Consider the following data on pizza and lasagna production.

Pizzas	Large bowls of lasagna
90	0
88	13
83	24
75	32
65	39
50	44
30	47
0	49

1.   What is the opportunity cost of 10 more pizzas when the firm is already producing 65?
        a.   3 bowls of lasagna
        b.   7 bowls of lasagna
        c.   8 bowls of lasagna
        d.   11 bowls of lasagna
        e.   6 bowls of lasagna

2.   What is the opportunity cost of 2 more bowls of lasagna when the firm is already producing 47
        a.   8 pizzas
        b.   20 pizzas
        c.   15 pizzas
        d.   30 pizzas
        e.   56 pizzas

3.   Which of the following is a reasonable method to construct the production possibility set, which is the set
        of all output combinations that are producible for a given set of inputs.
        a.   pick a level of the two outputs and then find all levels of inputs that are able to produce this
                specific output combination.
        b.   set a level for all inputs, pick a level of one of the two outputs, find the maximum level of the
                other output for this level of the first output, and then repeat for other levels of the first output.
        c.   set a level for all inputs, pick a level of one of the two outputs, find all feasible levels of the other
                output for this level of the first output, and then repeat for other levels of the first output.
        d.   pick a level of the two outputs and hold this fixed, pick a level of one of the two inputs and then
                find the minimum level of the other input that is required to produce the chosen output
                combination given the fixed level of the fist input, and then repeat for other levels of the first
                input.

The following graph should be used for questions 4, 5 and 6.

Producible Output Set for y_1 and y_2
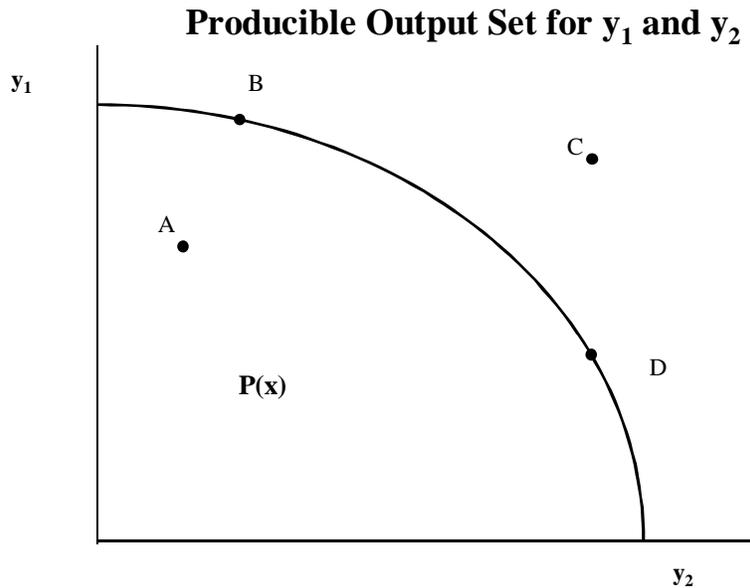
4.   Which point is inefficient?
      A.
      B.
      C.
      D.

5.   The area bounded by the curved line and two axes is:
      a.   The set of efficient ways to produce various output combinations.
      b.   The set of all outputs that can be produced with the set of inputs given by x.
      c.   The set of profit maximizing output combinations.
      d.   The set of all points, P(x), that the firm cannot produce given the level of inputs specified by x.

6.   If the price of y_2 is significantly higher than the price of y_1 and the firm has no use for the inputs but
      producing these two products, which point should the firm choose as a production level.
      A.
      B.
      C.
      D.

7.   Opportunity cost best described as
      a.   the cost of the time needed to make a choice.
      b.   the cost of the accountant hired to track of expenditures.
      c.   the cost of the alternative opportunity given up when a choice is made.
      d.   the cost of finding an opportunity.

8.   Most individuals would prefer which of the following situations where the only expenditures are for food,
      housing, and clothing..
      a.   an annual income of $34,000 with monthly housing, food and clothing expenses of $2,000.
      b.   an annual income of $45,000 with monthly housing, food and clothing expenses of $3,000.
      c.   an annual income of $64,000 with monthly housing, food and clothing expenses of $4,000.
      d.   an annual income of $70,000 with monthly housing, food and clothing expenses of $5,000.

Huck Finn and his friend Jim live on a raft in the middle of the river. The following table represents their output in a day of work.

|	Fish	Crawdads
Huck	20	60
Jim	25	100

9.   Which individual has the absolute advantage in crawdad production?
    a.   Jim
    b.   Huck

10.   Which of the following statements is true?
    a.   Jim has an absolute advantage in both products and a comparative advantage in fishing.
    b.   Jim has an absolute advantage in both products and a comparative advantage in crawdads.
    c.   Jim has an absolute in fishing while Huck has an absolute advantage in crawdads.
    d.   Mark Twain has a comparative disadvantage in both products.
    e.   Huck has an absolute advantage in both products and a comparative advantage in fishing.

11.   Consider the following supply and demand curves. The equilibrium price and quantity are given by
$D = 40 - P$, $S = 4P - 10$.
    a. $P = 8, Q = 32$
    b. $P = 12.5, Q = 27.5$
    c. $P = 6, Q = 14$
    d. $P = 10, Q = 30$
    e. $P = 8, Q = 22$

12.   Demand now decreases to $D = 30 - P$. The equilibrium price and quantity are given by
    a. $P = 8, Q = 22$ d. $P = 10, Q = 30$
    b. $P = 12.5, Q = 27.5$ e. $P = 12, Q = 28$
    c. $P = 6, Q = 14$

13.   Consider the following table which shows the supply and demand functions for video rentals in Ames, IA.

Price (per video)	Quantity supplied	Quantity demanded
0	0	1000
0.5	100	900
1	200	800
1.5	300	700
2	400	**600**
2.5	500	500
3	**600**	400
3.5	700	300
4	800	200
4.5	900	100
5	1000	0

The equilibrium price is:
    a.   1
    b.   2.5
    c.   3
    d.   3.5
    e.   4

14. Consider the supply-demand diagram below.

Demand and Supply of Videos
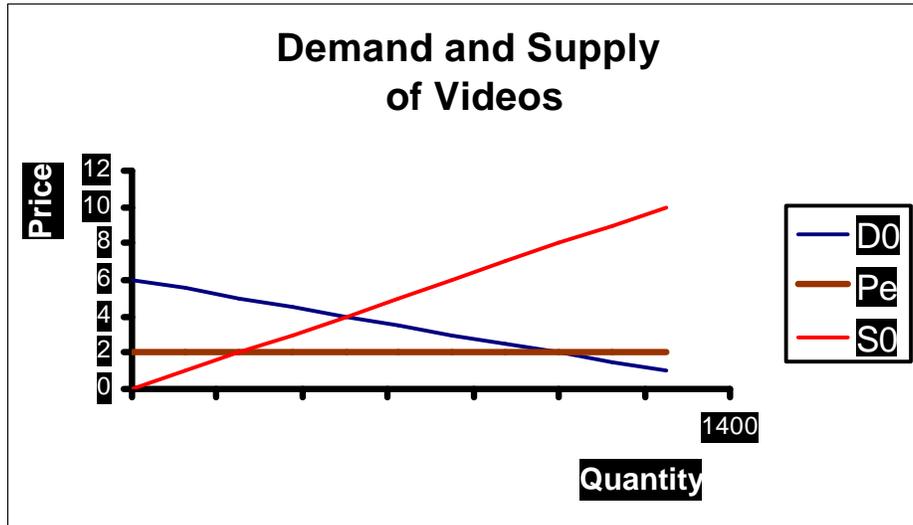
What are the equilibrium price and quantity?
a.   P = 2, Q = 1000
b.   P = 2, Q = 250
c.   P = 4, Q = 250
d.   P = 4, Q = 500
e.   P = 3, Q = 800

15. Now consider situation where demand shifts due to an increase in the price of movies at the theater.

Demand and Supply of Videos
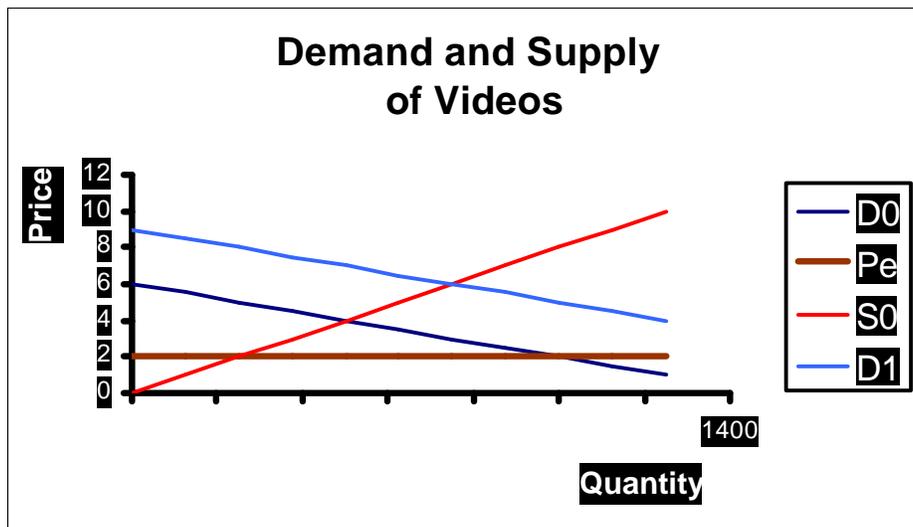
What are the new equilibrium price and quantity?
a.   P = 2, Q = 1000
b.   P = 6, Q = 750
c.   P = 4, Q = 1250
d.   P = 4, Q = 500
e.   P = 2, Q = 950

16.   Which of the following is a correct statement expendables, capital and capital services?
   a.   Expendable factors of production are completely used up or consumed during a single production period. Capital is machinery, buildings and equipment. Capital services are the flows of financial assets and other services provided by the banking sector.
   b.   Expendable factors of production are inputs that are purchased outside the firm. Capital is machinery, buildings and equipment along with human capital. Capital services are the flows of financial assets and other services provided by the banking sector.
   c.   Expendable factors of production are completely used up or consumed during a single production period. Capital is a stock that is not used up during a single production period, and provides services over time. Capital services are the flow of productive services that can be obtained from a given capital stock during a production period.
   d.   Expendable factors of production are inputs that are purchased outside the firm. Capital is a stock that is not used up during a single production period, and provides services over time. Capital services are the flow of productive services that can be obtained from a given capital stock during a production period.

17.   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 was considering giving up basketball to pursue a career in broadcasting.
   a.   if would no affect the opportunity cost of playing basketball or broadcasting
   b.   it would increase the opportunity cost of continuing to play professional basketball
   c.   it would cause the production possibility frontier to become convex
   d.   it would increase the opportunity cost of becoming a broadcaster
   e.   it would have no bearing on the player's decision from an economic point of view

18.   Under market capitalism, resources are allocated by
   a.   command and owned privately
   b.   the market and owned privately
   c.   command and owned by the state
   d.   the market and owned by the state
   e.   tradition and owned by all

19.   An economic system in which resources are owned by the state and allocated by command is called
   a.   market capitalism
   b.   a tradition-based economy
   c.   centrally-planned capitalism
   d.   centrally-planned socialism
   e.   market socialism

20.   Economics is the
   a.   study of unfettered choice
   b.   study of choice with constraints.
   c.   study of how to maximize profit.
   d.   study of choice with resource scarcity.
   e.   b and d above.

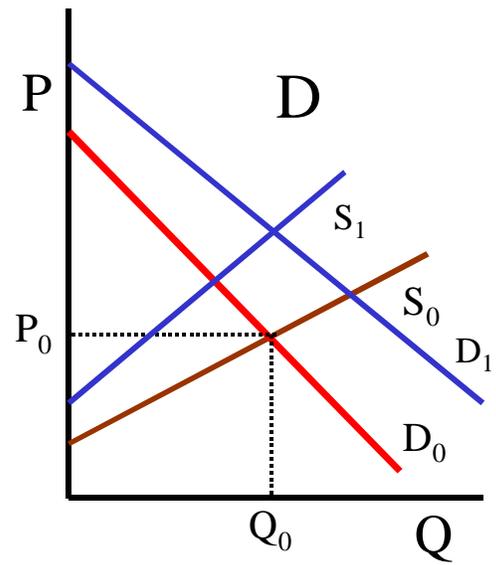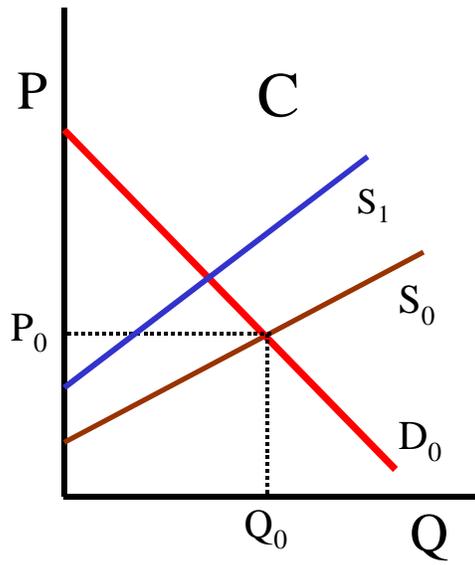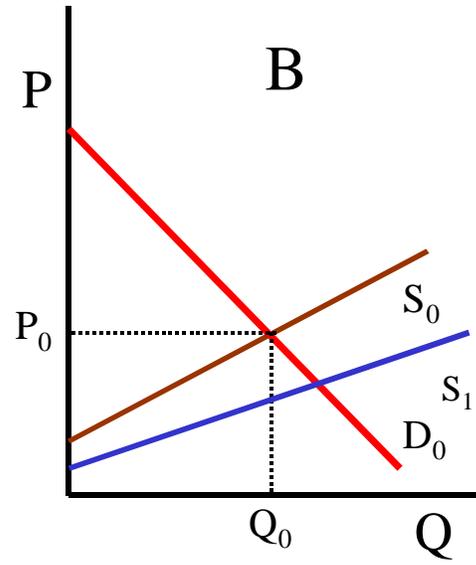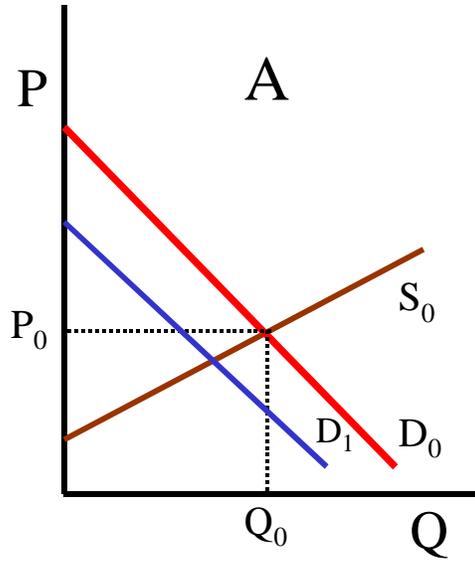Use the following table to answer questions 21 and 22.

Cost per unit data

	Per VCR	Per Computer
U.S.	$200	$1,000
Germany	DM 500	DM 3,000

21.   What is the opportunity cost of producing one more computer in the United States?
        a. $200
        b.   5 VCRs
        c.   1 computer
        d.   1/5 VCR
        e.   5 computers

22.   Which of the following is true?
        a.   The U.S. has a comparative advantage in producing computers
        b.   Germany has a comparative advantage in producing computers
        c.   The U.S. has an absolute advantage in producing both goods
        d.   The U.S. has a comparative advantage in both goods.

Consider the diagrams on the following page for questions 23-25. In all cases the initial situation is at S_0 and D_0 .

23.   Which panel best represents the effect of an increase in the price of an alternative product the firm could produce?
        a.
        b.
        c.

24.   Consider panel D. This represents
        a.   An increase in the quantity demanded and a decrease in supply.
        b.   A decrease in the quantity supplied and an increase in price.
        c.   An increase in demand and a decrease in the quantity supplied.
        d.   A decrease in supply and an increase in demand.
        e.   a and d.

25.   Which panel best represents the effect of a increase in income for an inferior good.
        a.
        b.
        c.
        d.

A

P

P_0

S_0

D_1 D_0

Q_0 Q

B

P

P_0

S_0

S_1

D_0

Q_0 Q

C

P

P_0

S_1

S_0

D_0

Q_0 Q

D

P

P_0

S_1

S_0 D_1

D_0

Q_0 Q

Economics 101
Exam 1

Question	Correct Answer	# Right	Question	Correct Answer	# Right
1	b	104	14	d	105
2	d	104	15	b	104
3	c	21	16	c	68
4	a	87	17	d	88
5	b	61	18	b	75
6	d	56	19	d	55
7	c	106	20	e	88
8	a	8	21	b	78
9	a	104	22	a	47
10	b	81	23	c	56
11	d	103	24	d	50
12	a	92	25	a	45
13	b	105			