

1. When the supply curve shifts outwards, what is the effect on equilibrium price and quantity?

- (A) Price increases, quantity decreases
- (B) Price decreases, quantity increases
- (C) Price increases, quantity increases
- (D) Price decreases, quantity decreases

2. Which of the following could remedy a shortage caused by a price ceiling?

- (A) Inward shift of the supply curve
- (B) Outward shift of the demand curve
- (C) Outward shift of the supply curve
- (D) Simultaneous outward shift of demand and inward shift of supply

3. If the substitution effect is stronger than the income effect, how will Jake's consumption of chips and candy be affected when the price of candy rises, if both are normal goods?

- (A) He eats more chips and less candy
- (B) He eats less chips and less candy
- (C) He eats less chips and more candy
- (D) He eats more chips and more candy

4. When the government taxes suppliers for the goods they sell, what effect does it have on the market?

- (A) The supply curve shifts outwards
- (B) The demand curve shifts outwards
- (C) The demand curve slopes upwards
- (D) The supply curve shifts inwards

5. If good A and good B are perfect complements, which combination is the most preferable?

- (A) 1 A, 1 B
- (B) 1 A, 10 B
- (C) 2 A, 4 B
- (D) 3 A, 3 B

6. If the supply function in a market is $Q = -10 + 10P$ and the demand function is $18 - 4P$, and the government puts in a price floor at \$3, what will the result be?

- (A) No effect
- (B) Shortage of 14 units
- (C) Surplus of 14 units
- (D) Surplus of 10 units

7. Which of the following is something indifference curves can never do?

- (A) Cross
- (B) Curve towards the origin

- (C) Not curve at all
- (D) Have an upwards slope
8. What is the expected value of a stock with possible future values of \$0, \$5, \$10, and \$50, with respective probabilities of 30%, 50%, 15%, and 5%?
- (A) \$21.67 a share
- (B) \$16.25 a share
- (C) \$6.50 a share
- (D) \$5.00 a share
9. What do you need to optimize a buyer's utility?
- (A) Price and quantity
- (B) Supply curve and demand curve
- (C) Budget constraint and price
- (D) Budget constraint and indifference curves
10. What do you need to optimize a seller's profit?
- (A) Price, Average Cost, and Marginal Revenue
- (B) Price, Marginal Cost, and Average Cost
- (C) Price, Marginal Revenue, and Average Revenue
- (D) Total Variable Costs, Total Fixed Costs, Marginal Cost
11. What is Ben's monthly profit if he has to pay \$1000 rent, \$250 utilities, and \$850 wages, and he sells 3 \$1000 computers and 2 \$3000 computers?
- (A) \$6900
- (B) \$1750
- (C) \$9000
- (D) \$4000
12. If the substitution effect is stronger than the income effect, ham is a normal good, and Spam is an inferior good, what happens to consumption of ham and Spam when the price of ham increases?
- (A) Less ham, less Spam
- (B) More ham, more Spam
- (C) More ham, less Spam
- (D) Less ham, more Spam
13. In a competitive market, marginal revenue is equal to which of the following?
- (A) Marginal Utility
- (B) Average Variable Cost
- (C) Average Cost
- (D) Profit
14. Which of the following refers to the tendency to buy more of a good when its price falls in relationship to other goods?

- (A) Income effect
- (B) Substitution effect
- (C) Outward shift of the demand curve
- (D) Outward shift of the budget constraint

15. Tim's budget constraint for boxers and pants shifts inwards. What is one possible explanation?

- (A) Increase in the price of pants
- (B) Decrease in the price of boxers
- (C) Decrease in Tim's income
- (D) Change in Tim's indifference curves

16. If the prices of goods X and Y both increase by 20%, which will be stronger, the income effect or the substitution effect?

- (A) Income effect
- (B) Substitution effect
- (C) They are equal
- (D) Neither one has any effect

17. If Daniela's demand function for pairs of shoes is $Q = 20 - P/2$, which of the following could be her demand function after an outward shift of her demand curve?

- (A) $Q = 15 - P/2$
- (B) $Q = 25 - P/2$
- (C) $Q = 30 - P$
- (D) $Q = 20 - P$

18. If Sam's supply function for qwerty's is $Q = -4 + 5P$ and Don's supply function for qwerty's is $Q = -2 + 3P$, what price per qwerty will you have to pay to buy a total of 10 qwerty's from the two of them?

- (A) \$4
- (B) \$3
- (C) \$2
- (D) \$1

19. If Bethany's demand function for books is $Q = 30 - 3/4P$, and Anne's demand function for books is $Q = 40 - 4/3P$, who will have a higher demand for books?

- (A) Bethany
- (B) Anne
- (C) They will have equal demand
- (D) Uncertain

20. Which of the following would be most likely to cause an inward shift of the demand curve for ski equipment?

- (A) The advent of summer
- (B) The advent of winter
- (C) An increase in the price of ski equipment

(D) An outward shift of the supply curve

21. If a firm's "profit rectangle" is above the line for average revenue, what does this mean?

(A) The firm is a monopolist

(B) The firm is a natural monopolist

(C) The firm is making profits

(D) The firm is losing money

22. With simultaneous shifts in supply and demand curves, which of the following is NOT a possible equilibrium outcome?

(A) Price increases, quantity stays the same

(B) Price increases, quantity decreases

(C) Price stays the same, quantity increases

(D) Price and quantity stay the same

23. Which of the following pairs of terms CANNOT describe goods X and Y?

(A) Complementary and Substitute

(B) Normal and Inferior

(C) Normal and Normal

(D) Giffen and Inferior

24. How do you calculate a firm's total profits?

(A) Subtract Average Cost from Average Revenue

(B) Subtract Marginal Cost from Marginal Revenue

(C) Find the area between their Average Cost and Average Revenue curves

(D) Find the area of their profit rectangle

25. Which of the following is an example of a decision a firm can make in the short run?

(A) Shut down production

(B) Enter the market

(C) Exit the market

26. Which of the following would NOT be an example of government intervention in the economy?

(A) Tobacco tax

(B) Price floor on wheat

(C) Monopoly in computer software

(D) Price ceiling on long distance rates

27. Which of the following is NOT a characteristic of aggregate demand?

(A) Decreases with increases in price

(B) Shifts according to changes in preference

(C) Combination of all buyers in the market

(D) Upward-sloping

28. Equilibrium price:

(A) Is determined by aggregate supply

(B) Is set by price ceilings

(C) Is market-clearing

(D) Is unaffected by taxes

29. What is the correct term for a good that has an upward-sloping demand curve?

(A) Substitute good

(B) Inferior good

(C) Giffen good

(D) Complementary good

30. If shirts and sweaters are normal goods, and shirts go on sale, how will Justin's consumption patterns be affected if the substitution effect is stronger than the income effect?

(A) He buys more shirts and fewer sweaters

(B) He buys more shirts and more sweaters

(C) He buys more shirts and the same number of sweaters

(D) He buys fewer shirts and fewer sweaters

31. If Steve tends to buy T-shirts and shorts together, what would you call T-shirts and shorts?

(A) Substitute goods

(B) Normal goods

(C) Giffen goods

(D) Complementary goods

32. What is the correct formula for calculating profit?

(A) Total Cost - Total Revenue

(B) Total Revenue - Total Cost

(C) Average Revenue - Average Cost

(D) Total Revenue - Total Fixed Costs

33. Which of the following is an example of a fixed cost?

(A) Installation of overhead lighting

(B) Materials to make products

(C) Packaging materials for products

(D) Wages for time spent making products

34. If A is a normal good and B is an undesirable good, which action will increase utility?

(A) Decreasing A

(B) Increasing B

(C) Decreasing B

35. What distinguishes a natural monopoly from a regular monopoly?

(A) U-shaped average cost curve

(B) Downward-sloping average cost curve

(C) Downward-sloping demand curve

(D) U-shaped total cost curve

36. What is an indifference curve?

(A) A curve denoting the boundary of all possible purchase combinations

(B) A curve denoting purchasing behavior in relation to price

(C) A curve marking all equally favorable purchase combinations

(D) A curve marking changes in happiness in relation to price

37. What is one characteristic that distinguishes a monopolist from a competitive firm?

(A) A downward-sloping demand curve

(B) An upward-sloping demand curve

(C) A flat demand curve

(D) A U-shaped demand curve

38. Horizontal addition can be used to find which of the following?

(A) Aggregate Supply

(B) Average Cost

(C) Marginal Utility

(D) Shift in Demand

39. If Sophia gets a raise and buys less of good X, then we know that good X:

(A) Is a Giffen good

(B) Is a normal good

(C) Is an inferior good

(D) Is a substitute good with good Y

40. Which of the following will most likely cause a shift in the demand curve for ice cream?

(A) The advent of summer

(B) An increase in price

(C) A decrease in price

(D) An outward shift of the supply curve

41. Which of the following are possible examples of substitute goods?

(A) Right and left shoes

- (B) Hot dogs and rolls
- (C) Shampoo and conditioner
- (D) Ice cream and sorbet

42. Which of the following will most likely result in a shortage

- (A) Inward shift in the supply curve
- (B) Price ceiling
- (C) Price floor
- (D) Tax

43. If the government raises taxes on liquor stores for the alcohol they sell, what will be the most likely result?

- (A) Demand will exceed supply
- (B) Supply will exceed demand
- (C) Supply will shift inwards
- (D) Demand will shift outwards

44. Which of the following could cause an increase in the price of a good?

- (A) Inward shift of the demand curve
- (B) Outward shift of the supply curve
- (C) Price ceiling
- (D) Price floor

45. Which of the following actions could cause a higher market price and lower quantity consumer at equilibrium?

- (A) An outward shift of the demand curve and an inward shift of the supply curve
- (B) An outward shift of the demand curve
- (C) An outward shift of the supply curve
- (D) An inward shift of the demand curve and an outward shift of the supply curve

46. Which will be the most likely to cause an outward shift of Julie's budget constraint for peaches and plums?

- (A) A decrease in the price of peaches
- (B) An increase in the price of peaches and plums
- (C) An increase in her salary
- (D) A decrease in her salary

47. Which of the following is NOT characteristic of a market economy?

- (A) Demand exceeds supply
- (B) Buyers and sellers are price-takers
- (C) Prices are market-clearing
- (D) Equilibrium is fluid and changeable

48. Rob paints houses. If his supply equation is $Q = -2 + W/2$, where Q is the number of hours and W is the hourly wage, what is the minimum amount you would have to pay him to paint for 5 hours?

- (A) \$14
- (B) \$35
- (C) \$49
- (D) \$70

49. If good A and good B are both normal goods, and a decrease in the price of A increases consumption of both goods, what is one possible explanation?

- (A) Good A is a Giffen good
- (B) The income effect is stronger than the substitution effect
- (C) The substitution effect is stronger than the income effect
- (D) Good A and good B are substitute goods

50. If Quincy's demand for sandwiches fits the equation $Q = 10 - 5P$, what will his demand be if the price is \$3 per sandwich?

- (A) 25
- (B) -5
- (C) 0
- (D) 7

51. Scott's demand function for frisbees is $Q = 11 - P$. Marion's demand function for frisbees is $Q = 27 - 3P$. What will their combined demand for frisbees be if the selling price is \$10?

- (A) -2
- (B) 2
- (C) 0
- (D) 1

52. Chris sells comic books according to his supply function $Q = -15 + 3P$. Paul buys comic books according to his demand function $Q = 27 - 4P$. The two of them make up the entire market for comic books. What will the equilibrium quantity be?

- (A) 0
- (B) 2
- (C) 3
- (D) 6