ECON1005 Assignment 1

1. Economics is the study of
   a. how to start a business
   b. how to make money in stocks, bonds, and real estate
   c. choice under conditions of abundance
   d. choice under conditions of scarcity
   e. multinational business

2. Individuals must make choices because
   a. resources are scarce and wants are limited
   b. resources and wants are unlimited
   c. assets and wealth are distributed unevenly
   d. resources are scarce and wants are unlimited
   e. inflation usually outpaces income growth

3. Capital goods differs from raw materials in the sense that capital goods
   a. are durable and have a longer useful life in production
   b. are money
   c. cannot be used to produce goods and services
   d. are used up in production
   e. are not a resource used in production

4. Microeconomics is the study of
   a. government decisions
   b. the government's budget
   c. the economic behavior of entire nations
   d. the economic behavior of individual decision makers
   e. the overall economy

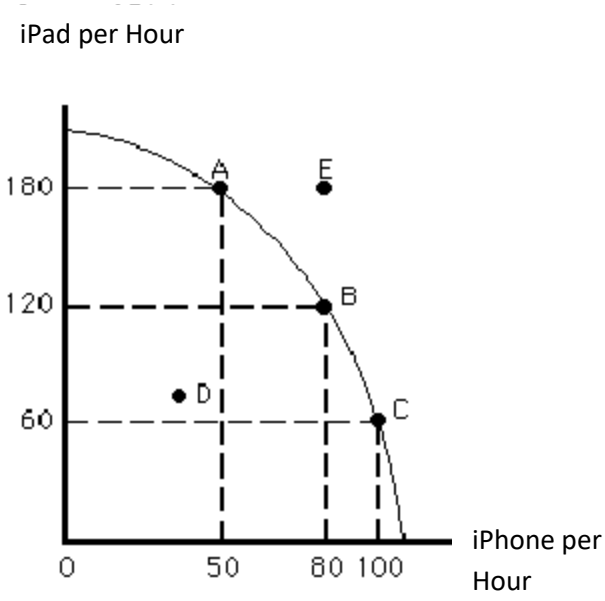
5. The opportunity cost of any activity can be measured by the
   a. value of the best alternative to that activity
   b. price (or monetary costs) of the activity only
   c. level of technology
   d. time needed to select among various alternatives
   e. fringe benefits associated with the activity

6. Kate takes a part-time job and the sacrifice of study time causes her grade point average to fall from 3.5 to 2.9. Assume that the grade point average would have stayed at 3.5 if study time had not been reduced. The opportunity cost of having taken the job is the
   a. cost of tuition
   b. 3.5 grade point average
   c. 0.6 decrease in the grade point average
   d. 2.9 grade point average
   e. money earned from the part-time job

7. Carl is considering attending a concert with a ticket price of $35. He estimates that the cost of driving to the concert and parking there will total an additional $20. In order to attend the concert, Carl will have to take time off from his part-time job or forgo studying for an exam scheduled for the next morning. He estimates that he will lose 5 hours at work, at a wage of $6 per hour, or 5 hours of study time. If Carl considers studying the best alternative use of his time, his opportunity cost of attending the concert equals
   a. $55
   b. $55 plus the value of the higher exam grade he could earn by studying for 5 hours
   c. $85 plus the value of the higher exam grade he could earn by studying for 5 hours
   d. $85 minus the value of the higher exam grade he could earn by studying for 5 hours
   e. $55 minus the value of the higher exam grade he could earn by studying for 5 hours

8. A professional basketball players' union negotiates a contract that dramatically increases all players' salaries. How would this influence the opportunity cost for a player who is considering terminating his contract and retiring from basketball to pursue a career in broadcasting??
   a. It would not affect the opportunity cost of playing basketball or of broadcasting.
   b. It would increase the opportunity cost of continuing to play professional basketball.
   c. It would cause the production possibilities frontier to shift inward.
   d. It would increase the opportunity cost of becoming a broadcaster.
   e. It should have no bearing on the player's decision from an economic standpoint.

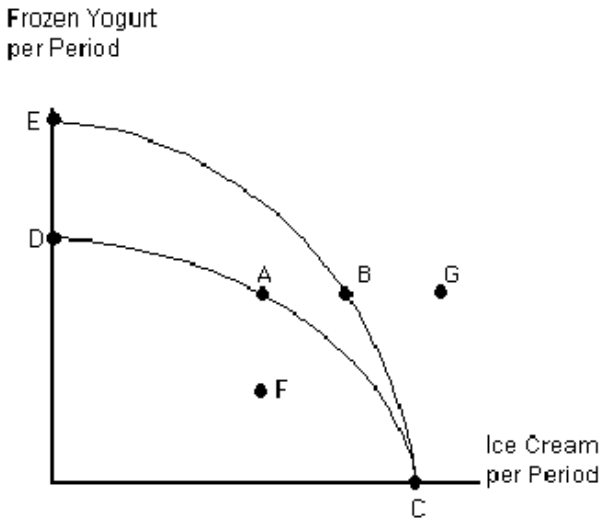
9. Which of the following could lead to an inward shift of a society’s production possibilities frontier?
   a. An increase in the cost of one good
   b. The decrease in unemployment of resources
   c. The use of AI technologies that increase the productivity of labor
   d. A war that destroys half of the factories and electricity plants
   e. Some misallocations of resources



10. The above figure shows the production possibilities frontier for a production plant that can produce both iPhone and iPad. At which point would the plant be under-utilizing its resources?
    a. A
    b. B
    c. C
    d. D
    e. E

11. The above figure shows the production possibilities frontier for a production plant that can produce both iPhone and iPad. Which point in the above figure is not possible for this production plant to produce?
    a. A
    b. B
    c. C
    d. D
    e. E

12. The above figure shows the production possibilities frontier for a production plant that can produce both iPhone and iPad. Suppose the production plant is producing 50 units of iPhone and 180 units of iPad currently, the opportunity cost of increasing production of iPhone to 80 units is
    a. 30 units of iPhone
    b. 180 units of iPad
    c. 80 units of iPhone
    d. 60 units of iPad
    e. 120 units of iPad



13. A shift in the production possibilities frontier from DC to EC in the above figure could be due to a
    a. technological improvement in the production of ice cream
    b. reduction in the rate of unemployment
    c. rise in the rate of unemployment
    d. technological improvement in the production of frozen yogurt
    e. fall in the demand for frozen yogurt

14. When all resources used in production are not identical,
    a. specialization does not lead to greater production
    b. the economy or firm is producing at a point outside of its production possibilities frontier
    c. there will be constant opportunity costs
    d. the production possibilities frontier will be concave (bowed outward)
    e. the economy or firm will only produce one good only

15. In a command system, the decision about what to produce, how to produce and for whom to produce are made by
    a. a central authority
    b. the market
    c. repeating what was done in the past
    d. business firms
    e. Consumers