

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

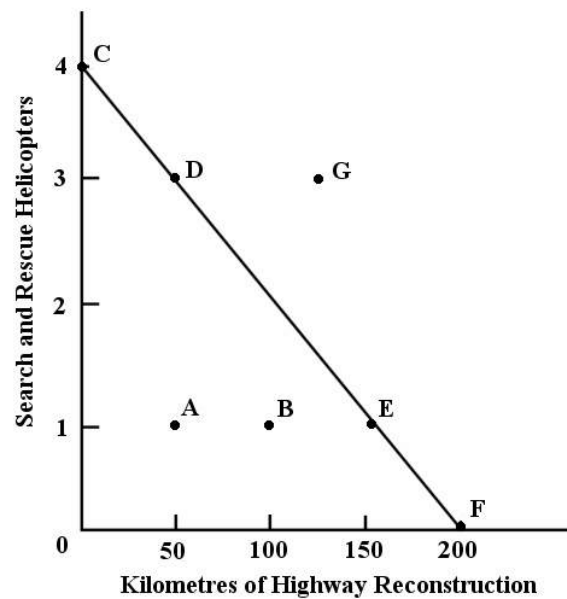


FIGURE 1-1

With a budget of \$200 million, the government can choose to purchase 4 helicopters or repair 200 km of highway.

- 1) Refer to Figure 1-1. For the government, the opportunity cost of one search and rescue helicopter is 1) _____
- A) 200 kilometres of highway repair.
 - B) 150 kilometres of highway repair.
 - C) 0 kilometres of highway repair.
 - D) 50 kilometres of highway repair.
 - E) 100 kilometres of highway repair.

Answer: D

Explanation: A)
B)
C)
D)
E)

2) Which of the following has most contributed to the globalization of the economy?

2) _____

- A) tariffs and trade barriers
- B) reductions in transportation and communication costs
- C) the shift toward a market economy in China
- D) the decreased importance of agriculture
- E) the decline in the relative importance of manufacturing

Answer: B

Explanation: A)
B)
C)
D)
E)

3) Which of the following is illustrated by the circular flow of income?

3) _____

- A) that firms own the factors of production
- B) that there is no relationship between goods markets and factor markets
- C) that the flow of payments moves in the same direction as the flow of goods
- D) the flows of expenditures and income in a household
- E) the interaction of households and firms through the factors and goods markets

Answer: E

Explanation: A)
B)
C)
D)
E)

The table below illustrates that, in one day, Tristan can produce either 12 fishing lures or mow 3 lawns, while Thomas can produce either 6 fishing lures or mow 6 lawns.

	Fishing Lures	Mowed Lawns
Tristan	12	3
Thomas	6	6

TABLE 1-1

4) Refer to Table 1-1. What is Tristan's opportunity cost of producing one fishing lure?

4) _____

- A) one mowed lawn
- B) 4 mowed lawns
- C) 3 mowed lawns
- D) 1/4 of a mowed lawn
- E) 1/3 of a mowed lawn

Answer: D

Explanation: A)
B)
C)
D)
E)

5) Suppose Andrea has a job that pays her \$25 000 per year (after taxes). She is considering quitting her job and going to university full time for four years. Tuition fees and books will cost \$12 000 per year. Living expenses in either situation will cost \$10 000 per year. What is the opportunity cost of Andrea's four-year university degree?

5) _____

- A) \$148 000 B) \$188 000 C) \$88 000 D) \$120 000 E) \$100 000

Answer: A

Explanation: A)
B)
C)
D)
E)

6) An insight first fully developed by Adam Smith is that

6) _____

- A) self-interest undermines effective economic order.
B) individual self-interest is the only necessary force for social order.
C) without benevolence production would not occur.
D) all individuals are motivated solely by self-interest.
E) self-interest, not benevolence, is the foundation of economic order.

Answer: E

Explanation: A)
B)
C)
D)
E)

7) During economic recessions, the opportunity cost of going to university _____ because the wages a student can expect to earn working in the best alternative _____.

7) _____

- A) increases; decrease
B) decreases; decrease
C) remains the same; remain the same
D) increases; increase
E) decreases; increase

Answer: B

Explanation: A)
B)
C)
D)
E)

8) Which of the following represents a typical "real" flow (as opposed to a financial flow) in the circular flow of income?

8) _____

- A) factor services going from producers to consumers
B) goods going from producers to consumers
C) money payments going from consumers to producers
D) money payments going from producers to consumers
E) goods going from consumers to producers

Answer: B

Explanation: A)
B)
C)
D)
E)

9) Which countries have mostly public ownership of resources?

9) _____

- A) France and Germany
- B) United States and Canada
- C) Brazil and Argentina
- D) Cuba and North Korea
- E) Sweden and Norway

Answer: D

Explanation: A)
B)
C)
D)
E)

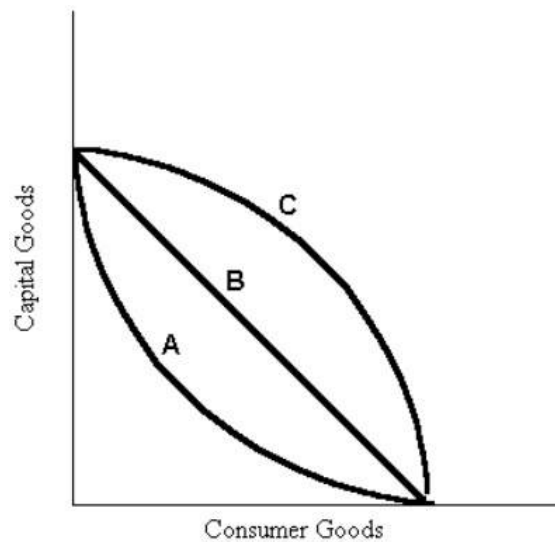


FIGURE 1-5

10) Refer to Figure 1-5. Which production possibilities boundaries are consistent with increasing opportunity costs?

10) _____

- A) boundary C only
- B) boundary A only
- C) boundaries B and C
- D) boundaries A, B, and C
- E) boundaries A and B

Answer: A

Explanation: A)
B)
C)
D)
E)

The diagram below shows two production possibilities boundaries for Country X.

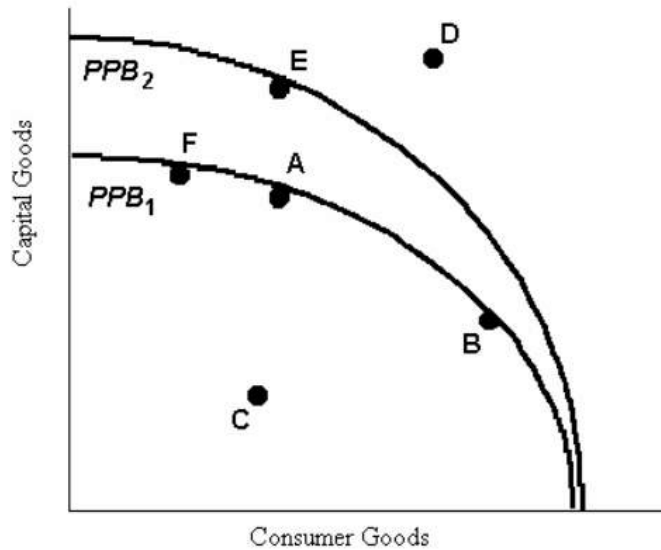


FIGURE 1-4

- 11) Refer to Figure 1-4. If Country X is currently producing at point A, it could move to point B if
- A) some resources were switched from the capital goods industries to the consumer goods industries.
 - B) Country X is no longer able to produce the quantity of capital goods at point A.
 - C) the cost of producing capital goods were to increase.
 - D) some resources were switched from the consumer goods industries to the capital goods industries.
 - E) the cost of producing consumer goods were to increase.

11) _____

Answer: A

Explanation: A)
B)
C)
D)
E)

- 12) A small landscaping firm purchases a tractor that, in one day, is capable of drilling 60 fence-post holes or removing 12 tree stumps (or some intermediate combination). For this landscaper, what is the opportunity cost of removing one extra tree stump?
- A) drilling 12 fence-post holes
 - B) drilling 5 fence-post holes
 - C) there is no opportunity cost
 - D) 1/12th of the cost of the tractor
 - E) 1/5 of the cost of the tractor

12) _____

Answer: B

Explanation: A)
B)
C)
D)
E)

The diagram below shows two production possibilities boundaries for Country X.

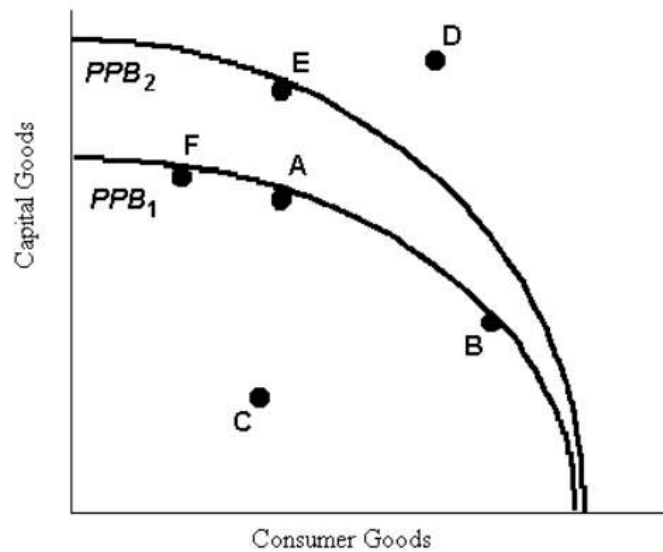


FIGURE 1-4

- 13) Refer to Figure 1-4. Suppose that Country X is currently producing at point E. Country X could achieve production at point D if
- A) sufficient improvements in technology occurred in either the capital goods industry or the consumer goods industries.
 - B) the prices of capital goods and consumption goods fell.
 - C) the given resources were fully employed.
 - D) firms reduced output of capital goods.
 - E) the given resources were more efficiently employed.

13) _____

Answer: A

Explanation: A)
B)
C)
D)
E)

Madeleine allows herself \$100 per month for purchasing coffee. The diagram below illustrates the choices available to her.

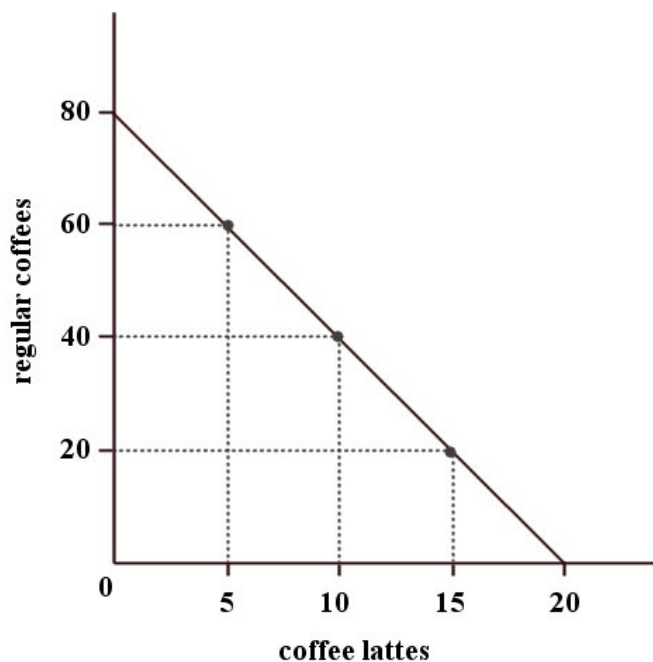


FIGURE 1-3

14) Refer to Figure 1-3. For Madeleine, the opportunity cost of one latte is

14) _____

- A) 1/4 of a latte.
- B) 80 regular coffees.
- C) 1/4 of a regular coffee.
- D) 8 regular coffees.
- E) 4 regular coffees.

Answer: E

Explanation: A)
B)
C)
D)
E)

The table below shows that, in one day, Claire can complete either 3 chemistry or 2 biology lab reports, while Sam can complete either 4 chemistry or 3 biology lab reports.

	Chemistry Lab Reports	Biology Lab Reports
Claire	3	2
Sam	4	3

TABLE 1-2

15) Refer to Table 1-2. What is Sam's opportunity cost of completing 2 biology lab reports?

15) _____

- A) $1\frac{1}{3}$ chemistry lab reports
- B) $\frac{3}{4}$ of a chemistry lab report
- C) 4 chemistry lab reports
- D) $2\frac{2}{3}$ chemistry lab reports
- E) $\frac{2}{3}$ of a chemistry lab report

Answer: D

Explanation: A)
B)
C)
D)
E)

16) Income redistribution in a mixed economy

16) _____

- A) risks reducing individual incentives to work and produce.
- B) is supported by all individuals.
- C) is only accomplished through government intervention.
- D) is not allowed.
- E) rarely occurs.

Answer: A

Explanation: A)
B)
C)
D)
E)

17) If some income earned by households is not spent on output, or if some income earned by firms is not spent on factor services, the circular flow of income will

17) _____

- A) contract.
- B) explode.
- C) run over.
- D) stop.
- E) expand.

Answer: A

Explanation: A)
B)
C)
D)
E)

Madeleine allows herself \$100 per month for purchasing coffee. The diagram below illustrates the choices available to her.

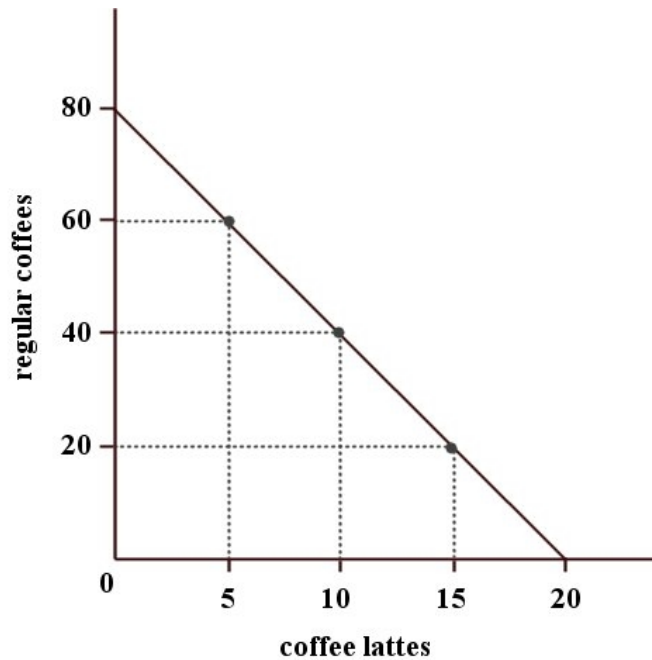


FIGURE 1-3

- 18) Refer to Figure 1-3. If Madeleine chooses to allocate all \$100 to buying lattes, we can say that her opportunity cost in one month is 18) _____
- A) zero because she stayed within her budget.
 - B) zero because she bought what she desired.
 - C) 20 cups of regular coffee.
 - D) 40 cups of regular coffee.
 - E) 80 cups of regular coffee.

Answer: E

Explanation: A)
B)
C)
D)
E)

- 19) An economic system that relies primarily upon custom and habit in economic decision making is a 19) _____
- A) market system.
 - B) communist system.
 - C) mixed system.
 - D) command system.
 - E) traditional system.

Answer: E

Explanation: A)
B)
C)
D)
E)

- 20) On a diagram of a production possibilities boundary, the concept of scarcity is illustrated by the 20) _____
- A) area within the boundary.
 - B) points on the boundary.
 - C) negative slope of the boundary.
 - D) unattainable points outside the boundary.
 - E) distance from the origin to the boundary.

Answer: D

Explanation: A)
B)
C)
D)
E)

- 21) Consider Canada's production possibilities boundary. Suppose a scientific breakthrough leads to a 21) _____
lower-cost method of producing battery-operated cars in Canada. The likely effect would be to
move Canada's current production
- A) above the level of U.S. production.
 - B) to a point beyond its new production possibilities boundary.
 - C) possibilities boundary inward.
 - D) possibilities boundary outward.
 - E) to a point inside its new production possibilities boundary.

Answer: D

Explanation: A)
B)
C)
D)
E)

- 22) Suppose that a bakeshop with 5 employees can produce both pies and cakes. In one day, if all 22) _____
resources are devoted to baking pies, the shop can produce 125 pies; if all resources are devoted to
baking cakes, the shop can produce 50. What is the shop's opportunity cost of producing any one
cake?
- A) 0.4 pies B) 0.25 pies C) 2.5 cakes D) 2.5 pies E) 0.4 cakes

Answer: D

Explanation: A)
B)
C)
D)
E)

23) Which of the following statements about specialization and trade are correct?

23) _____

- A) They exist only in capitalist economies.
- B) They developed only where government and political institutions were stable.
- C) They developed only in the twentieth century.
- D) They arose as humans changed from nomadic and self-sufficient food gatherers to settled food producers.
- E) They occur only in the private sector.

Answer: D

Explanation: A)
 B)
 C)
 D)
 E)

24) The barter system of exchange is inefficient because

24) _____

- A) markets do not exist.
- B) the double coincidence of wants may not exist.
- C) exchange partners need to know each other.
- D) "fair" values cannot be defined without the use of money.
- E) bargaining power is unequal between rich and poor.

Answer: B

Explanation: A)
 B)
 C)
 D)
 E)

The downward-sloping line in the diagram below shows the combinations of health care and education expenditures that the government can afford with a given amount of tax revenue.

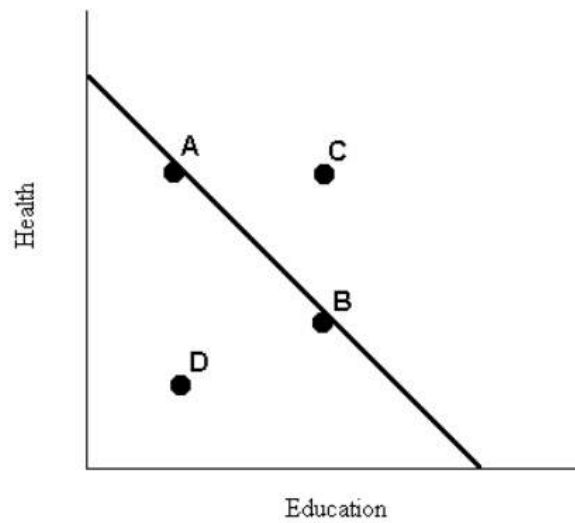


FIGURE 1-6

- 25) Refer to Figure 1-6. If the government's spending on health and education is given by point B, a move to point A must involve
- A) less spending on education.
 - B) zero opportunity cost.
 - C) more spending on education.
 - D) less spending on health.
 - E) less spending in total.

25) _____

Answer: A

Explanation: A)
B)
C)
D)
E)

- 26) The key decision makers in a market economy are
- A) governments and all institutions under government control.
 - B) corporations and governments.
 - C) individual citizens, non-profit organizations, and the Bank of Canada.
 - D) households, firms, and government.
 - E) large corporations and labour organizations.

26) _____

Answer: D

Explanation: A)
B)
C)
D)
E)

The table below shows that, in one day, Claire can complete either 3 chemistry or 2 biology lab reports, while Sam can complete either 4 chemistry or 3 biology lab reports.

	Chemistry Lab Reports	Biology Lab Reports
Claire	3	2
Sam	4	3

TABLE 1-2

27) Refer to Table 1-2. What is Sam's opportunity cost of completing 3 biology lab reports?

27) _____

- A) 4 chemistry lab reports
- B) 0 chemistry lab reports
- C) 1 chemistry lab reports
- D) 2 chemistry lab reports
- E) 3 chemistry lab reports

Answer: A

Explanation: A)
B)
C)
D)
E)

28) A modern economy like Canada's is largely organized by

28) _____

- A) benevolent individuals pursuing the public interest.
- B) the self-interested behaviour of a small number of individuals.
- C) governments at all levels coordinating the activities of firms and citizens.
- D) individuals following their own self interest, doing what seems best for themselves.
- E) individuals forming cooperative enterprises and labour unions.

Answer: D

Explanation: A)
B)
C)
D)
E)

29) Comparison of economic systems indicates that

29) _____

- A) capitalist economies are clearly superior in distributing income.
- B) most countries have mixed economies.
- C) socialist economies are clearly superior in producing consumer goods.
- D) most nations have either a purely socialist economy or a purely capitalist economy.
- E) all countries have largely traditional economies.

Answer: B

Explanation: A)
B)
C)
D)
E)

With a budget of \$500 000, a school board can choose to purchase 20 000 textbooks or 2000 laptop computers (or some intermediate combination) for use in classrooms.

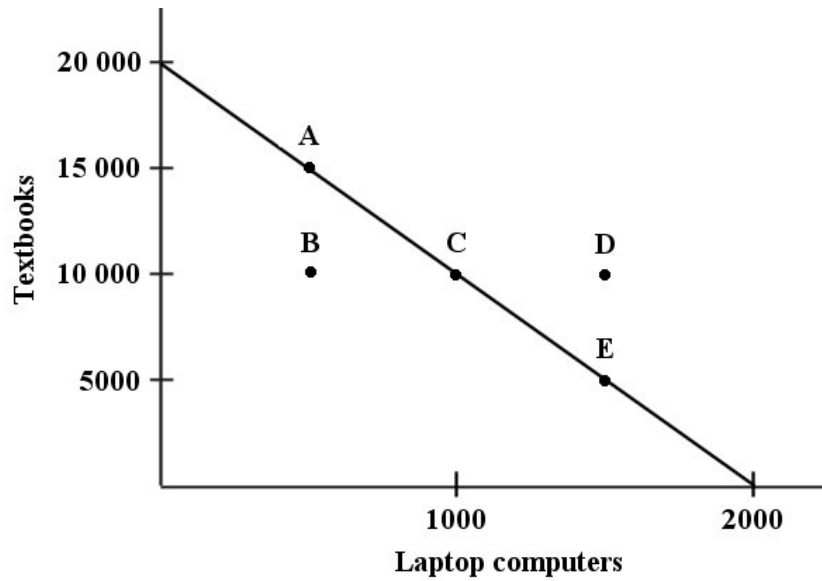


Figure 1-2

30) Refer to Figure 1-2. For the school board, what is the opportunity cost of one additional laptop computer?

30) _____

- A) 0 textbooks
- B) 1/10 of a textbook
- C) 10 textbooks
- D) 20 textbooks
- E) 2000 textbooks

Answer: C

Explanation: A)
B)
C)
D)
E)

31) The opportunity cost of producing good A is defined to be

31) _____

- A) the cost of having to get by using something else in place of good A.
- B) the money cost of the factors of production used in good A.
- C) the retail price of good A.
- D) what must be sacrificed of other goods to get an additional unit of good A.
- E) the cheapest method of producing good A.

Answer: D

Explanation: A)
B)
C)
D)
E)

32) If there is always a three-for-one trade-off between the production of goods X and Y, then the production possibilities boundary for X and Y is

32) _____

- A) a downward-sloping straight line.
- B) a downward-sloping curve convex to the origin.
- C) a downward-sloping straight line that is broken at one point.
- D) a downward-sloping curve concave to the origin.
- E) semi-circular.

Answer: A

Explanation: A)
B)
C)
D)
E)

With a budget of \$500 000, a school board can choose to purchase 20 000 textbooks or 2000 laptop computers (or some intermediate combination) for use in classrooms.

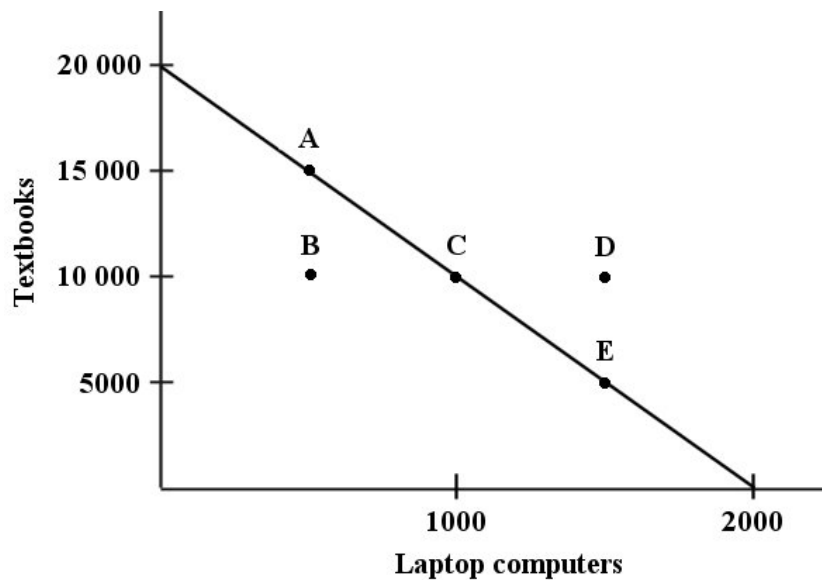


Figure 1-2

33) Refer to Figure 1-2. What is the price of a textbook in this example?

33) _____

- A) \$25
- B) \$40
- C) \$50
- D) \$100
- E) \$250

Answer: A

Explanation: A)
B)
C)
D)
E)

- 34) Karl Marx argued that 34) _____
- A) centrally planned economies could provide a more equitable distribution of total output than capitalist economies.
 - B) technological change was not important in improving living standards.
 - C) benevolence, not self-interest, produced an effective economic order.
 - D) the unfettered market system driven by self-interest leads to the best social outcome.
 - E) a free-market system would produce a low level of total output.
- Answer: A
- Explanation: A)
B)
C)
D)
E)
- 35) Most modern economies in the world today 35) _____
- A) have pure market exchange.
 - B) are similar to feudal systems.
 - C) have a mix of traditional, command and market elements.
 - D) are complex systems that defy description and analysis.
 - E) are mostly run by government decree.
- Answer: C
- Explanation: A)
B)
C)
D)
E)
- 36) Suppose drought destroys many millions of acres of valuable Canadian farmland. The effect on the Canadian economy would be to move 36) _____
- A) it beyond its production possibilities boundary.
 - B) its production possibilities boundary inward.
 - C) its production possibilities boundary outward.
 - D) it along its production possibilities boundary.
 - E) None of the above. There would be no change in Canada's production possibilities boundary.
- Answer: B
- Explanation: A)
B)
C)
D)
E)

37) Consider Canada's production possibilities boundary. During the nineteenth and early twentieth centuries, millions of people immigrated to western Canada. The effect on the Canadian economy was to

37) _____

- A) shift its production possibilities boundary outward.
- B) move it along an unchanged production possibilities boundary.
- C) move it inside its new production possibilities boundary.
- D) shift its production possibilities boundary inward.
- E) move it beyond its new production possibilities boundary.

Answer: A

Explanation: A)
B)
C)
D)
E)

The table below illustrates that, in one day, Tristan can produce either 12 fishing lures or mow 3 lawns, while Thomas can produce either 6 fishing lures or mow 6 lawns.

	Fishing Lures	Mowed Lawns
Tristan	12	3
Thomas	6	6

TABLE 1-1

38) Refer to Table 1-1. What is Thomas's opportunity cost of producing one mowed lawn?

38) _____

- A) 12 fishing lures
- B) one fishing lure
- C) 0 fishing lures
- D) 6 fishing lures
- E) 1/6 fishing lure

Answer: B

Explanation: A)
B)
C)
D)
E)

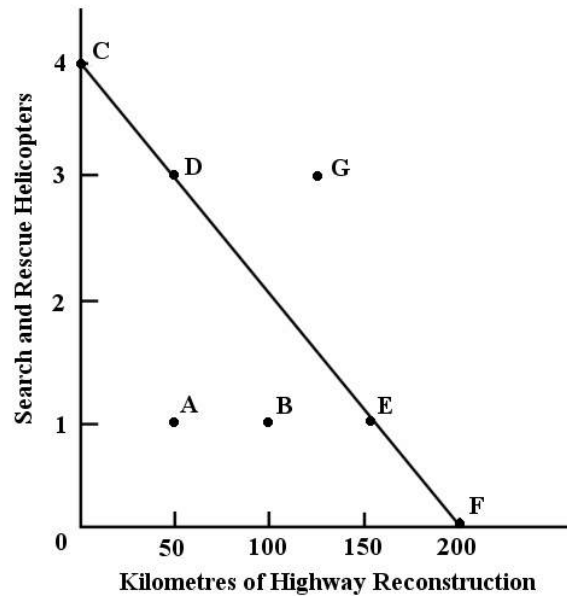


FIGURE 1-1

With a budget of \$200 million, the government can choose to purchase 4 helicopters or repair 200 km of highway.

- 39) Refer to Figure 1-1. Which of the following combinations of kilometres of highway repair and helicopters is unaffordable, given the government's budget of \$200 million?

39) _____

- A) G B) E C) F D) B E) D

Answer: A

- Explanation: A)
B)
C)
D)
E)

- 40) Refer to Figure 1-1. For the government, the opportunity cost of one kilometre of highway repair is

40) _____

- A) 1/2 of a search and rescue helicopter.
B) 1 search and rescue helicopter.
C) 1/100 of a search and rescue helicopter.
D) 1/10 of a search and rescue helicopter.
E) 1/50 of a search and rescue helicopter.

Answer: E

- Explanation: A)
B)
C)
D)
E)

- 41) Many economies in central and Eastern Europe, including the countries of the former Soviet Union, are still in the process of moving from a command economy to a market economy. In the first years of this transition, most of these countries experienced sharp drops in output and reductions in living standards. Economists generally see this as 41) _____
- A) the triumph of capitalism over communism.
 - B) the failure of the market system.
 - C) an indication of the extreme difficulty of transition from one type of economic system to another.
 - D) an indication that these economies should return to being command economies.
 - E) the difficulty of corruption in non-market economies.

Answer: C

Explanation: A)
B)
C)
D)
E)

- 42) Suppose there are only three alternatives to attending a "free" social event: read a novel (you value this at \$10), go to work (you could earn \$20), or watch videos with some friends (you value this at \$25). The opportunity cost of attending the social event is 42) _____
- A) \$10. B) \$20. C) \$25. D) \$45. E) \$55.

Answer: C

Explanation: A)
B)
C)
D)
E)

With a budget of \$500 000, a school board can choose to purchase 20 000 textbooks or 2000 laptop computers (or some intermediate combination) for use in classrooms.

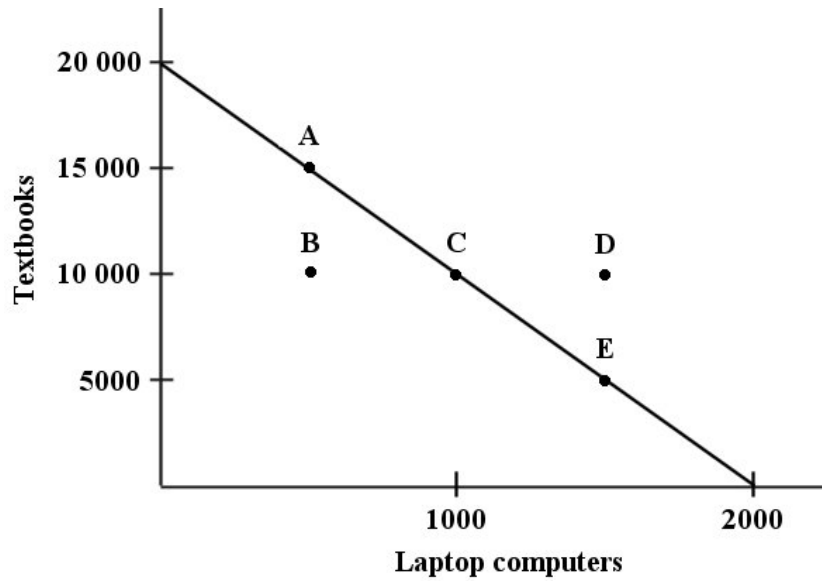


Figure 1-2

43) Refer to Figure 1-2. For the school board, what is the opportunity cost of one additional textbook?

43) _____

- A) 2000 laptops
- B) 1000 laptops
- C) 1/100 of a laptop
- D) 1/1000 of a laptop
- E) 1/10 of a laptop

Answer: E

Explanation: A)
B)
C)
D)
E)

44) In mixed economies, economic behaviour is

44) _____

- A) largely determined by a central authority.
- B) affected by elements of tradition, government command, and market incentives.
- C) directed only by self interest.
- D) based primarily on custom and habit.
- E) random and unpredictable.

Answer: B

Explanation: A)
B)
C)
D)
E)

45) Which of the following results from the introduction of money for use in transactions?

45) _____

- A) self-sufficiency is assured
- B) an increased use of barter
- C) the specialization of labour becomes more difficult
- D) exchange becomes easier and this promotes the specialization of labour
- E) society is able to satisfy all wants

Answer: D

Explanation: A)
B)
C)
D)
E)

The table below shows that, in one day, Claire can complete either 3 chemistry or 2 biology lab reports, while Sam can complete either 4 chemistry or 3 biology lab reports.

	Chemistry Lab Reports	Biology Lab Reports
Claire	3	2
Sam	4	3

TABLE 1-2

46) Refer to Table 1-2. What is Claire's opportunity cost of completing 1 chemistry lab report?

46) _____

- A) $\frac{2}{3}$ of a biology lab report
- B) $1\frac{1}{2}$ biology lab reports
- C) 2 biology lab reports
- D) $\frac{3}{4}$ of a biology lab report
- E) 3 biology lab reports

Answer: A

Explanation: A)
B)
C)
D)
E)

47) Suppose there are only two goods produced in our economy—snowplows and helicopters. If there is always a two-for-one tradeoff between the production of these two goods (in terms of opportunity cost), then the production possibilities boundary between snowplows and helicopters is

47) _____

- A) circular.
- B) a downward-sloping curve concave to the origin.
- C) a downward-sloping curve convex to the origin.
- D) a downward-sloping straight line.
- E) a downward-sloping straight line with slope equal to -1.

Answer: D

Explanation: A)
B)
C)
D)
E)

48) Society's resources are often divided into broad categories. They are

48) _____

- A) land, labour, and capital.
- B) tangible commodities and intangible commodities.
- C) goods and services.
- D) factors of consumption.
- E) population and natural resources.

Answer: A

Explanation: A)
B)
C)
D)
E)

49) With reference to the circular flow of income, how is the allocation of resources largely decided?

49) _____

- A) by individuals only
- B) by central authorities only
- C) by political parties and firms only
- D) by central authorities and firms only
- E) by firms and households acting independently

Answer: E

Explanation: A)
B)
C)
D)
E)

The diagram below shows two production possibilities boundaries for Country X.

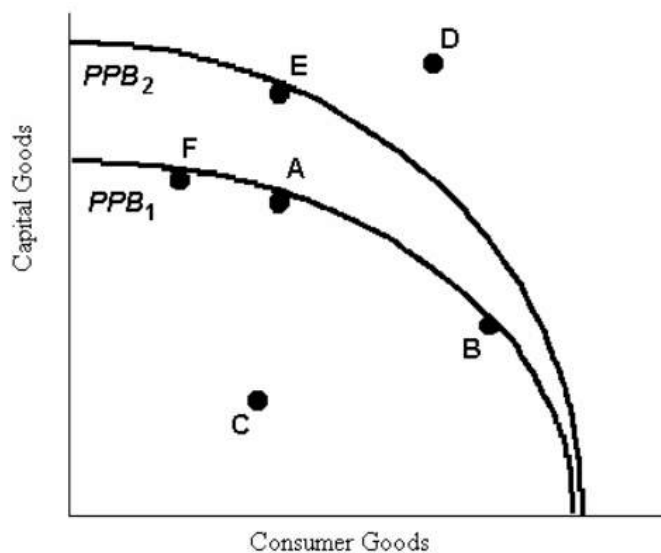


FIGURE 1-4

50) Refer to Figure 1-4. Growth in the country's productive capacity is illustrated by

50) _____

- A) a movement from a point inside the boundary such as C to the boundary.
- B) a single point such as A on the boundary.
- C) an outward shift of the boundary, for example from PPB_1 to PPB_2 .
- D) the movement between points on a given boundary.
- E) a point like D outside the boundary.

Answer: C

Explanation: A)
B)
C)
D)
E)

51) Refer to Figure 1-4. If Country X, constrained by the production possibilities boundary PPB_1 , is currently producing at point A, it can produce more capital goods by moving to point

51) _____

- A) F.
- B) C.
- C) E.
- D) B.
- E) D.

Answer: A

Explanation: A)
B)
C)
D)
E)

- 52) In a modern mixed economy the government ensures that key institutions are in place to facilitate voluntary transactions between economic agents. These key institutions are _____
- A) the Department of Finance and the Bank of Canada.
 - B) the House of Commons and the Senate.
 - C) securities regulators and the court system.
 - D) labour and capital markets.
 - E) private property and freedom of contract.

Answer: E

Explanation: A)
B)
C)
D)
E)

The table below illustrates that, in one day, Tristan can produce either 12 fishing lures or mow 3 lawns, while Thomas can produce either 6 fishing lures or mow 6 lawns.

	Fishing Lures	Mowed Lawns
Tristan	12	3
Thomas	6	6

TABLE 1-1

- 53) Refer to Table 1-1. If Tristan and Thomas want to maximize their joint output from one day of work, how should they specialize their production? _____
- A) Tristan produces nothing, Thomas produces 6 lures and 6 mowed lawns
 - B) Tristan produces 6 lures and 3 mowed lawns
 - C) Tristan produces 12 lures; Thomas produces 6 mowed lawns
 - D) Tristan produces 3 mowed lawns; Thomas produces 6 mowed lawns
 - E) Tristan produces 6 lures; Thomas produces 6 lures

Answer: C

Explanation: A)
B)
C)
D)
E)

- 54) In command economies, economic behaviour is _____
- A) largely determined by a central authority.
 - B) largely affected by elements of tradition and market incentives.
 - C) random and unpredictable.
 - D) based primarily on custom and habit.
 - E) directed by individual self interest.

Answer: A

Explanation: A)
B)
C)
D)
E)

The table below shows that, in one day, Claire can complete either 3 chemistry or 2 biology lab reports, while Sam can complete either 4 chemistry or 3 biology lab reports.

	Chemistry Lab Reports	Biology Lab Reports
Claire	3	2
Sam	4	3

TABLE 1-2

55) Refer to Table 1-2. What is Sam's opportunity cost of completing 1 chemistry lab report?

55) _____

- A) $\frac{2}{3}$ of a biology lab report
- B) $\frac{3}{4}$ of a biology lab report
- C) 3 of a biology lab report
- D) 4 of a biology lab report
- E) $\frac{4}{3}$ of a biology lab report

Answer: B

Explanation: A)
B)
C)
D)
E)

56) When discussing types of economic systems the Canadian economy is best described as

56) _____

- A) a command economy.
- B) primarily free-market decision making.
- C) a mixed economic system.
- D) traditional.
- E) primarily a public ownership economy.

Answer: C

Explanation: A)
B)
C)
D)
E)

57) In traditional economies, economic behaviour is

57) _____

- A) affected by elements of tradition, government command, and market incentives.
- B) directed only by self interest.
- C) largely determined by a central authority.
- D) random and unpredictable.
- E) based primarily on custom and habit.

Answer: E

Explanation: A)
B)
C)
D)
E)

- 58) With regard to various economic systems, most economists agree that
- A) most production and consumption decisions are more efficiently coordinated by markets than through central planning.
 - B) the optimal mix of market and command systems remains constant over time.
 - C) command economies have been very successful in distributing income in socially just ways.
 - D) the mix of market and command principles that exists in Canada is the best.
 - E) government intervention in the economy is only justified in time of war.

58) _____

Answer: A

Explanation: A)
B)
C)
D)
E)

With a budget of \$500 000, a school board can choose to purchase 20 000 textbooks or 2000 laptop computers (or some intermediate combination) for use in classrooms.

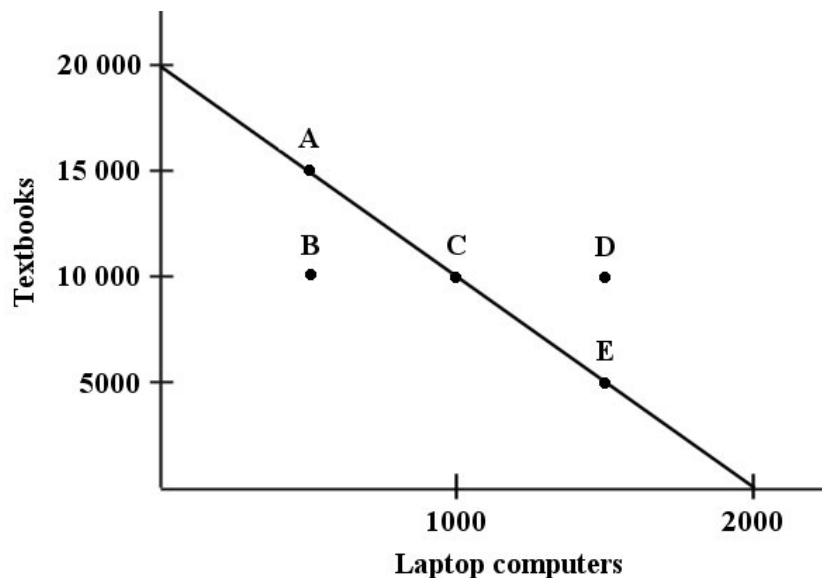


Figure 1-2

- 59) Refer to Figure 1-2. Suppose the school board chooses to allocate all \$500 000 to the purchase of laptop computers. What is the opportunity cost of this entire purchase?
- A) The opportunity cost is 20,000 textbooks.
 - B) The opportunity cost is \$0.
 - C) There is no opportunity cost because the purchase was made within the available budget.
 - D) The opportunity cost is 2000 laptops.
 - E) The opportunity cost is uncertain.

59) _____

Answer: A

Explanation: A)
B)
C)
D)
E)

60) Refer to Figure 1-2. What is the price of a laptop computer in this example?

60) _____

- A) \$25 B) \$40 C) \$50 D) \$100 E) \$250

Answer: E

Explanation: A)
 B)
 C)
 D)
 E)

61) Economists usually assume that households and firms, respectively, maximize

61) _____

- A) utility and profits.
B) wages and revenues.
C) savings and profits.
D) income and sales.
E) expenditures and profits.

Answer: A

Explanation: A)
 B)
 C)
 D)
 E)

62) Scarcity is likely to be

62) _____

- A) eliminated with a better understanding of economics.
B) a result of the work ethic.
C) a problem that will always exist.
D) a problem that will be solved by the proper use of available resources.
E) unique to the twentieth century.

Answer: C

Explanation: A)
 B)
 C)
 D)
 E)

Madeleine allows herself \$100 per month for purchasing coffee. The diagram below illustrates the choices available to her.

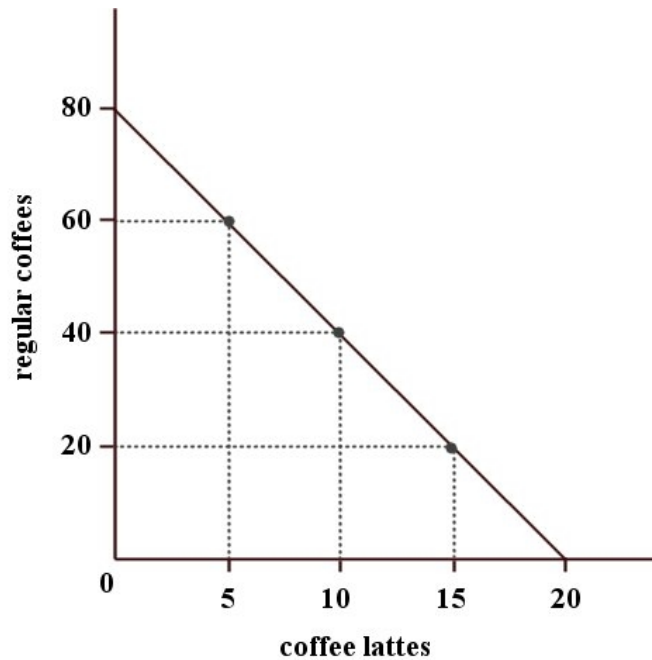


FIGURE 1-3

63) Refer to Figure 1-3. For Madeleine, the opportunity cost of one regular coffee is

63) _____

- A) 1/4 of a latte.
- B) 80 lattes.
- C) 1/4 of a regular coffee.
- D) 4 lattes.
- E) 20 lattes.

Answer: A

Explanation: A)
B)
C)
D)
E)

64) On a diagram of a production possibilities boundary, the concept of opportunity cost is illustrated by the

64) _____

- A) negative slope of the boundary.
- B) distance from the origin to the boundary.
- C) boundary being concave to the origin.
- D) unattainable points outside the boundary.
- E) area bounded by the two axes and the boundary.

Answer: A

Explanation: A)
B)
C)
D)
E)

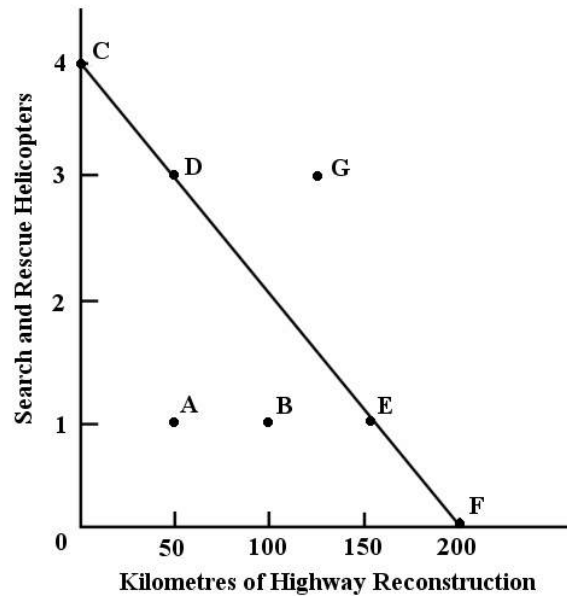


FIGURE 1-1

With a budget of \$200 million, the government can choose to purchase 4 helicopters or repair 200 km of highway.

- 65) Refer to Figure 1-1. If the government chooses to allocate all \$200 million to highway repair, we can say that 65) _____
- A) there is no opportunity cost involved because the government stayed within its budget.
 - B) the opportunity cost of the highway repair is \$0.
 - C) the opportunity cost of the highway repair is uncertain.
 - D) the opportunity cost of the highway repair is 4 search and rescue helicopters.
 - E) there is no opportunity cost involved because the government has achieved its objectives.

Answer: D

Explanation: A)
B)
C)
D)
E)

The table below illustrates that, in one day, Tristan can produce either 12 fishing lures or mow 3 lawns, while Thomas can produce either 6 fishing lures or mow 6 lawns.

	Fishing Lures	Mowed Lawns
Tristan	12	3
Thomas	6	6

TABLE 1-1

66) Refer to Table 1-1. What is Thomas's opportunity cost of producing one fishing lure?

66) _____

- A) 1 mowed lawn
- B) 5 lures
- C) there is no opportunity cost
- D) 1/6 of a mowed lawn
- E) 1/6 of a lure

Answer: A

Explanation: A)
B)
C)
D)
E)

67) A basic underlying point in economics is that

67) _____

- A) people have unlimited wants in the face of limited resources.
- B) governments should satisfy the needs of the people.
- C) there are unlimited resources.
- D) people have limited wants in the face of limited resources.
- E) governments should never interfere in the workings of a market economy.

Answer: A

Explanation: A)
B)
C)
D)
E)

68) The opportunity cost of going to college or university for four years is

68) _____

- A) the least valued alternative one forfeits to attend.
- B) the cost of tuition and books and four years of lost wages from employment.
- C) zero.
- D) equal to the wage rate a person will earn after graduation.
- E) the cost of tuition, residence fees and books.

Answer: B

Explanation: A)
B)
C)
D)
E)

69) Economics can best be described as

69) _____

- A) the study of the use of scarce resources to satisfy unlimited human wants.
- B) the study of how a society *ought* to allocate its resources.
- C) the application of sophisticated mathematical models to address social problems.
- D) the study of how to reduce inflation and unemployment.
- E) a normative science.

Answer: A

Explanation: A)
B)
C)
D)
E)

70) In recent years, several large Canadian-owned mining and resource companies have been sold to foreign owners. The immediate effect on Canada's production possibilities boundary is

70) _____

- A) a shift inward.
- B) no change.
- C) a shift outward.
- D) a movement along.
- E) a movement to a point beyond the boundary.

Answer: B

Explanation: A)
B)
C)
D)
E)

The downward-sloping line in the diagram below shows the combinations of health care and education expenditures that the government can afford with a given amount of tax revenue.

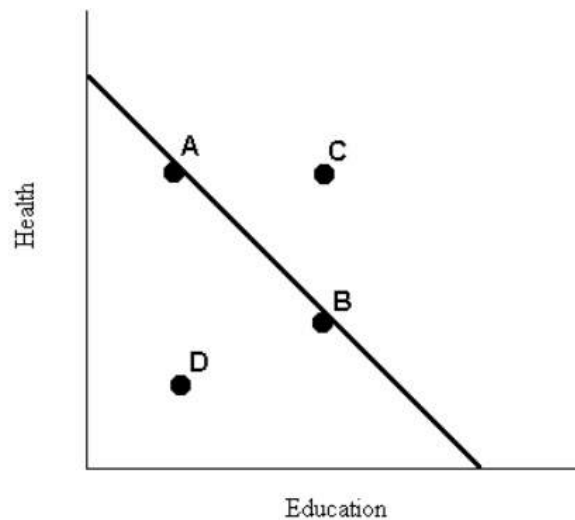


FIGURE 1-6

- 71) Refer to Figure 1-6. Suppose the government's current spending is shown by point D. In this case,
- A) the prices of education and health care have increased beyond the government's ability to pay.
 - B) the government should spend its total budget so as to get to point B, since more health spending and more education spending are both clearly desirable.
 - C) more education expenditures can be achieved only by sacrificing some health expenditures.
 - D) the government is not spending its total budget.
 - E) more health expenditures can be achieved only by sacrificing some education expenditures.

71) _____

Answer: D

Explanation: A)
B)
C)
D)
E)

- 72) A greater specialization of labour leads to which of the following major results?
- A) the circular flow of income contracts
 - B) the overall output of the economy declines
 - C) each worker must become more self-sufficient
 - D) there is an increased need for government to intervene in the marketplace
 - E) there is a greater need for trade

72) _____

Answer: E

Explanation: A)
B)
C)
D)
E)

73) Consider a production possibilities boundary showing the possible combinations of military goods and civilian goods that a country can produce. Suppose that the country is currently at a point on the boundary. If the production of military goods is increased, the production of civilian goods will necessarily

73) _____

- A) increase.
- B) decrease.
- C) increase at a increasing rate.
- D) remain the same.
- E) increase at a decreasing rate.

Answer: B

Explanation: A)
B)
C)
D)
E)

The diagram below shows two production possibilities boundaries for Country X.

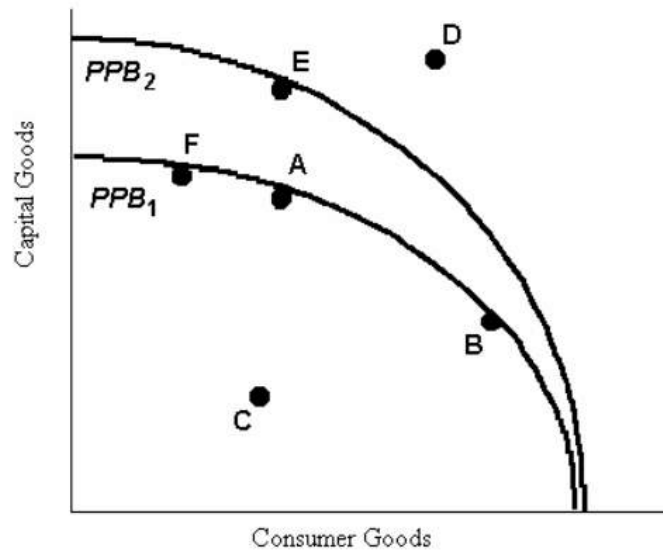


FIGURE 1-4

74) Refer to Figure 1-4. A shift of the production possibilities boundary from PPB_1 to PPB_2 implies

74) _____

- A) an inevitable decrease in total output.
- B) that technology in the capital goods industries has improved.
- C) a movement from full employment to some unemployment.
- D) that technology in the consumer goods industry has improved.
- E) that if point E is the new choice of outputs, productivity has increased in the consumer goods industry.

Answer: B

Explanation: A)
B)
C)
D)
E)

75) Which of the following statements provides the best definition of *economics*?

75) _____

- A) The study of the most equitable distribution of scarce resources.
- B) The study of the productive capacity of a nation's factors of production.
- C) The study of the use of scarce resources to satisfy unlimited human wants.
- D) The study of production and increasing its efficiency.
- E) The study of the production of goods and services.

Answer: C

Explanation: A)
B)
C)
D)
E)

76) Which of the following best describes the study of economics?

76) _____

- A) how to plan an economy
- B) how to distribute income as equally as possible
- C) how to limit human wants so that scarce resources are sufficient
- D) why resources are scarce
- E) the allocation of scarce resources among alternative uses

Answer: E

Explanation: A)
B)
C)
D)
E)

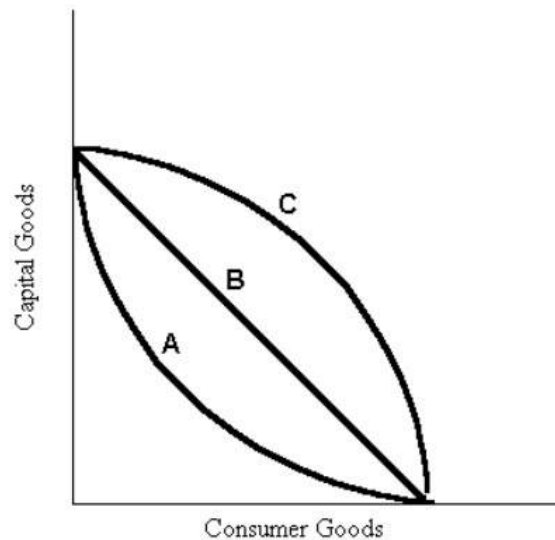


FIGURE 1-5

77) Refer to Figure 1-5. Suppose that the relevant production possibilities boundary is the one labelled 77) _____

B. This boundary implies that

- A) the opportunity cost of producing either capital goods or consumer goods does not depend on how much of each good is produced.
- B) in this society the resources are not efficiently employed.
- C) the concept of opportunity cost is not at work in this economy.
- D) capital goods are preferred to consumer goods.
- E) consumer goods are preferred to capital goods.

Answer: A

Explanation: A)
B)
C)
D)
E)

78) A straight-line production possibilities boundary differs from a concave boundary in which of the following ways? 78) _____

- A) A straight-line boundary is associated with a command economy, whereas a concave boundary is associated with a free-market economy.
- B) The straight-line boundary illustrates constant opportunity costs, whereas the concave boundary illustrates increasing opportunity costs.
- C) The straight-line boundary shows opportunity cost, whereas the concave boundary does not.
- D) The straight-line boundary does not show scarcity, whereas the concave boundary does.
- E) The concave boundary illustrates constant opportunity costs, whereas the straight-line boundary illustrates decreasing opportunity costs.

Answer: B

Explanation: A)
B)
C)
D)
E)

With a budget of \$500 000, a school board can choose to purchase 20 000 textbooks or 2000 laptop computers (or some intermediate combination) for use in classrooms.

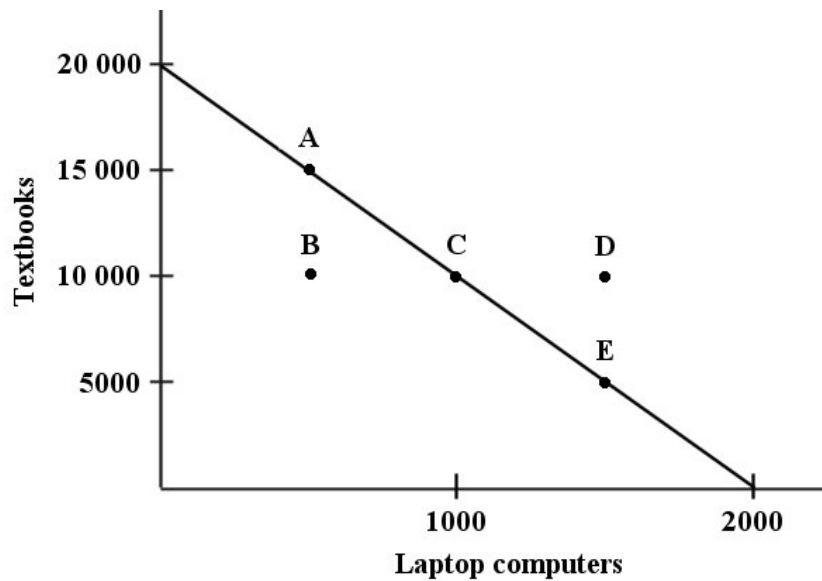


Figure 1-2

79) Refer to Figure 1-2. Which of the following combinations of textbooks and laptops is unaffordable, given the school board's budget of \$500 000? 79) _____

- A) A B) B C) C D) D E) E

Answer: D

Explanation: A)
B)
C)
D)
E)

80) A point lying inside the production possibilities boundary is one at which 80) _____

- A) the economy has run out of resources.
B) there is no scarcity.
C) the opportunity cost of producing more output is negative.
D) more output could be produced with existing resources.
E) it is not possible to produce more output with existing resources.

Answer: D

Explanation: A)
B)
C)
D)
E)

- 81) If a country's production possibilities boundary is drawn as a straight (downward-sloping) line it indicates 81) _____
- A) decreasing opportunity cost of producing more of either good.
 - B) increasing opportunity cost of producing more of either good.
 - C) constant opportunity cost of producing more of either good.
 - D) an unfair distribution of resources in an economy.
 - E) the use of the scarce resources in an economy.

Answer: C

Explanation: A)
B)
C)
D)
E)

The table below illustrates that, in one day, Tristan can produce either 12 fishing lures or mow 3 lawns, while Thomas can produce either 6 fishing lures or mow 6 lawns.

	Fishing Lures	Mowed Lawns
Tristan	12	3
Thomas	6	6

TABLE 1-1

- 82) Refer to Table 1-1. Which of the following statements about Tristan's and Thomas's opportunity costs is correct? 82) _____
- A) Tristan has a higher opportunity cost of producing mowed lawns.
 - B) Tristan has a higher opportunity cost of producing fishing lures.
 - C) Thomas has a higher opportunity cost of producing mowed lawns.
 - D) Thomas has a higher opportunity cost of producing fishing lures.
 - E) Both A and D are correct.

Answer: E

Explanation: A)
B)
C)
D)
E)

- 83) It has been observed that university enrollment in Canada is higher during periods of high unemployment. A possible explanation for this is that 83) _____
- A) when prospects for getting a job are poor, the opportunity cost of doing nothing is higher.
 - B) during periods of high unemployment, tuition fees are reduced.
 - C) during periods of high unemployment, the opportunity cost is no longer relevant.
 - D) when prospects for getting a job are poor, the opportunity cost of going to university is lower.
 - E) when prospects for getting a job are poor, the opportunity cost of getting a job is lower.

Answer: D

Explanation: A)
B)
C)
D)
E)

84) Which of the following statements best describes a barter system of exchange?

84) _____

- A) It requires the use of money.
- B) It developed late in history.
- C) It involves the trading of goods directly for other goods.
- D) It is the most efficient form of exchange.
- E) It does not involve the double coincidence of wants.

Answer: C

Explanation: A)
B)
C)
D)
E)

The diagram below shows two production possibilities boundaries for Country X.

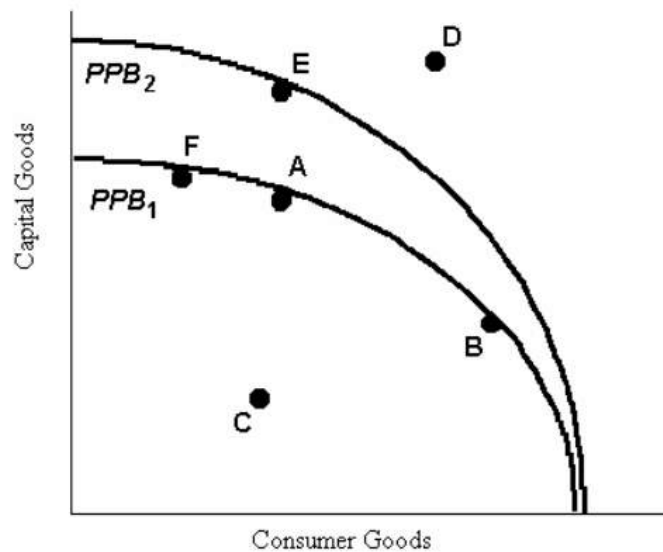


FIGURE 1-4

85) Refer to Figure 1-4. At point B,

85) _____

- A) Country X is producing too many consumer goods and too few capital goods.
- B) the opportunity cost of producing an extra unit of consumer goods is higher than at point A.
- C) the price of consumer goods is equal to the price of capital goods.
- D) the price of capital goods is higher than the price of consumer goods.
- E) the opportunity cost of producing an extra unit of capital goods is higher than at point A.

Answer: B

Explanation: A)
B)
C)
D)
E)

86) Consider a production possibilities boundary showing the quantity of military goods and the quantity of civilian goods on the two axes. A movement along the production possibilities boundary could be caused by

86) _____

- A) the employment of previously idle resources.
- B) technological progress.
- C) the reallocation of resources between military and civilian goods.
- D) the growth of productive capacity.
- E) an increase in the labour supply.

Answer: C

Explanation: A)
B)
C)
D)
E)

The table below illustrates that, in one day, Tristan can produce either 12 fishing lures or mow 3 lawns, while Thomas can produce either 6 fishing lures or mow 6 lawns.

	Fishing Lures	Mowed Lawns
Tristan	12	3
Thomas	6	6

TABLE 1-1

87) Refer to Table 1-1. What is Tristan's opportunity cost of producing one mowed lawn?

87) _____

- A) one fishing lure
- B) 4 fishing lures
- C) 3 fishing lures
- D) 12 fishing lures
- E) 6 fishing lures

Answer: B

Explanation: A)
B)
C)
D)
E)

88) The concept of scarcity in economics usually refers to a condition

88) _____

- A) where too many frivolous goods and services are produced at the expense of socially desirable goods and services.
- B) where people's wants can never be satisfied by the available resources.
- C) where production is efficient, but distribution is inefficient.
- D) that afflicts only poor countries.
- E) where society is not employing all of its available resources in an efficient manner.

Answer: B

Explanation: A)
B)
C)
D)
E)

89) Specialization of labour led to greater efficiency in the allocation of resources because of

89) _____

- A) the use of barter.
- B) the principle of comparative advantage.
- C) greater reliance on self-sufficiency.
- D) an increase in total work effort.
- E) the opportunity cost of labour increased.

Answer: B

Explanation: A)
B)
C)
D)
E)

90) Money facilitates trade and specialization by

90) _____

- A) reducing the shift of resources between uses.
- B) allowing an efficient barter system to develop.
- C) providing employment for coin makers.
- D) increasing the value of gold.
- E) eliminating the need for barter.

Answer: E

Explanation: A)
B)
C)
D)
E)

91) Which of the following statements best describes the underlying feature in most economic problems?

91) _____

- A) There are unlimited resources.
- B) Our country is rich; we just don't realize it.
- C) Governments should never interfere in the workings of a market economy.
- D) People have unlimited wants in the face of limited resources.
- E) People have limited wants in the face of limited resources.

Answer: D

Explanation: A)
B)
C)
D)
E)

The diagram below shows two production possibilities boundaries for Country X.

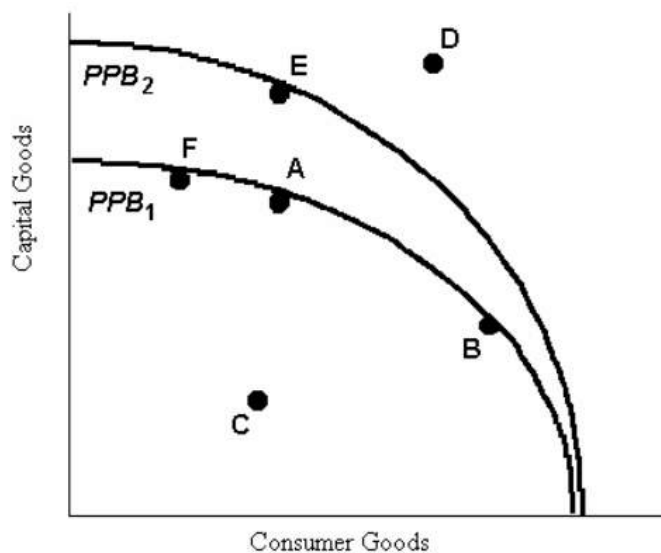


FIGURE 1-4

92) Refer to Figure 1-4. The production possibilities boundaries are drawn concave to the origin. What does this shape of the PPB demonstrate? 92) _____

- A) the decreasing opportunity cost of producing more of either good
- B) the constant opportunity cost of producing more of either good
- C) the unfair distribution of resources in the economy
- D) the scarcity of resources in the economy
- E) the increasing opportunity cost of producing more of either good

Answer: E

Explanation: A)
B)
C)
D)
E)

93) A farmer selling tomatoes and corn at a roadside, and a currency trader in Hong Kong, are each participating in 93) _____

- A) international trade.
- B) barter.
- C) flexible manufacturing.
- D) a market.
- E) an involuntary transaction.

Answer: D

Explanation: A)
B)
C)
D)
E)

94) Complex economic plans for many economic sectors are most associated with a

94) _____

- A) mixed market system.
- B) free-market system.
- C) command economy.
- D) traditional economy.
- E) feudal system.

Answer: C

Explanation: A)
B)
C)
D)
E)

95) In the Canadian economy, most decisions regarding resource allocation are made by

95) _____

- A) negotiation between unions and firms.
- B) consumers and producers interacting in the price system.
- C) business firms only.
- D) legal contract.
- E) the various levels of government.

Answer: B

Explanation: A)
B)
C)
D)
E)

96) In general, which of the following statements is an accurate description of economists' assumptions about households? Households

96) _____

- A) do not make consistent decisions, maximize satisfaction, and are the principal owners of the factors of production.
- B) make consistent decisions, maximize utility, and are the principal owners of the factors of production.
- C) make consistent decisions, maximize savings, and are the principal users of the factors of production.
- D) do not make consistent decisions, maximize profits, and are the principal users of the factors of production.
- E) make consistent decisions, maximize profits, and are the principal users of the factors of production.

Answer: B

Explanation: A)
B)
C)
D)
E)

- 97) A country's production possibilities boundary shows that
- A) when a society combines its resources efficiently, it is always possible to produce more of all goods.
 - B) when a society combines its resources efficiently, it cannot produce more of one good without producing less of the other good.
 - C) the supply for goods always exceeds the demand.
 - D) all points inside the boundary are preferred to all points on the boundary.
 - E) when a society combines its resources inefficiently, it cannot produce more of one good without producing less of the other good.

97) _____

Answer: B

Explanation: A)
B)
C)
D)
E)

- 98) Katie and Hugh are producing pies and jars of pickles. Katie can produce either 200 jars of pickles or 100 pies per month. Hugh can produce either 800 jars of pickles or 200 pies per month. Which of the following statements is correct?
- A) Hugh's and Katie's opportunity costs of producing are the same.
 - B) Katie's opportunity cost of producing 1 jar of pickles is 2 pies.
 - C) Hugh's opportunity cost of producing 1 pie is $\frac{1}{4}$ jar of pickles.
 - D) Hugh's opportunity cost of producing 1 jar of pickles is 4 pies.
 - E) Katie's opportunity cost of producing 1 jar of pickles is $\frac{1}{2}$ of a pie.

98) _____

Answer: E

Explanation: A)
B)
C)
D)
E)

- 99) The famous economist who first described the division of labour was
- A) David Ricardo.
 - B) Karl Marx.
 - C) Adam Smith.
 - D) Milton Friedman.
 - E) John Maynard Keynes.

99) _____

Answer: C

Explanation: A)
B)
C)
D)
E)

100) Suppose that one unit of labour can produce either 5 units of wool or 2 pineapples. What is the opportunity cost of producing 1 pineapple? 100) _____

- A) $\frac{2}{5}$ unit of wool
- B) zero
- C) 5 units of wool
- D) $\frac{5}{2}$ units of wool
- E) 2 units of wool

Answer: D

Explanation: A)
B)
C)
D)
E)

101) Scarcity arises from limited resources. For this reason, all economic choices involve 101) _____

- A) pride.
- B) greed.
- C) a value judgement.
- D) an opportunity cost.
- E) complementary ends.

Answer: D

Explanation: A)
B)
C)
D)
E)

102) In the current Canadian economy, the majority of choices on how resources are allocated are made by 102) _____

- A) legal contracts.
- B) negotiation between unions and firms.
- C) the various levels of government.
- D) consumers and firms through the price system.
- E) business firms only.

Answer: D

Explanation: A)
B)
C)
D)
E)

Madeleine allows herself \$100 per month for purchasing coffee. The diagram below illustrates the choices available to her.

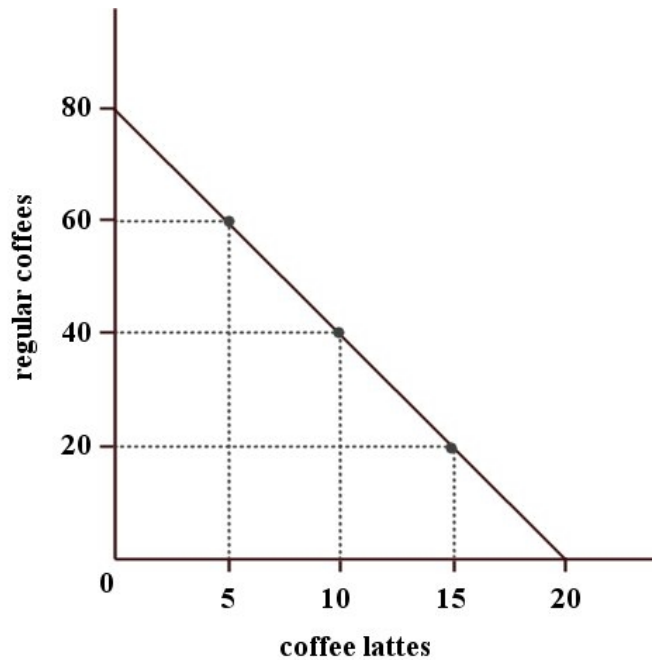


FIGURE 1-3

103) Refer to Figure 1-3. Which of the following combinations of regular coffees and lattes is affordable over the one-month period, given Madeleine's budget? 103) _____

- A) 20 lattes and 80 coffees
- B) 15 lattes and 30 coffees
- C) 8 lattes and 50 coffees
- D) 4 lattes and 66 coffees
- E) 16 lattes and 16 coffees

Answer: E

Explanation: A)
B)
C)
D)
E)

104) Consider the production possibilities boundary (PPB) of an economy. Economic growth is illustrated by 104) _____

- A) the negative slope of the PPB.
- B) an outward shift of the PPB.
- C) the movement to a point outside of the PPB.
- D) a movement along the PPB.
- E) a movement onto the PPB.

Answer: B

Explanation: A)
B)
C)
D)
E)

- 105) Consider the following list: a worker with training in video gaming technology, 10 hectares of arable land in southern Ontario, a fishing trawler in Nova Scotia, an ice-cream truck at a park in Quebec. Each of these is an example of
- A) goods and services.
 - B) a commodity.
 - C) a capital resource.
 - D) a factor of production.
 - E) an economic service.

Answer: D

Explanation: A)
B)
C)
D)
E)

The downward-sloping line in the diagram below shows the combinations of health care and education expenditures that the government can afford with a given amount of tax revenue.

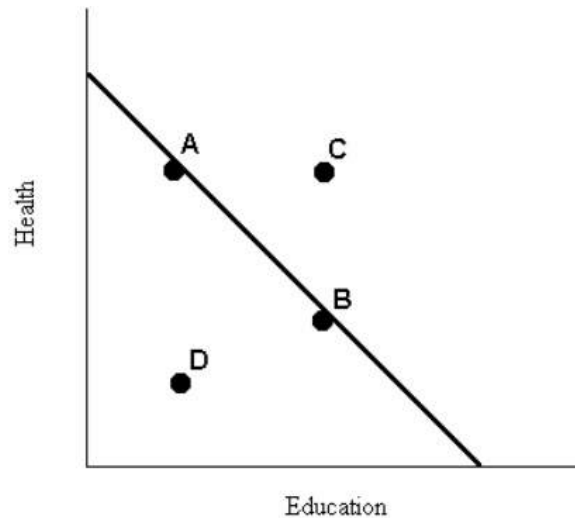


FIGURE 1-6

- 106) Refer to Figure 1-6. The levels of health and education expenditures at point C
- A) are not attainable with the government's current budget.
 - B) could be achieved if the prices of health and/or education increased.
 - C) are less than at point D.
 - D) are equal to those of point A and point B.
 - E) are more cost-effective than those at points A, B, and D.

Answer: A

Explanation: A)
B)
C)
D)
E)

The diagram below shows two production possibilities boundaries for Country X.

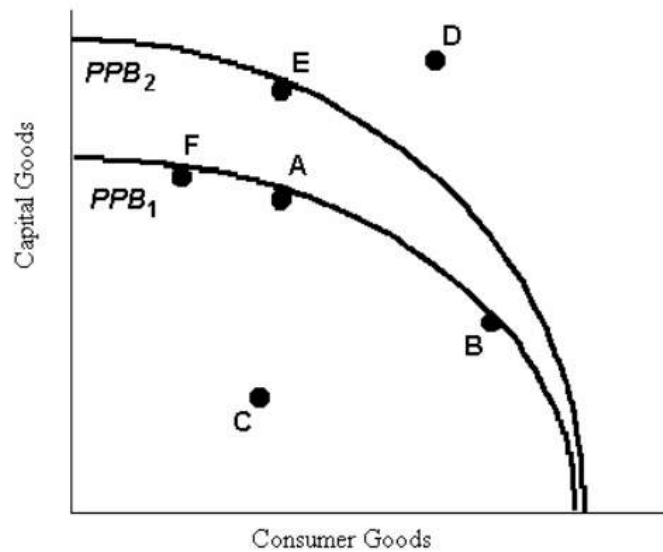


FIGURE 1-4

107) Refer to Figure 1-4. If Country X, constrained by the production possibilities boundary PPB_1 , is producing the combination of goods indicated at point F, it can produce more consumer goods by moving to one of the points

107) _____

- A) D or E
- B) A, B, or C.
- C) A, B, C, D, or E.
- D) A or B, but not C.
- E) A or E.

Answer: B

Explanation: A)
B)
C)
D)
E)

108) In a pure market economy, the role of government is limited to provision of :

108) _____

- i) a basic legal and institutional structure.
- ii) intervention in the allocation of resources in some areas of the economy.
- iii) redistribution of income.
- iv) stabilization of economic conditions generally.

Which of the above points is true?

- A) Only i).
- B) Only i) and ii).
- C) Only i) and iv).
- D) Only i), ii), and iv).
- E) All of the points are provided by government in a pure market economy.

Answer: A

Explanation: A)
B)
C)
D)
E)

109) Consider Canada's production possibilities boundary. Suppose fire destroys many millions of hectares of valuable Canadian forest. The effect on the Canadian economy would be best illustrated by _____ the production possibilities boundary.

109) _____

- A) a movement to a point beyond
- B) a movement along
- C) an inward shift of
- D) a movement inside
- E) a shift outward of

Answer: C

Explanation: A)
B)
C)
D)
E)

110) Suppose that a bakeshop with 5 employees can produce both pies and cakes. In one day, if all resources are devoted to baking pies, the shop can produce 125 pies; if all resources are devoted to baking cakes, the shop can produce 50. What is the shop's opportunity cost of producing any one pie?

110) _____

- A) 0.4 pies
- B) 0.4 cakes
- C) 50 cakes
- D) 125 pies
- E) 2.5 pies

Answer: B

Explanation: A)
B)
C)
D)
E)

111) Which of the point(s) below is (are) true of money?

111) _____

- i) Money eliminated the need for barter.
 - ii) Money allowed for specialization of labour and expansion of trade.
 - iii) Money allowed for the development of a market economy.
 - iv) Money allowed one to save current production for future use.
- A) Only i).
 - B) Only i) and ii).
 - C) Only i) and iv).
 - D) Only i), ii), and iv).
 - E) All of the points are true.

Answer: E

Explanation: A)
 B)
 C)
 D)
 E)

112) A move from inside the production possibilities boundary to the boundary itself could be caused by

112) _____

- A) an improvement in the government's ability to control its spending.
- B) technological progress.
- C) a reallocation of resources from military to civilian goods.
- D) the employment of previously idle resources.
- E) an increase in the labour supply.

Answer: D

Explanation: A)
 B)
 C)
 D)
 E)

113) In practice, the term "centrally planned economy" refers to an economy in which

113) _____

- A) the government makes ALL production and consumption decisions.
- B) economic decisions are made in the geographic centre of the country.
- C) the mix of market and command principles is heavily weighted towards the latter.
- D) all commodities are rationed.
- E) the military is in control of the government.

Answer: C

Explanation: A)
 B)
 C)
 D)
 E)

114) If an economy exhibits the specialization of labour, we know that

114) _____

- A) a barter economy is more suitable.
- B) different individuals are producing different products.
- C) most production is artisanal in nature.
- D) each worker is self-sufficient.
- E) job security is ensured.

Answer: B

Explanation: A)
B)
C)
D)
E)

115) Chantal has a full-time job as a geological engineer and earns an annual after-tax salary of \$85 000. She decides to leave her job for 6 months to scuba dive on the Great Barrier Reef in Australia, and incurs costs of \$7500 for course equipment and certification, \$2500 for airfare, and \$12 000 for regular living expenses in Australia (equal to her living expenses at home). What is Chantal's opportunity cost for this 6-month, unpaid leave of absence?

115) _____

- A) \$52 500
- B) \$12 000
- C) \$22 000
- D) \$65 000
- E) \$42 000

Answer: A

Explanation: A)
B)
C)
D)
E)

The table below shows that, in one day, Claire can complete either 3 chemistry or 2 biology lab reports, while Sam can complete either 4 chemistry or 3 biology lab reports.

	Chemistry Lab Reports	Biology Lab Reports
Claire	3	2
Sam	4	3

TABLE 1-2

116) Refer to Table 1-2. Which of the following statements about Claire's and Sam's opportunity costs is correct?

116) _____

- A) Claire and Sam have equal opportunity costs.
- B) Sam has a higher opportunity cost for completing 1 biology lab report.
- C) Claire has a higher opportunity cost for completing 1 chemistry lab report.
- D) Sam has a lower opportunity cost for completing 1 chemistry lab report.
- E) Claire has a higher opportunity cost for completing 1 biology lab report.

Answer: E

Explanation: A)
B)
C)
D)
E)

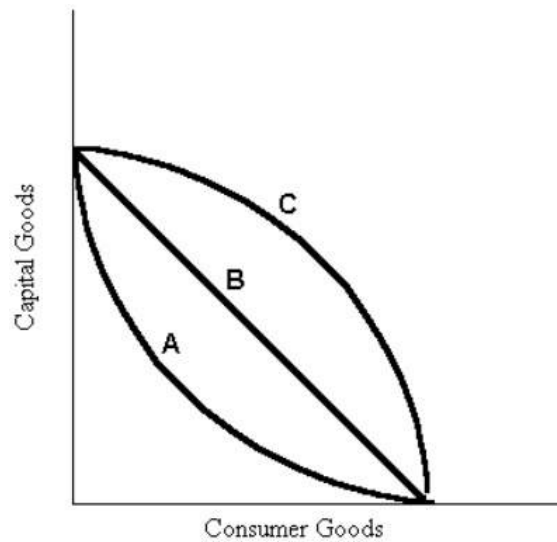


FIGURE 1-5

117) Refer to Figure 1-5. Which production possibilities boundaries exhibit decreasing opportunity costs?

117) _____

- A) boundaries A and C
- B) boundary B only
- C) boundary A only
- D) boundaries A and B
- E) boundary C only

Answer: C

Explanation: A)
B)
C)
D)
E)

118) Behaviour in free-market economies is

118) _____

- A) based primarily on custom and habit.
- B) mostly directed by self interest.
- C) mostly affected by elements of tradition and government command.
- D) random and unpredictable.
- E) determined by a central authority.

Answer: B

Explanation: A)
B)
C)
D)
E)

119) Because resources are scarce, individuals are required to

119) _____

- A) use resources inefficiently.
- B) improve distribution but not production.
- C) sacrifice production but not consumption.
- D) improve production but not distribution.
- E) make choices among alternatives.

Answer: E

Explanation: A)
B)
C)
D)
E)

The diagram below shows two production possibilities boundaries for Country X.

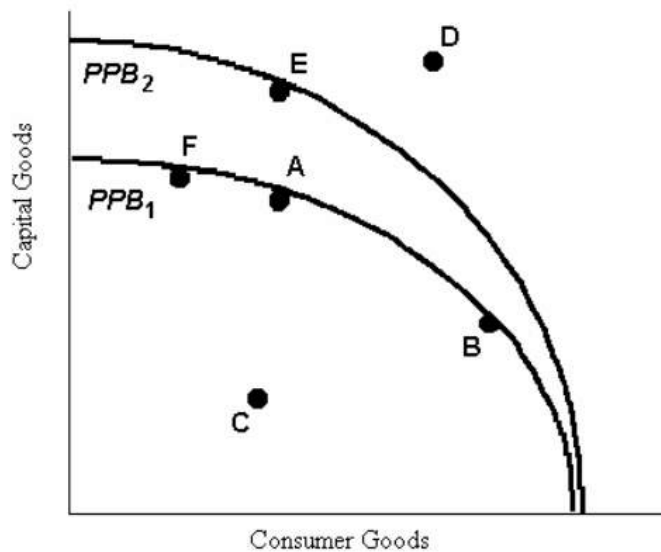


FIGURE 1-4

120) Refer to Figure 1-4. If Country X were producing at point C,

120) _____

- A) the opportunity cost of moving to point A is to give up some capital goods.
- B) it is not possible to move to any point on PPB_1 or PPB_2 without technological progress.
- C) the opportunity cost of moving to point B is to give up some consumption goods.
- D) this is the maximum output possible from given resources.
- E) the opportunity cost of moving to point A is zero.

Answer: E

Explanation: A)
B)
C)
D)
E)

Answer Key
Testname: C1

- 1) D
- 2) B
- 3) E
- 4) D
- 5) A
- 6) E
- 7) B
- 8) B
- 9) D
- 10) A
- 11) A
- 12) B
- 13) A
- 14) E
- 15) D
- 16) A
- 17) A
- 18) E
- 19) E
- 20) D
- 21) D
- 22) D
- 23) D
- 24) B
- 25) A
- 26) D
- 27) A
- 28) D
- 29) B
- 30) C
- 31) D
- 32) A
- 33) A
- 34) A
- 35) C
- 36) B
- 37) A
- 38) B
- 39) A
- 40) E
- 41) C
- 42) C
- 43) E
- 44) B
- 45) D
- 46) A
- 47) D
- 48) A
- 49) E
- 50) C

Answer Key
Testname: C1

- 51) A
- 52) E
- 53) C
- 54) A
- 55) B
- 56) C
- 57) E
- 58) A
- 59) A
- 60) E
- 61) A
- 62) C
- 63) A
- 64) A
- 65) D
- 66) A
- 67) A
- 68) B
- 69) A
- 70) B
- 71) D
- 72) E
- 73) B
- 74) B
- 75) C
- 76) E
- 77) A
- 78) B
- 79) D
- 80) D
- 81) C
- 82) E
- 83) D
- 84) C
- 85) B
- 86) C
- 87) B
- 88) B
- 89) B
- 90) E
- 91) D
- 92) E
- 93) D
- 94) C
- 95) B
- 96) B
- 97) B
- 98) E
- 99) C
- 100) D

Answer Key

Testname: C1

- 101) D
- 102) D
- 103) E
- 104) B
- 105) D
- 106) A
- 107) B
- 108) A
- 109) C
- 110) B
- 111) E
- 112) D
- 113) C
- 114) B
- 115) A
- 116) E
- 117) C
- 118) B
- 119) E
- 120) E