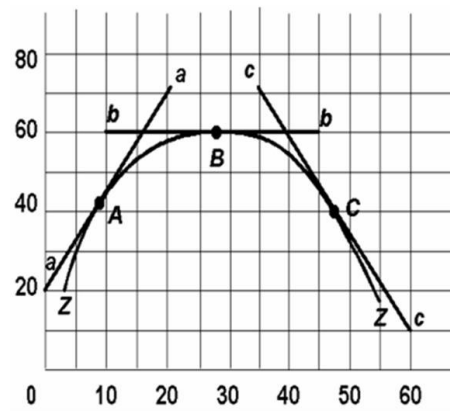
Refer to the graph. The movement from line A to line A' represents a change in:



- A.
- B.
- C.
- D.



231. In the above diagram variables x and y are:
- A.
 - B.
 - C.
 - D.
232. In the above diagram the vertical intercept and slope are:
- A.
 - B.
 - C.
 - D.
233. In the above diagram the equation for this line is:
- A.
 - B.
 - C.
 - D.
234. If we are considering the relationship between two variables and release the "other things equal" assumption, we would expect:
- A.
 - B.
 - C.
 - D.
235. The amount of pizzas that consumers want to buy per week is reflected in the equation $P = 15 - .02Q_d$, where Q_d is the amount of pizzas purchased per week and P is the price of pizzas. On the basis of this information we can say that:
- A.
 - B.
 - C.
 - D.



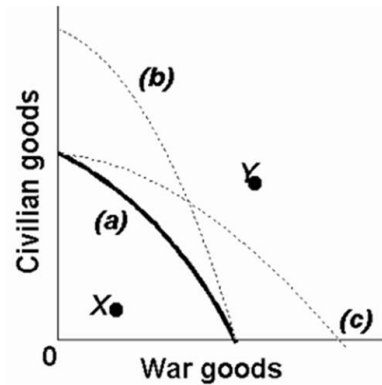
236. Refer to the above diagram. The slope of curve ZZ at point B is:
- A.
 - B.
 - C.
 - D.
237. The slope of a line parallel to the vertical axis is:
- A.
 - B.
 - C.
 - D.
238. The slope of a line parallel to the horizontal axis is:
- A.
 - B.
 - C.
 - D.
239. The measured slope of a line:
- A.
 - B.
 - C.
 - D.

240. Slope of lines are especially important in economics because:
- A.
 - B.
 - C.
 - D.
241. In a linear equation relating income and consumption, you know that the intercept is \$1,000 and the slope of the line is .4. If income is \$20,000, then consumption is:
- A.
 - B.
 - C.
 - D.
242. Purposeful behaviour implies that everyone will make identical choices.
- True False
243. Rational individuals may make different choices because their information and circumstances differ.
- True False
244. Certain inherently desirable products such as education and health care should be produced so long as resources are available.
- True False
245. Marginal analysis means that decision-makers compare the extra benefits with the extra costs of a specific choice.
- True False
246. Choices entail marginal costs because resources are scarce.
- True False

247. If economic theories are solidly based on relevant facts, then there can be no question as to the character of appropriate economic policy.
- True False
248. The fact that economic generalizations are abstract renders them impractical and useless.
- True False
249. Macroeconomics explains the behaviour of individual households and business firms; microeconomics is concerned with the behaviour of aggregates or the economy as a whole.
- True False
250. Positive statements are expressions of value judgments.
- True False
251. Normative statements are expressions of facts.
- True False
252. Individuals face an economic problem but not the society.
- True False
253. The entrepreneur's sole function is to combine other resources (land, labour, and capital) in the production of some good or service.
- True False
254. Products and services are scarce because resources are scarce.
- True False
255. The process by which capital goods are accumulated is known as investment.
- True False

256. The production possibilities curve shows various combinations of two products which an economy can produce when achieving full employment and productive efficiency.
- True False
257. An economy will always operate at some point on its production possibilities curve.
- True False
258. Refer to the above production possibilities curves. Given production possibilities curve (a), point Y indicates that society is failing to use available resources efficiently.
- True False
259. Refer to the above production possibilities curves. The movement from curve (a) to curve (b) implies an increase in the quantity and/or quality of society's productive resources.
- True False
260. Refer to the above production possibilities curves. Given production possibilities curve (a), the combination of civilian and war goods indicated by point X is unattainable to this economy.
- True False
261. An economy cannot produce at a point outside of its production possibilities curve because human material wants are insatiable.
- True False
262. Although sleeping in on a work day or school day has an opportunity cost, sleeping late on the weekend does not.
- True False
263. Recessions are characterised by points that are not attainable on the production possibilities curve.
- True False

264. Refer to the production possibilities curves. The movement from curve (a) to curve (c) indicates an improvement in civilian goods technology but not in war goods technology.



True False

265. The present choice of position on the production possibilities curve will not influence the future location of the curve.

True False

Chapter 01 Limits, Alternatives, and Choices **Key**

1.
(p. 2)

The economic concept that serves as the basis for the study of economics is:

- A.
- B.
- C.
- D.**

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Easy
McConnell - Chapter 01 #1
Other: Pick-up
Type: Application

2.
(p. 2)

As a consequence of the condition of scarcity:

- A.
- B.
- C.
- D.**

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Easy
McConnell - Chapter 01 #2
Other: Pick-up
Type: Application

3.
(p. 2)

In every economic system, choices must be made because resources are:

- A.
- B.**
- C.
- D.

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Easy
McConnell - Chapter 01 #3
Other: Pick-up
Type: Application

4.
(p. 2)

Opportunity cost is best defined as:

- A.
- B.
- C.**
- D.

Learning Objective: 01-01 Ten key concepts to retain for a life time

5.
(p. 2)

Tammie makes \$150 a day as a bank clerk. She takes off two days of work without pay to fly to another city to attend the concert of her favourite music group. The cost of transportation for the trip is \$250. The cost of the concert ticket is \$50. The opportunity cost of Tammie's trip to the concert is:

- A.
- B.
- C.
- D.**

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Moderate
McConnell - Chapter 01 #5
Other: Pick-up
Type: Calculation

6.
(p. 2)

When a provincial government chooses to build more roads, the required resources are no longer available for spending on public education. This dilemma illustrates the concept of:

- A.
- B.
- C.
- D.**

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Easy
McConnell - Chapter 01 #6
Other: Pick-up
Type: Application

7.
(p. 2)

Specialization and trade are beneficial to society because:

- A.
- B.
- C.
- D.**

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Easy
McConnell - Chapter 01 #7
Other: Pick-up
Type: Application

8.
(p. 2)

When economists describe "a market," they mean:

- A.
- B.
- C.
- D.**

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Easy
McConnell - Chapter 01 #8
Other: Pick-up
Type: Definition

9.
(p. 2)

The institution that coordinates actions of consumers and producers to establish prices for goods and services is known as:

- A.**
- B.
- C.
- D.

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Easy
McConnell - Chapter 01 #9
Other: Pick-up
Type: Definition

10.
(p. 2)

A major argument for economic growth is that it:

- A.
- B.
- C.**
- D.

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Easy
McConnell - Chapter 01 #10
Other: Pick-up
Type: Application

11.
(p. 2)

One of the basic economic defences of economic growth rests on the conclusion that:

- A.
- B.
- C.**
- D.

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Moderate
McConnell - Chapter 01 #11
Other: Pick-up
Type: Application

12.
(p. 2)

Concern about the general level of prices in an economy is primarily a concern about the economic goal of:

- A.
- B.
- C.**
- D.

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Easy
McConnell - Chapter 01 #12
Other: Pick-up
Type: Application

13.
(p. 2)

Assume that a tradeoff exists in the short run between inflation and unemployment. This relationship means that:

- A.
- B.
- C.**
- D.

Learning Objective: 01-01 Ten key concepts to retain for a life time
Level: Moderate
McConnell - Chapter 01 #13
Other: Pick-up
Type: Application

14.
(p. 3)

The study of economics is primarily concerned with:

- A.
- B.
- C.**
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #14
Other: Pick-up
Type: Definition

15.
(p. 3)

The assertion that "There is no free lunch" means:

- A.
- B.**
- C.
- D.

Learning Objective: 01-02 The economic way of thinking

16.
(p. 3)

The study of economics exists because:

- A.
- B.**
- C.
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #16
Other: Pick-up
Type: Application

17.
(p. 3)

Economics may best be defined as:

- A.
- B.**
- C.
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #17
Other: Pick-up
Type: Definition

18.
(p. 3)

Purposeful behaviour suggests that:

- A.
- B.
- C.**
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #18
Other: Pick-up
Type: Definition

19.
(p. 3)

"Consumers spend their incomes to get the maximum benefit or satisfaction from the goods and services they purchase." This is a reflection of:

- A.
- B.**
- C.
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Moderate

20.
(p. 3)

The "economic perspective" refers to:

- A.
- B.
- C.**
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #20
Other: Pick-up
Type: Definition

21.
(p. 3)

The "economic perspective" entails:

- A.
- B.
- C.
- D.**

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #21
Other: Pick-up
Type: Application

22.
(p. 3)

The economic perspective used in customer decision making at fast-food restaurants is reflected in:

- A.
- B.
- C.
- D.**

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #22
Other: Pick-up
Type: Application

23.
(p. 3)

How is the economic perspective reflected in lines for fast food?

- A.
- B.**
- C.
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #23

24.
(p. 3)

From an economic perspective, when consumers leave a fast-food restaurant because the lines to be served are too long, they have concluded that the:

- A.
- B.**
- C.
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #24
Other: Pick-up
Type: Application

25.
(p. 3)

Consumers might leave a fast-food restaurant without being served because:

- A.
- B.**
- C.
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #25
Other: Pick-up
Type: Application

26.
(p. 3)

At fast-food restaurants:

- A.
- B.
- C.**
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #26
Other: Pick-up
Type: Application

27.
(p. 3)

Economics involves "marginal analysis" because:

- A.**
- B.
- C.
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy

28.
(p. 3)

You should decide to go to a movie:

- A.
- B.**
- C.
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #28
Other: Pick-up
Type: Application

29.
(p. 3)

Marginal costs exist because:

- A.**
- B.
- C.
- D.

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #29
Other: Pick-up
Type: Application

30.
(p. 3)

Even though local newspapers are very inexpensive, people rarely buy more than one of them each day. This fact:

- A.
- B.
- C.
- D.**

Learning Objective: 01-02 The economic way of thinking
Level: Moderate
McConnell - Chapter 01 #30
Other: Pick-up
Type: Application

31.
(p. 5)

The process of developing hypotheses, testing them against facts, and using the results to construct theories is called:

- A.
- B.**
- C.
- D.

Learning Objective: 01-03 Theories; principles; and models

32.
(p. 5)

A "hypothesis" is:

- A.
- B.**
- C.
- D.

Learning Objective: 01-03 Theories; principles; and models
Level: Easy
McConnell - Chapter 01 #32
Other: Pick-up
Type: Definition

33.
(p. 5)

From the perspective of economists, which term provides the highest degree of confidence for explaining economic behaviour?

- A.**
- B.
- C.
- D.

Learning Objective: 01-03 Theories; principles; and models
Level: Easy
McConnell - Chapter 01 #33
Other: Pick-up
Type: Definition

34.
(p. 5)

In constructing models, economists:

- A.**
- B.
- C.
- D.

Learning Objective: 01-03 Theories; principles; and models
Level: Easy
McConnell - Chapter 01 #34
Other: Pick-up
Type: Definition

35.
(p. 5)

Economic models:

- A.
- B.
- C.**
- D.

Learning Objective: 01-03 Theories; principles; and models
Level: Easy
McConnell - Chapter 01 #35

36.
(p. 5)

An economic model is:

- A.
- B.
- C.**
- D.

Learning Objective: 01-03 Theories; principles; and models
Level: Easy
McConnell - Chapter 01 #36
Other: Pick-up
Type: Application

37.
(p. 5)

The term "ceteris paribus" means:

- A.
- B.
- C.**
- D.

Learning Objective: 01-03 Theories; principles; and models
Level: Easy
McConnell - Chapter 01 #37
Other: Pick-up
Type: Definition

38.
(p. 5)

Suppose an economist says that "Other things equal, the lower the price of bananas, the greater the amount of bananas purchased." This statement indicates that:

- A.
- B.**
- C.
- D.

Learning Objective: 01-03 Theories; principles; and models
Level: Moderate
McConnell - Chapter 01 #38
Other: Pick-up
Type: Application

39.
(p. 5)

The term "other things equal" means that:

- A.
- B.
- C.**
- D.

Learning Objective: 01-03 Theories; principles; and models
Level: Easy
McConnell - Chapter 01 #39
Other: Pick-up

40.
(p. 5)

The basic purpose of the "other things equal" assumption is to:

- A.
- B.
- C.
- D.

Learning Objective: 01-03 Theories; principles; and models
Level: Easy
McConnell - Chapter 01 #40
Other: Pick-up
Type: Definition

41.
(p. 6)

Microeconomics is concerned with:

- A.
- B.
- C.
- D.

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #41
Other: Pick-up
Type: Definition

42.
(p. 6)

Microeconomics:

- A.
- B.
- C.
- D.

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #42
Other: Pick-up
Type: Definition

43.
(p. 6)

Which of the following is a microeconomic statement?

- A.
- B.
- C.
- D.

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Moderate
McConnell - Chapter 01 #43
Other: Pick-up
Type: Application

44.
(p. 6)

Macroeconomics approaches the study of economics from the viewpoint of:

- A.
- B.
- C.
- D.

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #44
Other: Pick-up
Type: Definition

45.
(p. 6)

Which of the following is associated with macroeconomics?

- A.
- B.
- C.
- D.

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #45
Other: Pick-up
Type: Application

46.
(p. 6)

The problems of aggregate inflation and unemployment are:

- A.
- B.
- C.
- D.

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #46
Other: Pick-up
Type: Application

47.
(p. 6)

Which of the following statements pertains to macroeconomics?

- A.
- B.
- C.
- D.

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Moderate
McConnell - Chapter 01 #47
Other: Pick-up
Type: Application

48.
(p. 6)

Macroeconomics can best be described as the:

- A.
- B.**
- C.
- D.

*Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #48
Other: Pick-up
Type: Definition*

49.
(p. 6)

Which of the following is a macroeconomic statement?

- A.**
- B.
- C.
- D.

*Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #49
Other: Pick-up
Type: Application*

50.
(p. 6)

A positive statement is one which is:

- A.
- B.
- C.
- D.**

*Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #50
Other: Pick-up
Type: Definition*

51.
(p. 6)

Which of the following is a positive statement?

- A.
- B.
- C.**
- D.

*Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #51
Other: Pick-up
Type: Application*

52.
(p. 6)

A positive statement is concerned with:

- A.
- B.
- C.**
- D.

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #52
Other: Pick-up
Type: Definition

53.
(p. 6)

A normative statement is one which:

- A.
- B.
- C.
- D.**

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #53
Other: Pick-up
Type: Definition

54.
(p. 6)

Which of the following is a normative statement?

- A.
- B.
- C.**
- D.

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #54
Other: Pick-up
Type: Application

55.
(p. 6)

Normative statements are concerned with:

- A.
- B.**
- C.
- D.

Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #55
Other: Pick-up
Type: Definition

56.
(p. 6)

Most of the disagreement among economists involves:

- A.
- B.
- C.
- D.**

*Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #56
Other: Pick-up
Type: Application*

57.
(p. 6)

"Economics is concerned with using scarce productive resources efficiently in attempting to satisfy society's material wants." This statement is:

- A.
- B.**
- C.
- D.

*Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #57
Other: Pick-up
Type: Application*

58.
(p. 6)

Ben says that "An increase in the tax on beer will raise its price." Holly argues that "Taxes should be increased on beer because college students drink too much." We can conclude that:

- A.
- B.**
- C.
- D.

*Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Moderate
McConnell - Chapter 01 #58
Other: Pick-up
Type: Application*

59.
(p. 6)

The global financial crisis that spread to Canada in late 2008 has been dubbed:

- A.
- B.
- C.**
- D.

*Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #59
Other: Pick-up
Type: Definition*

60.
(p. 7)

The individuals and society both face an economic problem. This problem arises from the fact that:

- A.
- B.**
- C.
- D.

*Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #60
Other: Pick-up
Type: Application*

61.
(p. 7)

The individual's limited income problem:

- A.
- B.**
- C.
- D.

*Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #61
Other: Pick-up
Type: Application*

62.
(p. 7)

When an economist says that material wants are insatiable, this means that:

- A.
- B.
- C.**
- D.

*Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #62
Other: Pick-up
Type: Definition*

63.
(p. 7)

As used in economics, the notion of scarce resources means that:

- A.
- B.**
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #63
Other: Pick-up
Type: Definition

64.
(p. 7)

The budget line shows:

- A.
- B.**
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #64
Other: Pick-up
Type: Definition

65.
(p. 7)

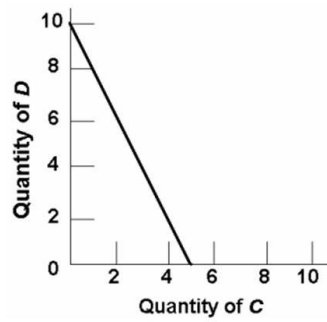
The price ratio of the two products is the:

- A.
- B.**
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #65
Other: Pick-up
Type: Definition

66.
(p. 7)

Refer to the budget line shown in the diagram below. If the consumer's money income is \$20, the:

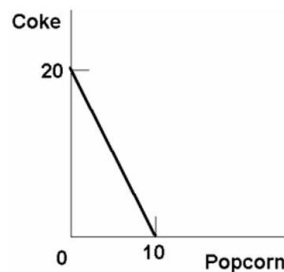


- A.
- B.
- C.
- D.**

Learning Objective: 01-05 The economic problem
Level: Difficult
McConnell - Chapter 01 #66
Other: Pick-up
Type: Graphic

67.
(p. 7)

Refer to the diagram below, suppose you have a money income of \$10 all of which you spend on Coke and boxes of popcorn. The prices of Coke and popcorn respectively are:



- A.**
- B.
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Moderate
McConnell - Chapter 01 #67
Other: Pick-up
Type: Graphic

68.
(p. 7)

In moving along a given budget line:

- A.
- B.
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #68
Other: Pick-up
Type: Application

69.
(p. 7)

In drawing a budget line it is assumed that:

- A.
- B.
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #69
Other: Pick-up
Type: Application

70.
(p. 7)

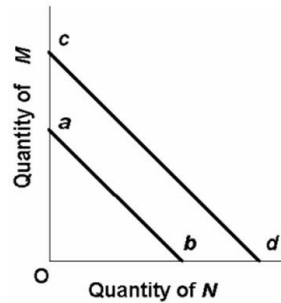
Any combination of goods lying outside of the budget line:

- A.
- B.
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #70
Other: Pick-up
Type: Application

71.
(p. 7)

The budget line shift from cd to ab in the below figure is consistent with:



- A.
- B.
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #71
Other: Pick-up
Type: Graphic

72.
(p. 7)

A leftward shift of a consumer's budget line to a position parallel with the original one could indicate that the:

- A.
- B.
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Moderate
McConnell - Chapter 01 #72
Other: Pick-up
Type: Application

73.
(p. 7)

Which of the following statements is not correct?

- A.
- B.
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Moderate
McConnell - Chapter 01 #73
Other: Pick-up
Type: Application

74.
(p. 7)

The society must also make choices under conditions of scarcity. This problem arises from the fact that:

- A.
- B.**
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #74
Other: Pick-up
Type: Application

75.
(p. 7)

The fundamental problem of economics is:

- A.
- B.
- C.**
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #75
Other: Pick-up
Type: Application

76.
(p. 7)

Economic resources are also called:

- A.
- B.
- C.
- D.**

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #76
Other: Pick-up
Type: Definition

77.
(p. 7)

Money is not considered to be an economic resource because:

- A.**
- B.
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #77
Other: Pick-up
Type: Application

78.
(p. 7)

Which of the following is real capital?

- A.
- B.**
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #78
Other: Pick-up
Type: Definition

79.
(p. 7)

The main function of the entrepreneur is to:

- A.
- B.**
- C.
- D.

Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #79
Other: Pick-up
Type: Definition

80.
(p. 12)

The following production possibilities table represents an economy which is producing two products, tanks and autos. Refer to the table, in moving from possibility C to D, the cost of a tank in terms of autos is:

Product	A	B	C	D
Tanks	0	1	2	3
Autos	1000	950	850	650

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #80
Other: Pick-up
Type: Calculation

(The following economy produces two products.)

Production Possibilities Table

Product	A	B	C	D
Steel	0	1	2	3
Wheat	100	90	75	55

McConnell - Chapter 01

81.
(p. 12)

Refer to the above table. A change from possibility C to B means that:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

McConnell - Chapter 01 #81

Other: Pick-up

Type: Calculation

82.
(p. 12)

Refer to the above table. In moving from possibility C to D, the cost of a unit of steel in terms of a unit of wheat is:

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

McConnell - Chapter 01 #82

Other: Pick-up

Type: Calculation

83.
(p. 12)

Refer to the above table. A change from possibility B to C means that:

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

McConnell - Chapter 01 #83

Other: Pick-up

84.
(p. 12)

The production possibilities curve represents which of the following?

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

McConnell - Chapter 01 #84

Other: Pick-up

Type: Definition

85.
(p. 12)

The production possibilities curve represents:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

McConnell - Chapter 01 #85

Other: Pick-up

Type: Definition

86.
(p. 12)

The construction of a production possibilities curve assumes:

- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

McConnell - Chapter 01 #86

Other: Pick-up

Type: Definition

87.
(p. 12)

Assume an economy is operating at some point on its production possibilities curve which shows civilian and military goods. If the output of military goods is increased, the output of civilian goods:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

88.
(p. 12)

The production possibilities curve shows:

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #88
Other: Pick-up
Type: Definition

89.
(p. 12)

The negative slope of the production possibilities curve is a graphical way of indicating that:

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #89
Other: Pick-up
Type: Application

90.
(p. 12)

If an economy is operating on its production possibilities curve for consumer goods and capital goods, this means that:

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #90
Other: Pick-up
Type: Application

91.
(p. 12)

In drawing a production possibilities curve we hold constant:

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

92.
(p. 12)

The production possibilities curve tells us:

- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy
McConnell - Chapter 01 #92
Other: Pick-up
Type: Definition

93.
(p. 12)

When an economy is operating with maximum efficiency, the production of more of commodity A will mean the production of less of commodity B because:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy
McConnell - Chapter 01 #93
Other: Pick-up
Type: Application

94.
(p. 12)

The production possibilities curve:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy
McConnell - Chapter 01 #94
Other: Pick-up
Type: Definition

95.
(p. 12)

The production possibilities curve illustrates the basic principle that:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #95
Other: Pick-up
Type: Application

96.
(p. 12)

A production possibilities curve illustrates:

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #96
Other: Pick-up
Type: Application

97.
(p. 12)

A production possibilities curve shows:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #97
Other: Pick-up
Type: Definition

98.
(p. 12)

In drawing the production possibilities curve we assume that:

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #98
Other: Pick-up
Type: Application

99.
(p. 12)

Which of the following is assumed in constructing a typical production possibilities curve?

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #99
Other: Pick-up
Type: Definition

100.
(p. 12)

Which of the following is not correct? A typical production possibilities curve:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #100
Other: Pick-up
Type: Definition

101.
(p. 12)

Which one of the following statements is correct?

- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #101
Other: Pick-up
Type: Application

102.
(p. 12)

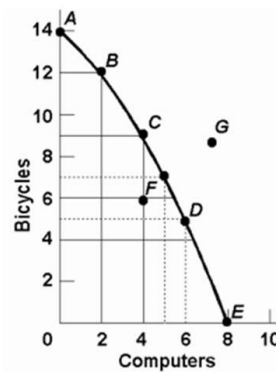
The typical production possibilities curve is:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #102
Other: Pick-up
Type: Definition

103.
(p. 12)

Refer to the diagram below. Points A, B, C, D, and E show:



- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

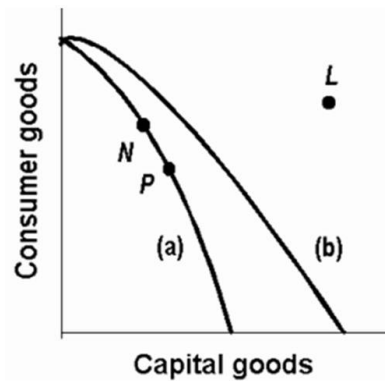
McConnell - Chapter 01 #103

Other: Pick-up

Type: Graphic

104.
(p. 12)

Refer to the following production possibilities curves. Curve (a) is the current curve for the economy. Given production possibilities curve (a), the combination of capital and consumer goods indicated by point L:



- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

McConnell - Chapter 01 #104

Other: Pick-up

Type: Graphic

105.
(p. 12)

A point on the frontier of the production possibilities curve is:

- A.
- B.
- C.
- D.

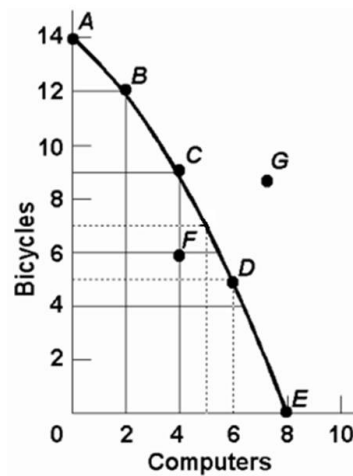
Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #105
Other: Pick-up
Type: Definition

106.
(p. 12)

A point inside the production possibilities curve is:

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #106
Other: Pick-up
Type: Application



McConnell - Chapter 01

107.
(p. 12)

Refer to the above diagram. The combination of computers and bicycles shown by point G is:

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

108.
(p. 12)

Refer to the above diagram. The combination of computers and bicycles shown by point F:

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #108
Other: Pick-up
Type: Graphic

109.
(p. 12)

Refer to the above diagram. If society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more units of bicycles:

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #109
Other: Pick-up
Type: Calculation

110.
(p. 12)

Refer to the above diagram. The movement down the production possibilities curve from point A to point E suggests that the production of:

- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #110
Other: Pick-up
Type: Application

111.
(p. 12)

The slope of the typical production possibilities curve:

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #111
Other: Pick-up
Type: Application

112.
(p. 12)

The production possibilities curve has:

- A.
- B.**
- C.
- D.

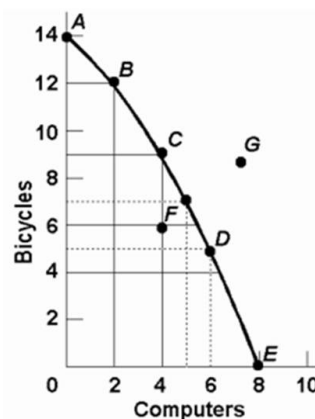
Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #112
Other: Pick-up
Type: Application

113.
(p. 12)

The law of increasing opportunity costs states that:

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #113
Other: Pick-up
Type: Definition



114.
(p. 12)

Refer to the above diagram. This production possibilities curve is:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #114
Other: Pick-up
Type: Graphic

115.
(p. 12)

Refer to the above diagram. If society is currently producing 9 units of bicycles and 4 units of computers and it now decides to increase computer output to 6, the cost:

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #115
Other: Pick-up
Type: Graphic

116.
(p. 12)

The concept of opportunity cost:

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #116
Other: Pick-up
Type: Definition

117.
(p. 12)

Which of the following is not an illustration of the idea of opportunity cost?

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #117

118.
(p. 12)

Opportunity cost is best defined as:

- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #118
Other: Pick-up
Type: Definition

Production possibilities tables for two countries,
North Cantina and South Cantina:

North Cantina

Production possibilities (alternatives)

	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	10	18	24

South Cantina

Production possibilities (alternatives)

	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	8	15	21

McConnell - Chapter 01

119.
(p. 12)

Refer to the above tables. If South Cantina is
producing at production alternative D, the
opportunity cost of the third unit of capital goods
is:

- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #119
Other: Pick-up
Type: Calculation

120.
(p. 12)

Refer to the above tables. If North Cantina is producing at production alternative B, the opportunity cost of the eleventh unit of consumer goods will be:

- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Moderate

McConnell - Chapter 01 #120

Other: Pick-up

Type: Calculation

121.
(p. 12)

Refer to the above tables. The opportunity cost of the fifth unit of capital goods:

- A.**
- B.
- C.
- D.

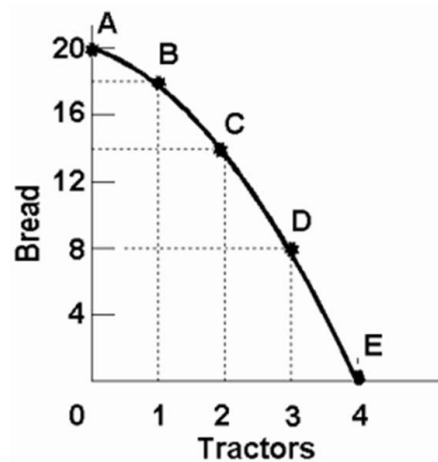
Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Moderate

McConnell - Chapter 01 #121

Other: Pick-up

Type: Calculation



McConnell - Chapter 01

122.
(p. 12)

Refer to the above diagram. Starting at point A, the opportunity cost of producing each successive unit of tractors is:

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #122
Other: Pick-up
Type: Graphic

123.
(p. 12)

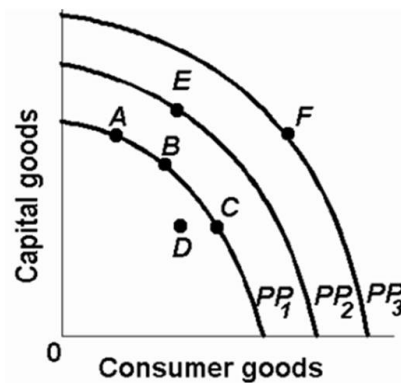
Refer to the above diagram. Starting at point E, the production of successive units of bread will cost:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Difficult
McConnell - Chapter 01 #123
Other: Pick-up
Type: Graphic

124.
(p. 12)

Refer to the diagram below. The concept of opportunity cost is best represented by the:



- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #124
Other: Pick-up

125.
(p. 12)

The fact that the slope of the production possibilities curve becomes steeper as we move down along the curve indicates that:

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Moderate

McConnell - Chapter 01 #125

Other: Pick-up

Type: Application

Production possibilities (alternatives)

	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	5	9	11

McConnell - Chapter 01

126.
(p. 12)

Refer to the above table. If the economy is producing at production alternative C, the opportunity cost of the tenth unit of consumer goods will be:

- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Moderate

McConnell - Chapter 01 #126

Other: Pick-up

Type: Calculation

127.
(p. 12)

Refer to the above table. For these data the law of increasing opportunity costs is reflected in the fact that:

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

McConnell - Chapter 01 #127

Other: Pick-up

Type: Application

128.
(p. 12)

Refer to the table below. In moving from possibility A to F, the cost of a unit of steel in terms of a unit of wheat:

(The following economy produces two products.)
Production Possibilities

Product	A	B	C	D
Steel	0	1	2	3
Wheat	100	90	75	55

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #128
Other: Pick-up
Type: Calculation

129.
(p. 12)

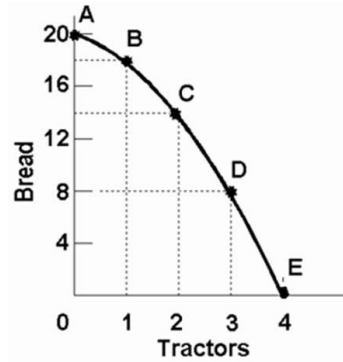
A typical concave production possibilities curve implies:

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #129
Other: Pick-up
Type: Definition

130.
(p. 12)

Refer to the diagram below. This production possibilities curve is constructed such that:



- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #130
Other: Pick-up
Type: Graphic

131.
(p. 12)

The law of increasing opportunity costs exists because:

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #131
Other: Pick-up
Type: Application

132.
(p. 12)

The law of increasing opportunity costs is reflected in a production possibilities curve which is:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #132
Other: Pick-up
Type: Application

The production possibilities curve below shows the hypothetical relationship between the production of capital goods and consumer goods in an economy.

Products	Production Alternatives				
	A	B	C	D	E
Capital goods	0	1	2	3	4
Consumer goods	22	18	13	7	0

McConnell - Chapter 01

133.
(p. 12)

Refer to the above table. What is the opportunity cost of producing the third unit of capital goods?

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

McConnell - Chapter 01 #133

Other: Pick-up

Type: Calculation

134.
(p. 12)

Refer to the above table. What is the total opportunity cost of producing two units of capital goods?

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Moderate

McConnell - Chapter 01 #134

Other: Pick-up

Type: Calculation

135.
(p. 12)

Refer to the above table. What is the opportunity cost of producing the fourth unit of capital goods?

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Easy

McConnell - Chapter 01 #135

Other: Pick-up

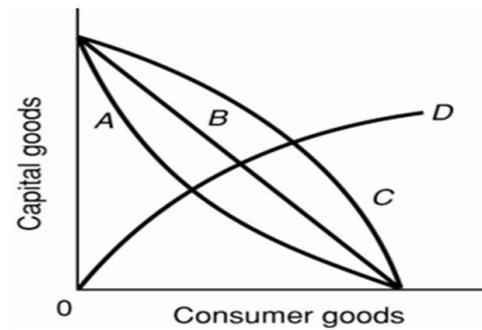
Type: Calculation

136.
(p. 12)

Refer to the above table. What is the total opportunity cost of producing three units of capital goods?

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #136
Other: Pick-up
Type: Calculation



McConnell - Chapter 01

137.
(p. 12)

Refer to the above diagram. As it relates to production possibilities analysis, the law of increasing opportunity cost is reflected in curve:

- A.
- B.
- C.**
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #137
Other: Pick-up
Type: Graphic

138.
(p. 12)

Refer to the above diagram. Curve B is a:

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #138
Other: Pick-up
Type: Graphic

139.
(p. 12)

If the production possibilities curve is a straight line:

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #139
Other: Pick-up
Type: Application

140.
(p. 12)

A nation's production possibilities curve is "bowed out" from the origin because:

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #140
Other: Pick-up
Type: Application

141.
(p. 12)

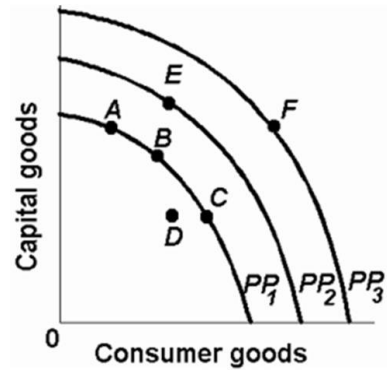
If the production possibilities curve were a straight downsloping line, this would suggest that:

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #141
Other: Pick-up
Type: Application

142.
(p. 12)

Refer to the diagram below. The concave shape of each production possibilities curve indicates that:



- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #142
Other: Pick-up
Type: Graphic

143.
(p. 12)

The marginal benefit curve is:

- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #143
Other: Pick-up
Type: Definition

144.
(p. 12)

The marginal cost curve is:

- A.**
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #144
Other: Pick-up
Type: Definition

145.
(p. 12)

The output of blu ray players should be:

- A.
- B.**
- C.
- D.

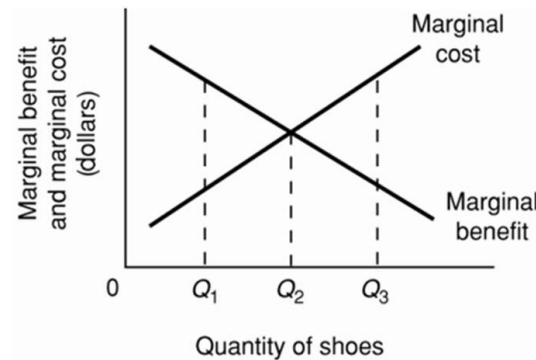
Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #145
Other: Pick-up
Type: Application

146.
(p. 12)

If the output of product X is such that marginal benefit equals marginal cost:

- A.
- B.
- C.
- D.**

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #146
Other: Pick-up
Type: Definition



McConnell - Chapter 01

147.
(p. 12)

Refer to the above diagram for athletic shoes. The optimal output of shoes:

- A.
- B.**
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #147
Other: Pick-up
Type: Graphic

148.
(p. 12)

Refer to the above diagram for athletic shoes. If the current output of shoes is Q_1 , then:

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #148
Other: Pick-up
Type: Application

149.
(p. 12)

Refer to the above diagram for athletic shoes. If the current output of shoes is Q_3 , then:

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #149
Other: Pick-up
Type: Application

150.
(p. 12)

Recessions are typically characterised by points:

- A.
- B.
- C.
- D.

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #150
Other: Pick-up
Type: Application

Production possibilities (alternatives)

	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	5	9	1

McConnell - Chapter 01

151.
(p. 16)

Refer to the above table. As compared to production alternative D, the choice of alternative C would:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #151
Other: Pick-up
Type: Application

152.
(p. 16)

Refer to the above table. A total output of 3 units of capital goods and 4 units of consumer goods:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #152
Other: Pick-up
Type: Application

153.
(p. 16)

Refer to the above table. For this economy to produce a total output of 3 units of capital goods and 13 units of consumer goods it must:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #153
Other: Pick-up
Type: Application

Production possibilities tables for two countries,
North Cantina and South Cantina:

North Cantina Production possibilities
(alternatives)

	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	10	18	24

South Cantina Production possibilities
(alternatives)

	A	B	C	D
Capital goods	5	4	3	2
Consumer goods	0	8	15	21

McConnell - Chapter 01

154.
(p. 16)

Refer to the above tables. Suppose that North Cantina is producing 2 units of capital goods and 17 units of consumer goods while South Cantina is producing 2 units of capital goods and 21 units of consumer goods. We can conclude that:

- A.
- B.**
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #154
Other: Pick-up
Type: Application

155.
(p. 16)

Refer to the above tables. Suppose that resources in North Cantina and South Cantina are identical in quantity and quality. We can conclude that:

- A.
- B.
- C.
- D.**

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Difficult
McConnell - Chapter 01 #155
Other: Pick-up
Type: Application

156.
(p. 16)

Refer to the table below. According to the production possibilities schedule for the economy which produces two products, a combination of four tanks and 650 autos is:
Production Possibilities

Product	A	B	C	E
Tanks	0	1	2	3
Autos	1000	950	850	6

- A.
- B.
- C.
- D.**

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #156
Other: Pick-up
Type: Application

157.
(p. 16)

Assume that a change in government policy results in the increased production of both consumer goods and investment goods. It can be concluded that:

- A.**
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #157
Other: Pick-up
Type: Application

158.
(p. 16)

Refer to the diagram. This economy will experience unemployment if it produces at point:



- A.
- B.
- C.
- D.**

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Easy
McConnell - Chapter 01 #158
Other: Pick-up
Type: Graphic



McConnell - Chapter 01

159.
(p. 16)

Refer to the above production possibilities curve. At the onset of World War II Canada had large amounts of idle human and property resources. Its economic adjustment from peacetime to wartime can best be described by the movement from point:

- A.
- B.
- C.**
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #159
Other: Pick-up
Type: Graphic

160.
(p. 16)

Refer to the above production possibilities curve.
At the onset of World War II the Soviet Union's economy was already at full employment. Its economic adjustment from peacetime to wartime can best be described by the movement from point:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Easy
McConnell - Chapter 01 #160
Other: Pick-up
Type: Graphic

161.
(p. 16)

Any point inside the production possibilities curve indicates:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Easy
McConnell - Chapter 01 #161
Other: Pick-up
Type: Application

162.
(p. 16)

Unemployment and/or productive inefficiencies:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Easy
McConnell - Chapter 01 #162
Other: Pick-up
Type: Application

163.
(p. 16)

A point inside a production possibilities curve may indicate:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities

164.
(p. 16)

Assume an economy is incurring unemployment and failing to realize least-cost production. The immediate effect of resolving these problems will be to:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #164
Other: Pick-up
Type: Application

165.
(p. 16)

If an economy is operating inside its production possibilities curve for consumer goods and capital goods, this means that it:

- A.
- B.
- C.
- D.

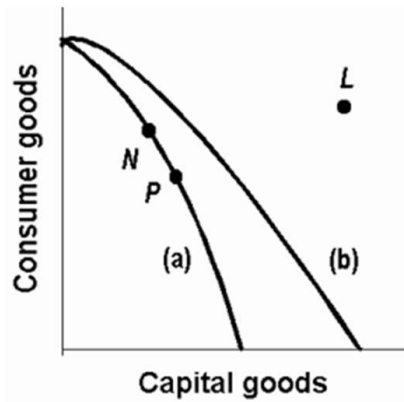
Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #165
Other: Pick-up
Type: Application

166.
(p. 16)

Which of the following will not require an outward shift of the production possibilities curve?

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #166
Other: Pick-up
Type: Application



McConnell - Chapter 01

167.
(p. 16)

Refer to the above production possibilities curves. Curve (a) is the current curve for the economy. The movement from curve (a) to curve (b) suggests:

- A.
- B.**
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #167
Other: Pick-up
Type: Application

168.
(p. 16)

Refer to the above production possibilities curves. Curve (a) is the current curve for the economy. Other things being equal, society's current choice of point P on curve (a) will:

- A.**
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #168
Other: Pick-up
Type: Application

169.
(p. 16)

The basic difference between consumer goods and capital goods is that:

- A.
- B.
- C.
- D.**

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #169
Other: Pick-up
Type: Definition

170.
(p. 16)

Which of the following would be most likely to shift the production possibilities curve to the right?

- A.
- B.**
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #170
Other: Pick-up
Type: Application

171.
(p. 16)

Which of the following will not shift a nation's production possibilities curve?

- A.
- B.
- C.**
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #171
Other: Pick-up
Type: Application

172.
(p. 16)

Which of the following will shift the production possibilities curve to the right?

- A.
- B.
- C.
- D.**

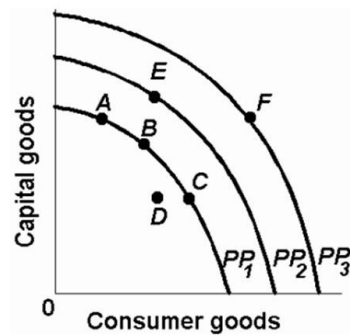
Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #172
Other: Pick-up
Type: Application

173.
(p. 16)

Other things equal, which of the following would shift an economy's production possibilities curve to the left?

- A.
- B.
- C.**
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #173
Other: Pick-up
Type: Application



McConnell - Chapter 01

174.
(p. 16)

Refer to the above diagram. An improvement in technology will:

- A.**
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Easy
McConnell - Chapter 01 #174
Other: Pick-up
Type: Graphic

175.
(p. 16)

Refer to the above diagram. Which one of the following would shift the production possibilities curve from PP_1 to PP_2 ?

- A.**
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #175

176.
(p. 16)

Which situation would most likely shift the production possibilities curve for a nation in an outward direction?

- A.
- B.**
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #176
Other: Pick-up
Type: Application

177.
(p. 16)

Which situation would most likely cause a nation's production possibilities curve to shift inward?

- A.
- B.
- C.
- D.**

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #177
Other: Pick-up
Type: Application

178.
(p. 16)

All of the following could immediately or eventually lead to an inward shift of a nation's production possibilities curve, except:

- A.
- B.
- C.**
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #178
Other: Pick-up
Type: Application

179.
(p. 16)

Some agricultural sub-Saharan nations of Africa have over-farmed and overgrazed their land to the extent that significant portions of it have turned into desert. This suggests that:

- A.
- B.**
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #179
Other: Pick-up
Type: Application

180.
(p. 16)

Which of the following statements, if any, is correct for a nation which is producing only consumption and capital goods?

- A.
- B.**
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Easy
McConnell - Chapter 01 #180
Other: Pick-up
Type: Application

181.
(p. 16)

If country A has been investing a larger proportion of its domestic output than Canada has, then, we would expect:

- A.
- B.
- C.
- D.**

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #181
Other: Pick-up
Type: Application

182.
(p. 16)

Deltonia produces both consumer and capital goods. If it reduces the percentage of its output devoted to capital goods, then:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #182
Other: Pick-up
Type: Application

183.
(p. 16)

Refer to the diagram below. Other things equal, this economy will achieve the most rapid rate of growth if:



- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Easy
McConnell - Chapter 01 #183
Other: Pick-up
Type: Graphic

184.
(p. 16)

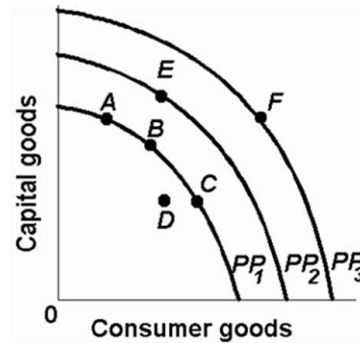
The future location of the economy's production possibilities curve will be affected by:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #184
Other: Pick-up
Type: Application

185.
(p. 16)

Refer to the diagram below. Which of the following positions relative to PP_1 would be the most likely to result in a future production possibilities curve of PP_3 , rather than PP_2 ?



- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #185
Other: Pick-up
Type: Graphic

186.
(p. 16)

Through specialization and international trade a nation:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #186
Other: Pick-up
Type: Application

187.
(p. 16)

A country can achieve some combination of goods outside its production possibilities curve by:

- A.
- B.
- C.
- D.

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Easy
McConnell - Chapter 01 #187
Other: Pick-up
Type: Application

188.
(p. 16)

International specialization and trade:

- A.
- B.
- C.
- D.**

Learning Objective: 01-07 Economic growth; present choices; and future possibilities
Level: Moderate
McConnell - Chapter 01 #188
Other: Pick-up
Type: Application

189.
(p. 26)

Economists:

- A.
- B.
- C.**
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Easy
McConnell - Chapter 01 #189
Other: Pick-up
Type: Definition

190.
(p. 26)

If we say that two variables are directly related,
this means that:

- A.
- B.
- C.**
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Easy
McConnell - Chapter 01 #190
Other: Pick-up
Type: Definition

191.
(p. 26)

If we say that two variables are inversely related,
this means that:

- A.
- B.**
- C.
- D.

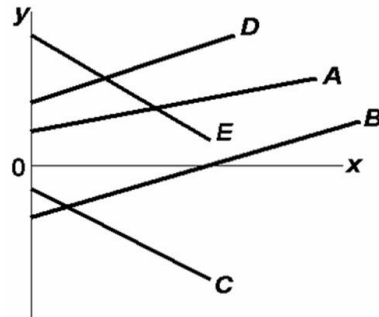
Learning Objective: A1-01 Graphs and their meanings
Level: Easy
McConnell - Chapter 01 #191
Other: Pick-up
Type: Definition

192.
(p. 26)

Which of the following statements is correct?

- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #192
Other: Pick-up
Type: Definition



McConnell - Chapter 01

193.
(p. 26)

Refer to the above diagram. Which line(s) show(s) a positive relationship between x and y ?

- A.
- B.
- C.**
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #193
Other: Pick-up
Type: Graphic

194.
(p. 26)

Refer to the above diagram. Which line(s) show(s) a negative relationship between x and y ?

- A.
- B.
- C.
- D.**

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #194
Other: Pick-up
Type: Graphic

195.
(p. 26)

Refer to the above diagram. Which line(s) show(s) a positive vertical intercept?

- A.
- B.
- C.**
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #195
Other: Pick-up
Type: Graphic*

196.
(p. 26)

Refer to the above diagram. Which line(s) show(s) a negative vertical intercept?

- A.
- B.
- C.
- D.**

*Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #196
Other: Pick-up
Type: Graphic*

197.
(p. 26)

If two variables are inversely related, then as the value of one variable:

- A.
- B.
- C.**
- D.

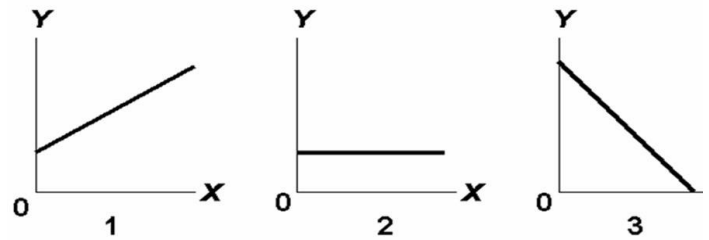
*Learning Objective: A1-01 Graphs and their meanings
Level: Easy
McConnell - Chapter 01 #197
Other: Pick-up
Type: Definition*

198.
(p. 26)

If a positive relationship exists between x and y:

- A.
- B.
- C.**
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Easy
McConnell - Chapter 01 #198
Other: Pick-up
Type: Definition*



McConnell - Chapter 01

199.
(p. 26)

Answer on the basis of the relationships shown in the above four figures. The amount of Y is directly related to the amount of X in:

- A.
- B.
- C.
- D.**

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #199
Other: Pick-up
Type: Graphic

200.
(p. 26)

Answer on the basis of the relationships shown in the above four figures. The amount of Y is inversely related to the amount of X in:

- A.
- B.
- C.**
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #200
Other: Pick-up
Type: Graphic

201.
(p. 26)

Answer on the basis of the relationships shown in the above four figures. The amount of Y is unrelated to the amount of X in:

- A.
- B.
- C.**
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #201
Other: Pick-up
Type: Graphic

202.
(p. 26)

If price (P) and quantity (Q) are directly related, this means that:

- A.
- B.
- C.**
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Easy
McConnell - Chapter 01 #202
Other: Pick-up
Type: Definition*

Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment so that investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest \$10 billion. If the interest rate were 12 percent, \$20 billion would be invested. Assume that total investment continues to increase by \$10 billion for each successive 4 percentage point decline in the interest rate.

McConnell - Chapter 01

203.
(p. 26)

Refer to the above information. Which of the following is an accurate verbal statement of the described relationship?

- A.
- B.
- C.**
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #203
Other: Pick-up
Type: Application*

204.
(p. 26)

Refer to the above information. Using i and I to indicate the interest rate and investment (in billions of dollars) respectively, which of the following is the correct tabular presentation of the described relationship?

<u>(A)</u>		<u>(B)</u>		<u>(C)</u>	
i	I	i	I	i	i
20	\$50	24	\$10	20	\$0
16	40	20	20	16	10
12	30	16	30	12	20
8	20	12	40	8	30
4	10	8	50	4	40
0	0	4	60	0	50

- A.
- B.
- C.**
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #204
Other: Pick-up
Type: Application

205.
(p. 26)

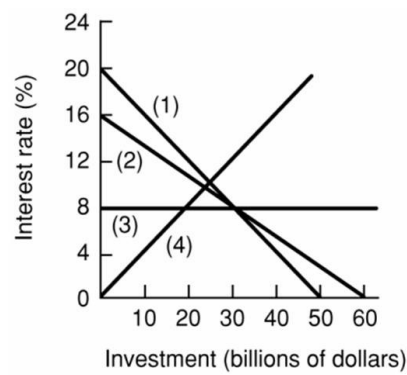
Refer to the above information. Which of the following correctly expresses the indicated relationship as an equation?

- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #205
Other: Pick-up
Type: Formula

206.
(p. 26)

Refer to the above information. Which of the following is the correct graphical presentation of the indicated relationship?



- A.
- B.
- C.
- D.**

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #206
Other: Pick-up
Type: Graphic

<u>After-tax</u> <u>income</u>	<u>Consumption</u>
\$1000	\$900
2000	1800
3000	2700
4000	3600
5000	4500

McConnell - Chapter 01

207.
(p. 26)

The above data suggest that:

- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #207
Other: Pick-up
Type: Graphic

208.
(p. 26)

The above data indicates that:

- A.
- B.**
- C.
- D.

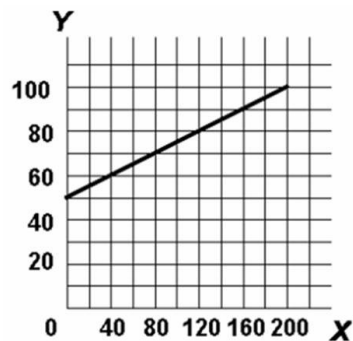
Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #208
Other: Pick-up
Type: Calculation

209.
(p. 26)

The above data suggest that:

- A.**
- B.
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Easy
McConnell - Chapter 01 #209
Other: Pick-up
Type: Graphic



McConnell - Chapter 01

210.
(p. 26)

Refer to the above diagram. The variables X and Y are:

- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Easy
McConnell - Chapter 01 #210
Other: Pick-up
Type: Graphic

211.
(p. 26)

Refer to the above diagram. The vertical intercept:

- A.
- B.**
- C.
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #211
Other: Pick-up
Type: Graphic*

212.
(p. 26)

Refer to the above diagram. The slope of the line:

- A.
- B.**
- C.
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #212
Other: Pick-up
Type: Graphic*

213.
(p. 26)

Refer to the above diagram. The equation which shows the relationship between Y and X is:

- A.**
- B.
- C.
- D.

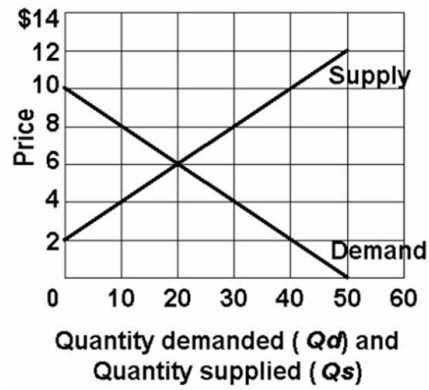
*Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #213
Other: Pick-up
Type: Formula*

214.
(p. 26)

The slope of a straight line can be determined by:

- A.
- B.**
- C.
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #214
Other: Pick-up
Type: Definition*



McConnell - Chapter 01

215.
(p. 26)

Refer to the above graph. Which of the following statements is correct?

- A.
- B.
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings

Level: Moderate

McConnell - Chapter 01 #215

Other: Pick-up

Type: Graphic

216.
(p. 26)

Refer to the above graph. Which of the following schedules correctly reflects "demand"?

<u>(A)</u>		<u>(B)</u>		<u>(C)</u>	
P	Qd	P	Qd	P	Qd
\$12	0	\$14	0	\$14	60
10	0	12	0	12	50
8	10	10	20	10	40
6	20	8	40	8	30
4	30	6	60	6	20
2	40	4	80	4	10

- A.
- B.
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings

Level: Difficult

McConnell - Chapter 01 #216

Other: Pick-up

Type: Graphic

217.
(p. 26)

Refer to the above graph. Which of the following schedules correctly reflects "supply"?

(A)		(B)		(C)		
P	Qs	P	Qs	P	Qs	P
\$12	50	\$14	50	\$12	50	\$12
10	30	12	40	10	40	10
8	10	10	30	8	30	8
6	0	8	20	6	20	6
4	0	6	10	4	10	4
2	0	4	0	2	0	2

- A.
- B.
- C.**
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #217
Other: Pick-up
Type: Graphic

218.
(p. 26)

Refer to the above graph. Using Q_d for quantity demanded and P for price, which of the following equations correctly states the demand for this product?

- A.
- B.
- C.**
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #218
Other: Pick-up
Type: Formula

219.
(p. 26)

Refer to the above graph. Using Q_s for quantity supplied and P for price, which of the following equations correctly states the supply of this product?

- A.
- B.
- C.
- D.**

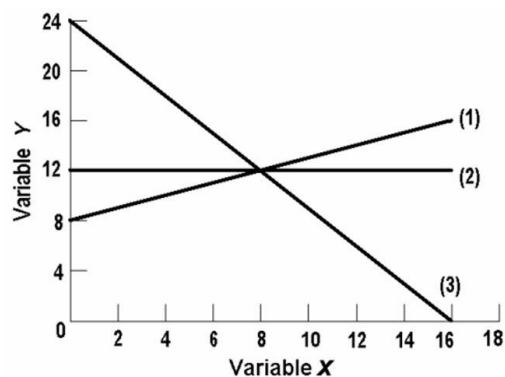
Learning Objective: A1-01 Graphs and their meanings
Level: Difficult

220.
 (p. 26)

Assume a household would consume \$100 worth of goods and services per week if its weekly income were zero and would spend an additional \$80 per week for each \$100 of additional income. Letting C represent consumption and Y represent income, the equation which summarizes this relationship is:

- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
 Level: Difficult
 McConnell - Chapter 01 #220
 Other: Pick-up
 Type: Formula



McConnell - Chapter 01

221.
 (p. 26)

In line (1) on the above graph, the variables x and y are:

- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
 Level: Easy
 McConnell - Chapter 01 #221
 Other: Pick-up
 Type: Graphic

222.
(p. 26)

In line (3) on the above graph, variables x and y are:

- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Easy
McConnell - Chapter 01 #222
Other: Pick-up
Type: Graphic

223.
(p. 26)

The linear equation for line (1) on the above graph is:

- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #223
Other: Pick-up
Type: Formula

224.
(p. 26)

The slope of line (2) on the above graph is:

- A.**
- B.
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #224
Other: Pick-up
Type: Graphic

225.
(p. 26)

The linear equation for line (3) on the above graph is:

- A.**
- B.
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #225
Other: Pick-up
Type: Formula

226.
(p. 26)

The vertical intercept of line (2) on the above graph is:

- A.
- B.**
- C.
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #226
Other: Pick-up
Type: Graphic*

227.
(p. 26)

If the equation $y = 5 + 6x$ was graphed, the:

- A.
- B.
- C.**
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #227
Other: Pick-up
Type: Graphic*

228.
(p. 26)

If the equation $y = 15 - 4x$ was plotted, the:

- A.
- B.
- C.
- D.**

*Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #228
Other: Pick-up
Type: Graphic*

229.
(p. 26)

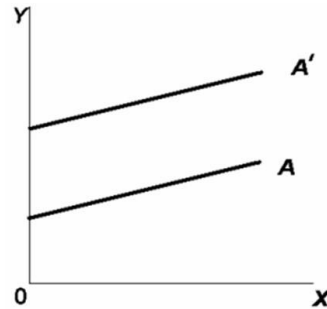
If the equation $y = -10 + 2.5x$ was plotted

- A.
- B.
- C.
- D.**

*Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #229
Other: Pick-up
Type: Graphic*

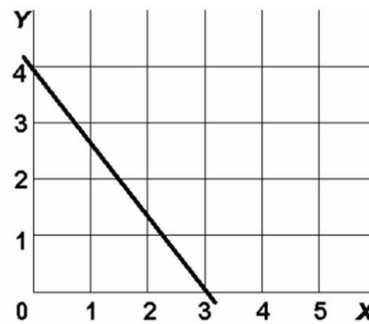
230.
(p. 26)

Refer to the graph. The movement from line A to line A' represents a change in:



- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #230
Other: Pick-up
Type: Graphic



McConnell - Chapter 01

231.
(p. 26)

In the above diagram variables x and y are:

- A.
- B.
- C.**
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Easy
McConnell - Chapter 01 #231
Other: Pick-up
Type: Graphic

232.
(p. 26)

In the above diagram the vertical intercept and slope are:

- A.
- B.
- C.
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #232
Other: Pick-up
Type: Graphic*

233.
(p. 26)

In the above diagram the equation for this line is:

- A.
- B.
- C.
- D.

*Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #233
Other: Pick-up
Type: Formula*

234.
(p. 26)

If we are considering the relationship between two variables and release the "other things equal" assumption, we would expect:

- A.
- B.
- C.
- D.

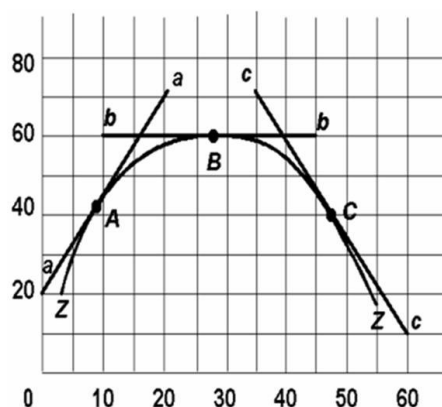
*Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #234
Other: Pick-up
Type: Application*

235.
(p. 26)

The amount of pizzas that consumers want to buy per week is reflected in the equation $P = 15 - .02Q_d$, where Q_d is the amount of pizzas purchased per week and P is the price of pizzas. On the basis of this information we can say that:

- A.
- B.
- C.
- D.**

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #235
Other: Pick-up
Type: Application



McConnell - Chapter 01

236.
(p. 26)

Refer to the above diagram. The slope of curve ZZ at point B is:

- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #236
Other: Pick-up
Type: Graphic

237.
(p. 26)

The slope of a line parallel to the vertical axis is:

- A.
- B.
- C.**
- D.

Learning Objective: A1-01 Graphs and their meanings

238.
(p. 26)

The slope of a line parallel to the horizontal axis is:

- A.
- B.
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #238
Other: Pick-up
Type: Graphic

239.
(p. 26)

The measured slope of a line:

- A.
- B.
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #239
Other: Pick-up
Type: Application

240.
(p. 26)

Slope of lines are especially important in economics because:

- A.
- B.
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Moderate
McConnell - Chapter 01 #240
Other: Pick-up
Type: Application

241.
(p. 26)

In a linear equation relating income and consumption, you know that the intercept is \$1,000 and the slope of the line is .4. If income is \$20,000, then consumption is:

- A.
- B.**
- C.
- D.

Learning Objective: A1-01 Graphs and their meanings
Level: Difficult
McConnell - Chapter 01 #241
Other: Pick-up
Type: Calculation

242.
(p. 3)

Purposeful behaviour implies that everyone will make identical choices.

FALSE

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #242
Other: Pick-up
Type: Definition

243.
(p. 3)

Rational individuals may make different choices because their information and circumstances differ.

TRUE

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #243
Other: Pick-up
Type: Application

244.
(p. 3)

Certain inherently desirable products such as education and health care should be produced so long as resources are available.

FALSE

Learning Objective: 01-02 The economic way of thinking
Level: Moderate
McConnell - Chapter 01 #244
Other: Pick-up
Type: Application

245.
(p. 3)

Marginal analysis means that decision-makers compare the extra benefits with the extra costs of a specific choice.

TRUE

Learning Objective: 01-02 The economic way of thinking
Level: Easy
McConnell - Chapter 01 #245
Other: Pick-up

246.
(p. 3)

Choices entail marginal costs because resources are scarce.

TRUE

Learning Objective: 01-02 The economic way of thinking

Level: Easy

McConnell - Chapter 01 #246

Other: Pick-up

Type: Definition

247.
(p. 5)

If economic theories are solidly based on relevant facts, then there can be no question as to the character of appropriate economic policy.

FALSE

Learning Objective: 01-03 Role of economic theory

Level: Easy

McConnell - Chapter 01 #247

Other: Pick-up

Type: Definition

248.
(p. 5)

The fact that economic generalizations are abstract renders them impractical and useless.

FALSE

Learning Objective: 01-03 Role of economic theory

Level: Easy

McConnell - Chapter 01 #248

Other: Pick-up

Type: Application

249.
(p. 6)

Macroeconomics explains the behaviour of individual households and business firms; microeconomics is concerned with the behaviour of aggregates or the economy as a whole.

FALSE

Learning Objective: 01-04 Microeconomics and Macroeconomics

Level: Easy

McConnell - Chapter 01 #249

Other: Pick-up

Type: Definition

250.
(p. 6)

Positive statements are expressions of value judgments.

FALSE

Learning Objective: 01-04 Microeconomics and Macroeconomics

Level: Easy

McConnell - Chapter 01 #250

Other: Pick-up

Type: Definition

251.
(p. 6)

Normative statements are expressions of facts.

FALSE

*Learning Objective: 01-04 Microeconomics and Macroeconomics
Level: Easy
McConnell - Chapter 01 #251
Other: Pick-up
Type: Definition*

252.
(p. 7)

Individuals face an economic problem but not the society.

FALSE

*Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #252
Other: Pick-up
Type: Application*

253.
(p. 7)

The entrepreneur's sole function is to combine other resources (land, labour, and capital) in the production of some good or service.

FALSE

*Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #253
Other: Pick-up
Type: Definition*

254.
(p. 7)

Products and services are scarce because resources are scarce.

TRUE

*Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #254
Other: Pick-up
Type: Definition*

255.
(p. 7)

The process by which capital goods are accumulated is known as investment.

TRUE

*Learning Objective: 01-05 The economic problem
Level: Easy
McConnell - Chapter 01 #255
Other: Pick-up
Type: Definition*

256.
(p. 12)

The production possibilities curve shows various combinations of two products which an economy can produce when achieving full employment and productive efficiency.

TRUE

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

257.
(p. 12)

An economy will always operate at some point on its production possibilities curve.

FALSE

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #257
Other: Pick-up
Type: Application

258.
(p. 12)

Refer to the above production possibilities curves. Given production possibilities curve (a), point Y indicates that society is failing to use available resources efficiently.

FALSE

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate
McConnell - Chapter 01 #258
Other: Pick-up
Type: Graphic

259.
(p. 12)

Refer to the above production possibilities curves. The movement from curve (a) to curve (b) implies an increase in the quantity and/or quality of society's productive resources.

TRUE

Learning Objective: 01-06 Production possibilities analysis
Level: Difficult
McConnell - Chapter 01 #259
Other: Pick-up
Type: Graphic

260.
(p. 12)

Refer to the above production possibilities curves. Given production possibilities curve (a), the combination of civilian and war goods indicated by point X is unattainable to this economy.

FALSE

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Easy
McConnell - Chapter 01 #260
Other: Pick-up
Type: Graphic

261.
(p. 12)

An economy cannot produce at a point outside of its production possibilities curve because human material wants are insatiable.

FALSE

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs
Level: Moderate

262.
(p. 12)

Although sleeping in on a work day or school day has an opportunity cost, sleeping late on the weekend does not.

FALSE

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Difficult

McConnell - Chapter 01 #262

Other: Pick-up

Type: Application

263.
(p. 12)

Recessions are characterised by points that are not attainable on the production possibilities curve.

FALSE

Learning Objective: 01-06 Production possibilities model and increasing opportunity costs

Level: Moderate

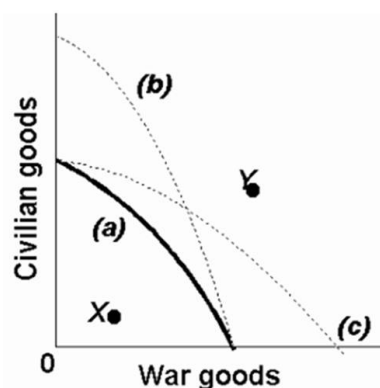
McConnell - Chapter 01 #263

Other: Pick-up

Type: Application

264.
(p. 16)

Refer to the production possibilities curves. The movement from curve (a) to curve (c) indicates an improvement in civilian goods technology but not in war goods technology.



FALSE

Learning Objective: 01-07 Economic growth; present choices; and future possibilities

Level: Moderate

McConnell - Chapter 01 #264

Other: Pick-up

Type: Graphic

265.
(p. 16)

The present choice of position on the production possibilities curve will not influence the future location of the curve.

FALSE

Learning Objective: 01-07 Economic growth; present choices; and future possibilities

Level: Moderate
McConnell - Chapter 01 #265
Other: Pick-up
Type: Definition

Chapter 01 Limits, Alternatives, and Choices **Summary**