Instructions:
40 multiple-choice questions, each with 4 responses

You will have an hour to do the exam

Students need to bring: (1) Sanddollar ID card; (2) scantron Form 882-E; (3) pencil; (4) calculator (optional)

Chapter 1
- ✓ Scarcity
- ✓ Definition of economics
- ✓ Efficiency vs equality
- ✓ Opportunity cost
- ✓ Incentives
- ✓ Economic systems
- ✓ Market failure: externalities and monopolies
- ✓ Business cycle

Chapter 2
- ✓ Economics as a social science
- ✓ Scientific method
- ✓ Assumptions – ceteris paribus
- ✓ Circular flow diagram
- ✓ Factors of production
- ✓ Production possibility curve (PPF)
- ✓ Specialization and the slope of the PPF
- ✓ How economic growth and technological change affects the PPF
- ✓ Microeconomics vs macroeconomics
- ✓ Positive vs normative statements

Chapter 3
- ✓ Specialization
- ✓ Absolute advantage
- ✓ Comparative advantage
- ✓ Trade

Chapter 4
- ✓ Defn of a market
- ✓ Law of demand
- ✓ Demand schedules and demand curves
- ✓ Shifts in the demand curve and what causes them
- ✓ Law of supply
- ✓ Supply schedules and supply curves
- ✓ Shifts in the supply curve and what causes them
- ✓ Market equilibrium
- ✓ Excess demand/shortages and excess supply/surpluses

Chapter 6
- ✓ Price ceilings and price floors
- ✓ Public policy reasons for intervention
- ✓ Effects of taxes as applied to sellers and buyers
- ✓ Tax incidence analysis
- ✓ Price responsiveness of supply and demand curves and effects on burden of taxes

Chapter 12
- ✓ Government sources of income
- ✓ Government budget balance
- ✓ Average vs marginal tax rates
- ✓ Tax systems – efficiency vs equity
- ✓ Sources of tax receipts and government spending
- ✓ Arguments for and against progressive taxation
- ✓ Tax incidence
- ✓ Social security

Chapter 23
- ✓ Circular flow diagram
- ✓ National income accounting identity
- ✓ GDP and it's definition
- ✓ Expenditure vs income approach
- ✓ Nominal vs real GDP
- ✓ Business cycles
- ✓ GDP as a measure of well-being
- ✓ GDP as a measure of economic growth

Sample questions

Multiple Choice
Identify the choice that best completes the statement or answers the question.

_____ 1. The opportunity cost of going to college is
  a. the total spent on food, clothing, books, transportation, tuition, lodging, and other expenses.
  b. the value of the best opportunity a student gives up to attend college.
  c. zero for students who are fortunate enough to have all of their college expenses paid by someone else.
  d. zero, since a college education will allow a student to earn a larger income after graduation.

_____ 2. Evidence indicates that seat belt laws have led to
  a. fewer pedestrian deaths.
  b. fewer automobile accidents.
  c. fewer deaths per automobile accident.
  d. All of the above are correct.

_____ 3. If an externality is present in a market, economic efficiency may be enhanced by
  a. government intervention.
  b. a decrease in foreign competition.
  c. fewer market participants.
  d. weaker property rights.

____ 4. Suppose an economy produces two goods, food and machines. This economy always operates on its production possibilities frontier. Last year, it produced 1000 units of food and 47 machines. This year, it is producing 1050 units of food and 52 machines. Which of the following events could *not* explain the increase in output?
   a. a reduction in unemployment
   b. an increase in available labor
   c. an improvement in technology
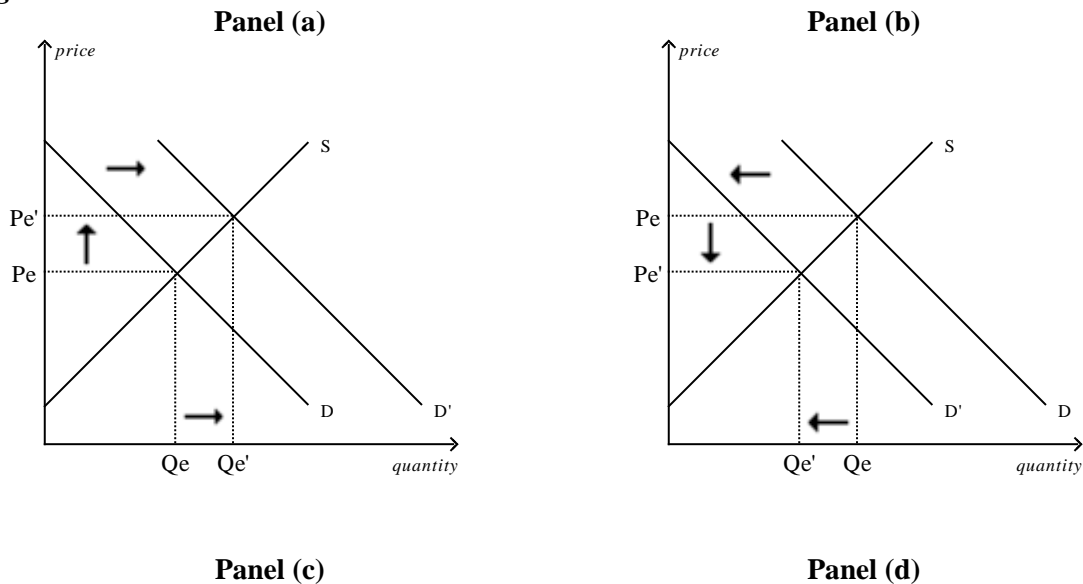   d. Any of these events could explain the increase in output.
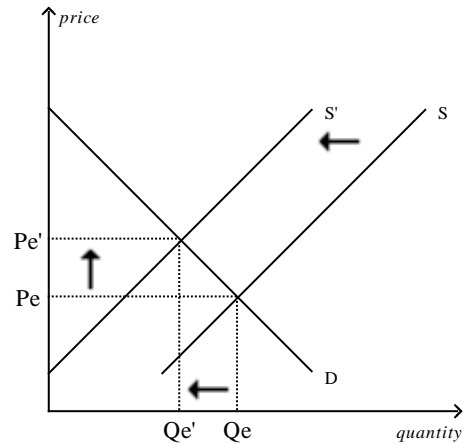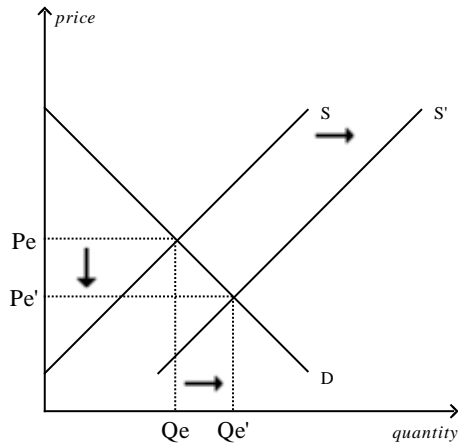
Table 3-15
The following table contains some production possibilities for an economy for a given month.

Bagels	Donuts
40	150
60	?
80	50

____ 5. **Refer to Table 3-15.** If the production possibilities frontier is a straight line, then "?" must be
   a. 50.
   b. 75.
   c. 100.
   d. 125.

Figure 4-22

Panel (a) **Panel (b)**

Panel (c) **Panel (d)**

____ 6. **Refer to Figure 4-22**. Which of the four panels illustrates a decrease in quantity demanded?
   a. Panel (a)
   b. Panel (b)
   c. Panel (c)
   d. Panel (d)

____ 7. In a competitive market free of government regulation,
   a. price adjusts until quantity demanded is greater than quantity supplied.
   b. price adjusts until quantity demanded is less than quantity supplied.
   c. price adjusts until quantity demanded equals quantity supplied.
   d. supply adjusts to meet demand at every price.

____ 8. A binding price ceiling
   (i)   causes a surplus.
   (ii) causes a shortage.
   (iii) is set at a price above the equilibrium price.
   (iv) is set at a price below the equilibrium price.

   a. (ii) only
   b. (iv) only
   c. (i) and (iii) only
   d. (ii) and (iv) only

____ 9. A price floor is
   a. a legal minimum on the price at which a good can be sold.
   b. often imposed when sellers of a good are successful in their attempts to convince the government that the market outcome is unfair without a price floor.
   c. a source of inefficiency in a market.
   d. All of the above are correct.

____ 10. The goal of rent control is to
   a. facilitate controlled economic experiments in urban areas.
   b. help landlords by assuring them a low vacancy rate for their apartments.
   c. help the poor by assuring them an adequate supply of apartments.
   d. help the poor by making housing more affordable.

____ 11. A tax imposed on the sellers of a good will raise the
     a. price paid by buyers and lower the equilibrium quantity.
     b. price paid by buyers and raise the equilibrium quantity.
     c. effective price received by sellers and raise the equilibrium quantity.
     d. effective price received by sellers and lower the equilibrium quantity.

____ 12. For a flat or proportional income tax system
     a. The marginal rate of tax is greater than the average rate of tax
     c. The marginal rate of tax is less than the average rate of tax
     b. The marginal rate of tax is equal to the average rate of tax
     d. The marginal rate of tax is undefined and the average rate of tax is constant

____ 13. If real GDP doubles and the GDP deflator doubles, then nominal GDP
     a. remains constant.
     b. doubles.
     c. triples.
     d. quadruples.

____ 14. If Acme Motors finds it has 20% more cars on its sales lot, how (if at all) would this be included into the GDP statistics?
     a. In the durable goods: Consumption category.
     b. In the physical capital: Investment category.
     c. In the change in inventories: Investment category.
     d. It is not included in the GDP statistics

Answers

1. ANS: B
2. ANS: C
3. ANS: A
4. ANS: A
5. ANS: C
6. ANS: D
7. ANS: C
8. ANS: D
9. ANS: D
10. ANS: D
11. ANS: A
12. ANS: B
13. ANS: A
14. ANS: C