

Exam

Name _____

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

- 1) 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? 1) _____
- A) 1/12th of the cost of the tractor
 - B) there is no opportunity cost
 - C) drilling 5 fence-post holes
 - D) drilling 12 fence-post holes
 - E) 1/5 of the cost of the tractor

Answer: C

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

- 2) Scarcity arises from limited resources. For this reason, all economic choices involve 2) _____
- A) greed.
 - B) an opportunity cost.
 - C) complementary ends.
 - D) pride.
 - E) a value judgement.

Answer: B

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

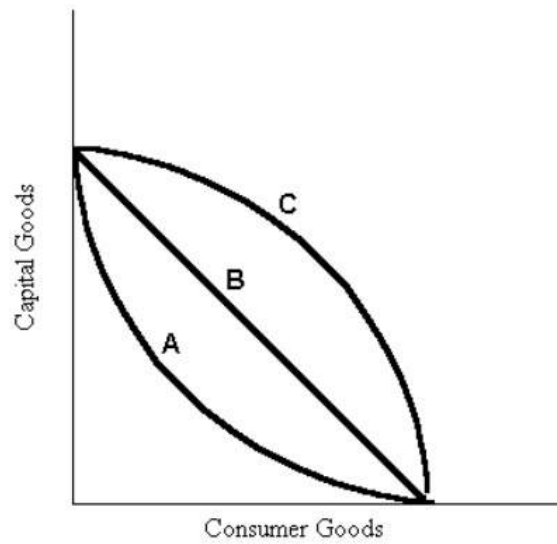


FIGURE 1-5

- 3) Refer to Figure 1-5. Suppose that the relevant production possibilities boundary is the one labelled 3) _____
- B. This boundary implies that
- A) consumer goods are preferred to capital goods.
 - B) the concept of opportunity cost is not at work in this economy.
 - C) capital goods are preferred to consumer goods.
 - D) the opportunity cost of producing either capital goods or consumer goods does not depend on how much of each good is produced.
 - E) in this society the resources are not efficiently employed.

Answer: D

- 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.

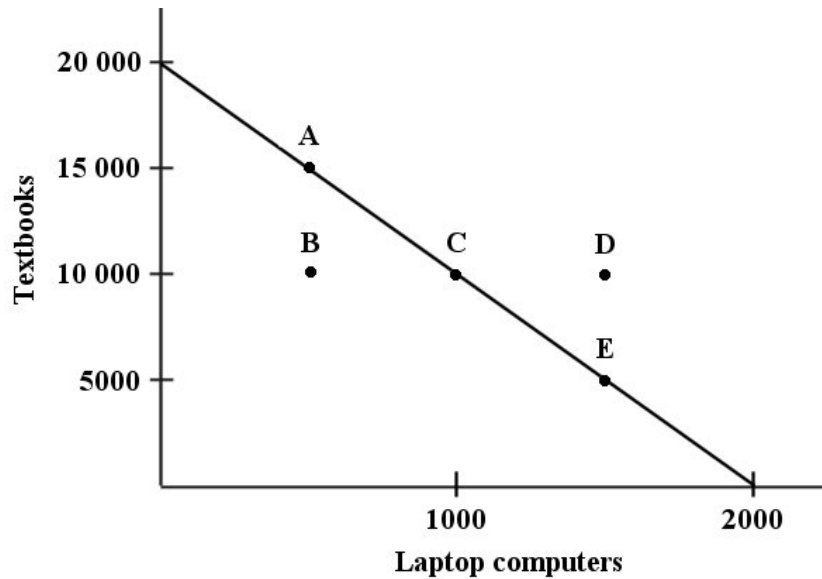


Figure 1-2

- 4) 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 \$0.
 - B) The opportunity cost is 20,000 textbooks.
 - 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.

4) _____

Answer: B

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

- 5) Economists usually assume that households and firms, respectively, maximize
- A) savings and profits.
 - B) expenditures and profits.
 - C) utility and profits.
 - D) income and sales.
 - E) wages and revenues.

5) _____

Answer: C

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

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

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

- 7) 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? 7) _____
- A) Tristan produces 3 mowed lawns; Thomas produces 6 mowed lawns
B) Tristan produces 12 lures; Thomas produces 6 mowed lawns
C) Tristan produces nothing, Thomas produces 6 lures and 6 mowed lawns
D) Tristan produces 6 lures; Thomas produces 6 lures
E) Tristan produces 6 lures and 3 mowed lawns

Answer: B

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

- 8) A straight-line production possibilities boundary differs from a concave boundary in which of the following ways? 8) _____
- A) The straight-line boundary does not show scarcity, whereas the concave boundary does.
B) The straight-line boundary shows opportunity cost, whereas the concave boundary does not.
C) The straight-line boundary illustrates constant opportunity costs, whereas the concave boundary illustrates increasing opportunity costs.
D) A straight-line boundary is associated with a command economy, whereas a concave boundary is associated with a free-market economy.
E) The concave boundary illustrates constant opportunity costs, whereas the straight-line boundary illustrates decreasing opportunity costs.

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

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

9) _____

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

Answer: B

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

10) On a diagram of a production possibilities boundary, the concept of scarcity is illustrated by the

10) _____

- A) area within the boundary.
- B) unattainable points outside the boundary.
- C) points on the boundary.
- D) distance from the origin to the boundary.
- E) negative slope of the boundary.

Answer: B

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

11) 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

11) _____

- A) an indication of the extreme difficulty of transition from one type of economic system to another.
- B) the failure of the market system.
- C) the difficulty of corruption in non-market economies.
- D) the triumph of capitalism over communism.
- E) an indication that these economies should return to being command economies.

Answer: A

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

- 12) On a diagram of a production possibilities boundary, the concept of opportunity cost is illustrated by the _____
- A) unattainable points outside the boundary.
 - B) boundary being concave to the origin.
 - C) area bounded by the two axes and the boundary.
 - D) negative slope of the boundary.
 - E) distance from the origin to the boundary.

Answer: D

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

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

Answer: E

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

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

Answer: C

- 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. Which of the following statements about Claire's and Sam's opportunity costs is correct? 15) _____
- A) Sam has a higher opportunity cost for completing 1 biology lab report.
 - B) Claire has a higher opportunity cost for completing 1 biology lab report.
 - C) Sam has a lower opportunity cost for completing 1 chemistry lab report.
 - D) Claire has a higher opportunity cost for completing 1 chemistry lab report.
 - E) Claire and Sam have equal opportunity costs.

Answer: B

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

- 16) 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 16) _____
- A) \$10. B) \$20. C) \$25. D) \$45. E) \$55.

Answer: C

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

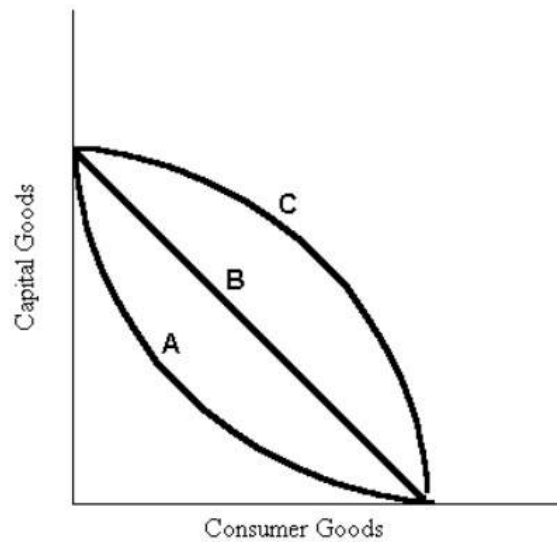


FIGURE 1-5

- 17) Refer to Figure 1-5. Which production possibilities boundaries are consistent with increasing opportunity costs? _____
- A) boundaries A and B
 - B) boundaries B and C
 - C) boundary A only
 - D) boundary C only
 - E) boundaries A, B, and C

Answer: D

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

- 18) 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 cake? _____
- A) 0.4 cakes
 - B) 2.5 cakes
 - C) 2.5 pies
 - D) 0.25 pies
 - E) 0.4 pies

Answer: C

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

- 19) Refer to Table 1-2. What is Sam's opportunity cost of completing 3 biology lab reports? 19) _____
- A) 0 chemistry lab reports
 - B) 1 chemistry lab reports
 - C) 4 chemistry lab reports
 - D) 2 chemistry lab reports
 - E) 3 chemistry lab reports

Answer: C

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

- 20) Which of the following results from the introduction of money for use in transactions? 20) _____
- A) an increased use of barter
 - B) society is able to satisfy all wants
 - C) exchange becomes easier and this promotes the specialization of labour
 - D) self-sufficiency is assured
 - E) the specialization of labour becomes more difficult

Answer: C

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

- 21) Because resources are scarce, individuals are required to 21) _____
- A) use resources inefficiently.
 - B) sacrifice production but not consumption.
 - C) improve distribution but not production.
 - D) make choices among alternatives.
 - E) improve production but not distribution.

Answer: D

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

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

Answer: D

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

- 23) Most modern economies in the world today 23) _____
- A) are similar to feudal systems.
 - B) have pure market exchange.
 - C) are mostly run by government decree.
 - D) are complex systems that defy description and analysis.
 - E) have a mix of traditional, command and market elements.

Answer: E

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

- 24) A point lying inside the production possibilities boundary is one at which 24) _____
- A) it is not possible to produce more output with existing 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) the economy has run out of resources.

Answer: D

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

- 25) Which of the following is illustrated by the circular flow of income? 25) _____
- A) the interaction of households and firms through the factors and goods markets
 - B) that there is no relationship between goods markets and factor markets
 - C) the flows of expenditures and income in a household
 - D) that the flow of payments moves in the same direction as the flow of goods
 - E) that firms own the factors of production

Answer: A

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

- 26) Specialization of labour led to greater efficiency in the allocation of resources because of 26) _____
- A) the opportunity cost of labour increased.
 - B) the principle of comparative advantage.
 - C) an increase in total work effort.
 - D) greater reliance on self-sufficiency.
 - E) the use of barter.

Answer: B

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

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

Answer: E

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

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

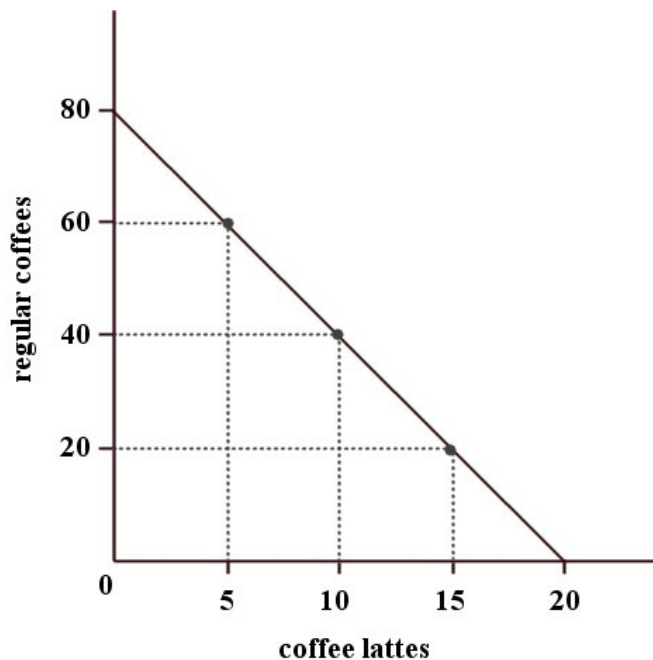


FIGURE 1-3

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

28) _____

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

Answer: C

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

29) 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

29) _____

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

Answer: B

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

30) The famous economist who first described the division of labour was

30) _____

- A) John Maynard Keynes.
- B) Karl Marx.
- C) Milton Friedman.
- D) Adam Smith.
- E) David Ricardo.

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

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

31) _____

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

Answer: D

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

32) Money facilitates trade and specialization by

32) _____

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

Answer: A

- 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.

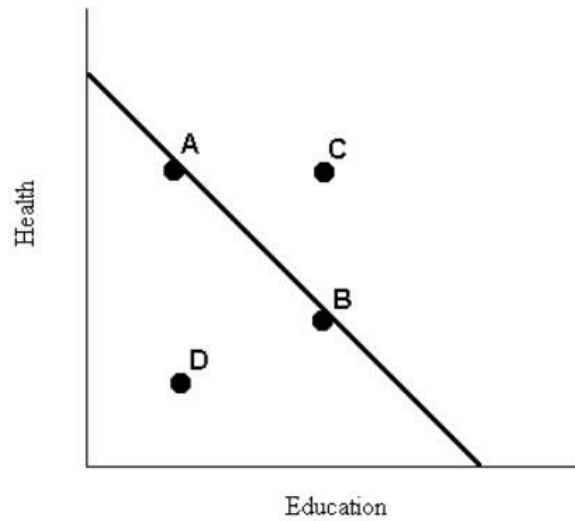


FIGURE 1-6

- 33) 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) less spending in total.
 - C) more spending on education.
 - D) zero opportunity cost.
 - E) less spending on health.

33) _____

Answer: A

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

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

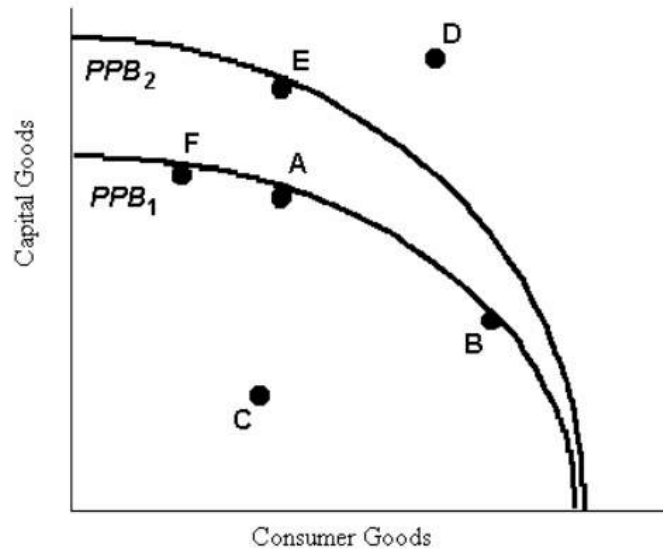


FIGURE 1-4

- 34) Refer to Figure 1-4. If Country X were producing at point C, 34) _____
- A) it is not possible to move to any point on PPB_1 or PPB_2 without technological progress.
 - B) the opportunity cost of moving to point A is to give up some capital goods.
 - C) the opportunity cost of moving to point B is to give up some consumption goods.
 - D) the opportunity cost of moving to point A is zero.
 - E) this is the maximum output possible from given resources.

Answer: D

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

- 35) Refer to Figure 1-4. Suppose that Country X is currently producing at point E. Country X could achieve production at point D if 35) _____
- A) firms reduced output of capital goods.
 - B) the given resources were fully employed.
 - C) sufficient improvements in technology occurred in either the capital goods industry or the consumer goods industries.
 - D) the given resources were more efficiently employed.
 - E) the prices of capital goods and consumption goods fell.

Answer: C

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

- 36) If an economy exhibits the specialization of labour, we know that 36) _____
- A) each worker is self-sufficient.
 - B) most production is artisanal in nature.
 - C) job security is ensured.
 - D) a barter economy is more suitable.
 - E) different individuals are producing different products.

Answer: E

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

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

Answer: C

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

- 38) During economic recessions, the opportunity cost of going to university _____ because the wages a student can expect to earn working in the best alternative _____. 38) _____
- A) decreases; decrease
 - B) remains the same; remain the same
 - C) decreases; increase
 - D) increases; decrease
 - E) increases; increase

Answer: A

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

- 39) Suppose drought destroys many millions of acres of valuable Canadian farmland. The effect on the Canadian economy would be to move 39) _____
- A) its production possibilities boundary outward.
 - B) it beyond its production possibilities boundary.
 - C) it along its production possibilities boundary.
 - D) its production possibilities boundary inward.
 - E) None of the above. There would be no change in Canada's production possibilities boundary.

Answer: D

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

- 40) With regard to various economic systems, most economists agree that 40) _____
- A) command economies have been very successful in distributing income in socially just ways.
 - B) government intervention in the economy is only justified in time of war.
 - C) the mix of market and command principles that exists in Canada is the best.
 - D) the optimal mix of market and command systems remains constant over time.
 - E) most production and consumption decisions are more efficiently coordinated by markets than through central planning.

Answer: E

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

- 41) Which of the following best describes the study of economics? 41) _____
- A) why resources are scarce
 - B) how to limit human wants so that scarce resources are sufficient
 - C) how to distribute income as equally as possible
 - D) how to plan an economy
 - E) the allocation of scarce resources among alternative uses

Answer: E

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

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

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

Answer: B

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

43) In command economies, economic behaviour is _____

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

Answer: E

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.

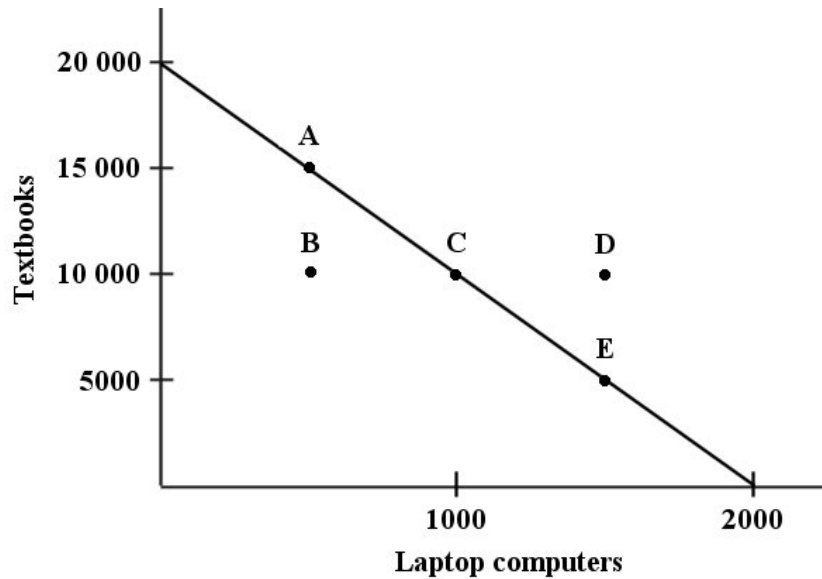


Figure 1-2

- 44) Refer to Figure 1-2. For the school board, what is the opportunity cost of one additional textbook? 44) _____
- 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)

- 45) In traditional economies, economic behaviour is 45) _____
- A) affected by elements of tradition, government command, and market incentives.
 - B) directed only by self interest.
 - C) random and unpredictable.
 - D) largely determined by a central authority.
 - E) based primarily on custom and habit.

Answer: E

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

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

Answer: E

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

- 47) It has been observed that university enrollment in Canada is higher during periods of high unemployment. A possible explanation for this is that 47) _____
- A) when prospects for getting a job are poor, the opportunity cost of getting a job is lower.
B) when prospects for getting a job are poor, the opportunity cost of going to university is lower.
C) during periods of high unemployment, tuition fees are reduced.
D) during periods of high unemployment, the opportunity cost is no longer relevant.
E) when prospects for getting a job are poor, the opportunity cost of doing nothing is higher.

Answer: B

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

- 48) Which of the following statements best describes the underlying feature in most economic problems? 48) _____
- A) There are unlimited resources.
B) Governments should never interfere in the workings of a market economy.
C) People have unlimited wants in the face of limited resources.
D) People have limited wants in the face of limited resources.
E) Our country is rich; we just don't realize it.

Answer: C

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

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

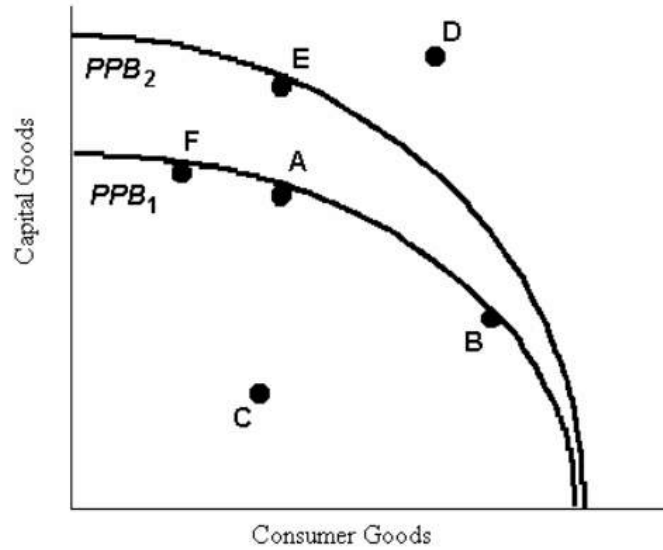


FIGURE 1-4

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

49) _____

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

Answer: A

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

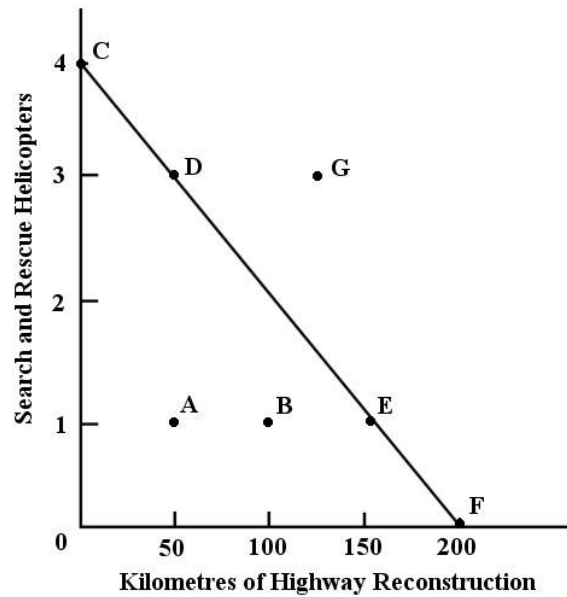


FIGURE 1-1

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

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

Answer: E

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

- 51) A modern economy like Canada's is largely organized by _____
- A) benevolent individuals pursuing the public interest.
 - B) individuals forming cooperative enterprises and labour unions.
 - C) individuals following their own self interest, doing what seems best for themselves.
 - D) governments at all levels coordinating the activities of firms and citizens.
 - E) the self-interested behaviour of a small number of individuals.

Answer: C

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

- 52) In the Canadian economy, most decisions regarding resource allocation are made by
- A) the various levels of government.
 - B) legal contract.
 - C) business firms only.
 - D) consumers and producers interacting in the price system.
 - E) negotiation between unions and firms.

52) _____

Answer: D

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

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

53) _____

Answer: D

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.

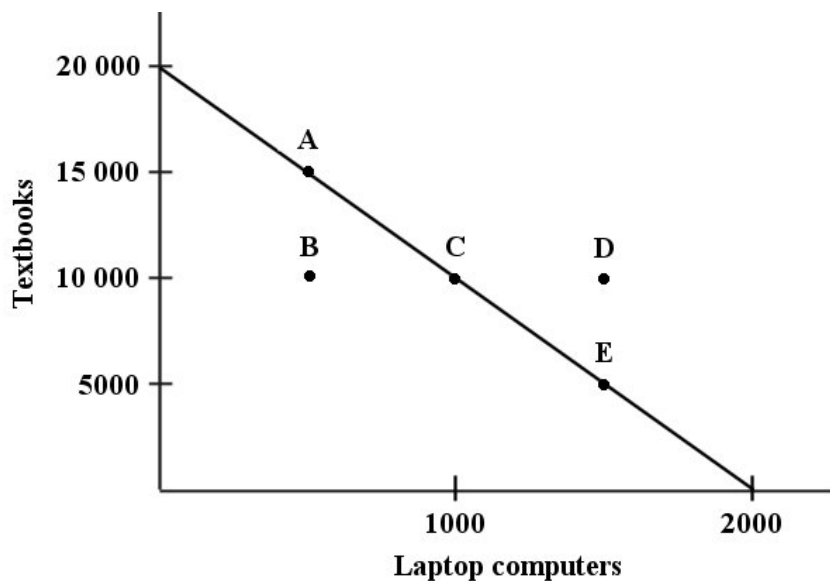


Figure 1-2

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

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

54) _____

Answer: A

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

55) 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

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

55) _____

Answer: A

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

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

56) _____

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

Answer: D

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

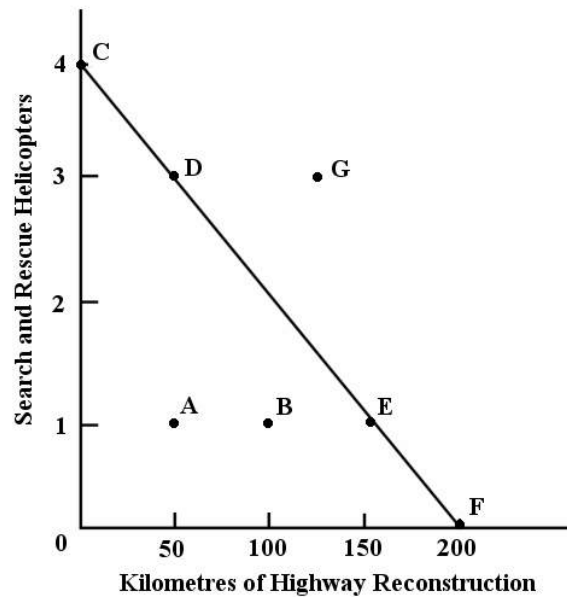


FIGURE 1-1

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

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

57) _____

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

Answer: B

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

- 58) Karl Marx argued that 58) _____
- A) technological change was not important in improving living standards.
 - B) centrally planned economies could provide a more equitable distribution of total output than capitalist economies.
 - 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: B

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

- 59) A greater specialization of labour leads to which of the following major results? 59) _____
- 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

Answer: E

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

- 60) Which of the following statements best describes a barter system of exchange? 60) _____
- A) It does not involve the double coincidence of wants.
 - B) It involves the trading of goods directly for other goods.
 - C) It developed late in history.
 - D) It is the most efficient form of exchange.
 - E) It requires the use of money.

Answer: B

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

- 61) If a country's production possibilities boundary is drawn as a straight (downward-sloping) line it indicates 61) _____
- A) the use of the scarce resources in an economy.
 - B) increasing opportunity cost of producing more of either good.
 - C) decreasing opportunity cost of producing more of either good.
 - D) an unfair distribution of resources in an economy.
 - E) constant opportunity cost of producing more of either good.

Answer: E

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

- 62) 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 62) _____
- A) a commodity.
 - B) goods and services.
 - C) an economic service.
 - D) a factor of production.
 - E) a capital resource.

Answer: D

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

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

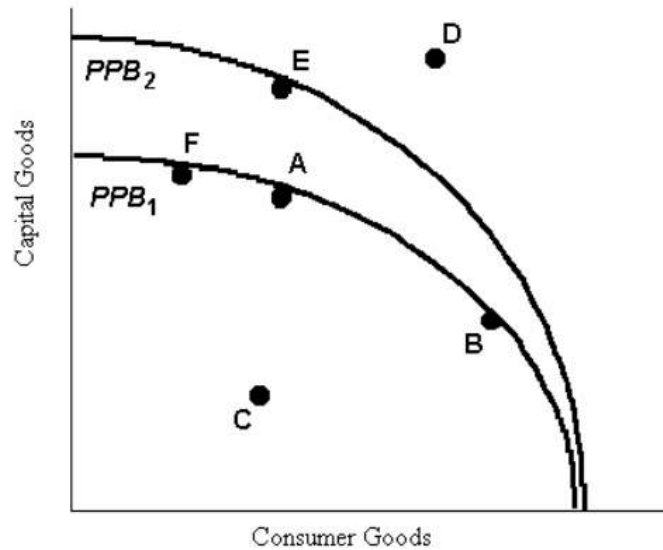


FIGURE 1-4

- 63) 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
- A) A, B, or C.
 - B) A, B, C, D, or E.
 - C) A or E.
 - D) A or B, but not C.
 - E) D or E

63) _____

Answer: A

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

- 64) Refer to Figure 1-4. Growth in the country's productive capacity is illustrated by
- 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) a point like D outside the boundary.
 - D) the movement between points on a given boundary.
 - E) an outward shift of the boundary, for example from PPB_1 to PPB_2 .

64) _____

Answer: E

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

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

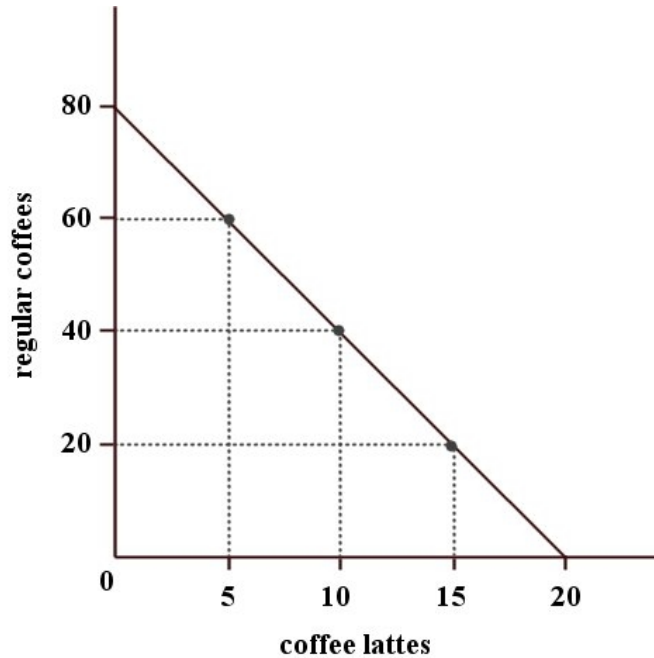


FIGURE 1-3

65) 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? 65) _____

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

Answer: B

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

66) Income redistribution in a mixed economy 66) _____

- 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)

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.

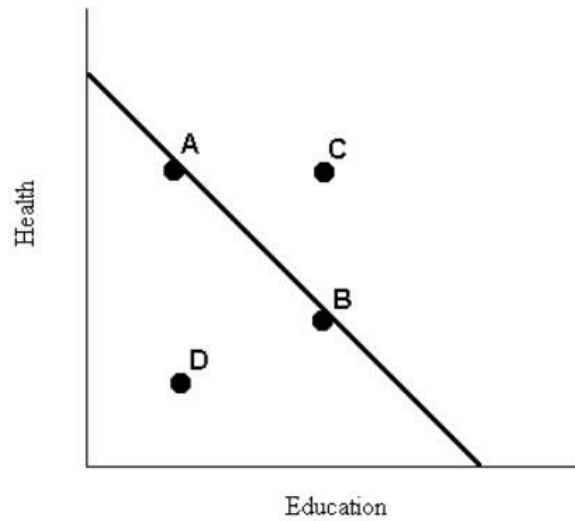


FIGURE 1-6

- 67) Refer to Figure 1-6. Suppose the government's current spending is shown by point D. In this case, 67) _____
- A) 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.
 - B) the prices of education and health care have increased beyond the government's ability to pay.
 - 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.

Answer: D

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

- 68) Behaviour in free-market economies is 68) _____
- A) based primarily on custom and habit.
 - B) determined by a central authority.
 - C) random and unpredictable.
 - D) mostly affected by elements of tradition and government command.
 - E) mostly directed by self interest.

Answer: E

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

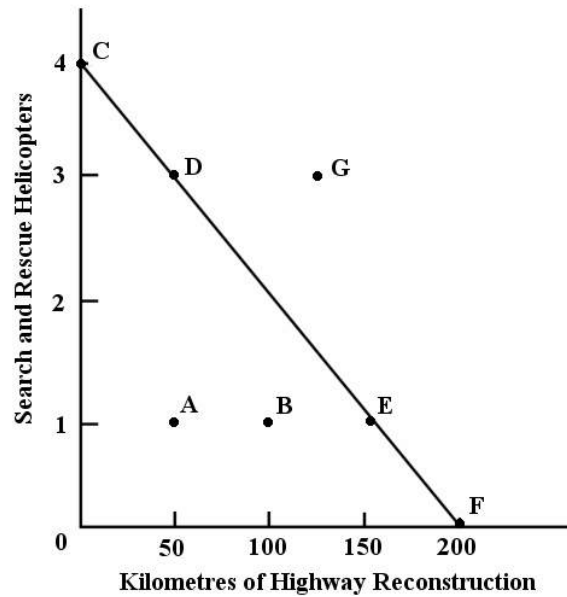


FIGURE 1-1

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

- 69) Refer to Figure 1-1. For the government, the opportunity cost of one search and rescue helicopter is 69) _____
- A) 0 kilometres of highway repair.
 - B) 200 kilometres of highway repair.
 - C) 150 kilometres of highway repair.
 - D) 100 kilometres of highway repair.
 - E) 50 kilometres of highway repair.

Answer: E

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

- 70) The barter system of exchange is inefficient because 70) _____
- A) bargaining power is unequal between rich and poor.
 - B) "fair" values cannot be defined without the use of money.
 - C) markets do not exist.
 - D) exchange partners need to know each other.
 - E) the double coincidence of wants may not exist.

Answer: E

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

- 71) A basic underlying point in economics is that 71) _____
- A) governments should never interfere in the workings of a market economy.
 - B) people have unlimited wants in the face of limited resources.
 - C) people have limited wants in the face of limited resources.
 - D) governments should satisfy the needs of the people.
 - E) there are unlimited resources.

Answer: B

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

- 72) With reference to the circular flow of income, how is the allocation of resources largely decided? 72) _____
- A) by central authorities only
 - B) by central authorities and firms only
 - C) by individuals only
 - D) by firms and households acting independently
 - E) by political parties and firms only

Answer: D

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

- 73) A country's production possibilities boundary shows that 73) _____
- A) when a society combines its resources inefficiently, it cannot produce more of one good without producing less of the other good.
 - B) all points inside the boundary are preferred to all points on the boundary.
 - C) when a society combines its resources efficiently, it cannot produce more of one good without producing less of the other good.
 - D) when a society combines its resources efficiently, it is always possible to produce more of all goods.
 - E) the supply for goods always exceeds the demand.

Answer: C

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

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

74) _____

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

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.

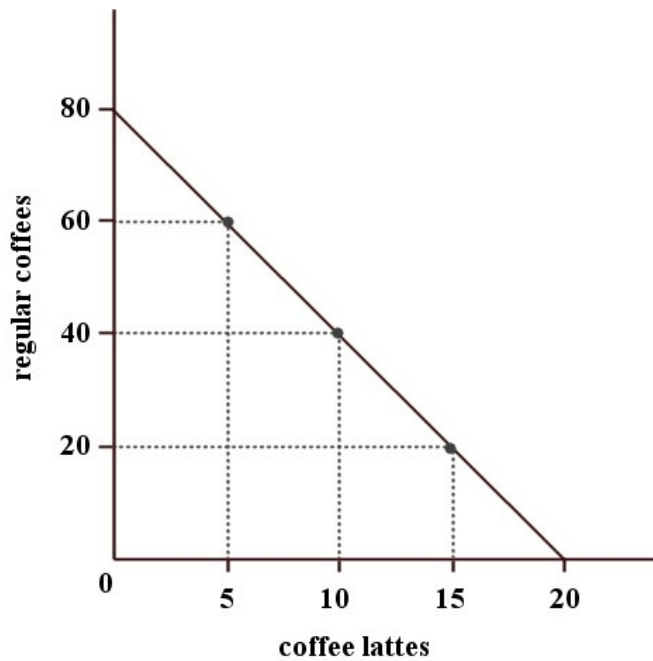


FIGURE 1-3

75) 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

75) _____

- A) 80 cups of regular coffee.
- B) zero because she stayed within her budget.
- C) 20 cups of regular coffee.
- D) zero because she bought what she desired.
- E) 40 cups of regular coffee.

Answer: A

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

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

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

- 77) Refer to Table 1-1. Which of the following statements about Tristan's and Thomas's opportunity costs is correct? 77) _____
- 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)

- 78) 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 78) _____
- A) a downward-sloping straight line with slope equal to -1.
 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) circular.

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

79) 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?

79) _____

- A) 5/2 units of wool
- B) 2 units of wool
- C) 2/5 unit of wool
- D) 5 units of wool
- E) zero

Answer: A

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

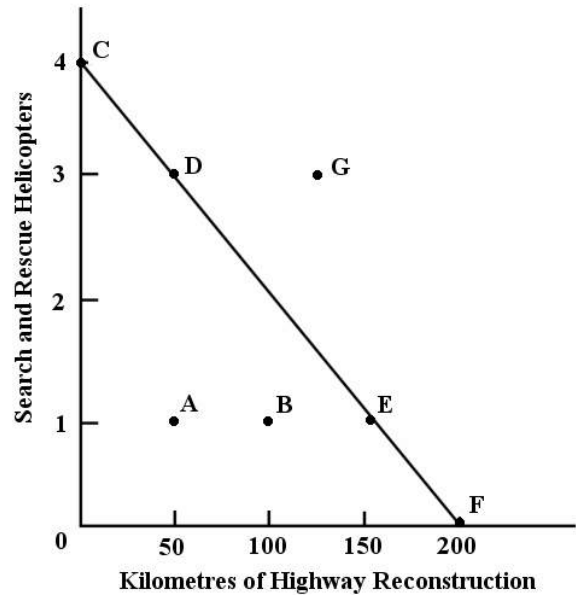


FIGURE 1-1

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

80) 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?

80) _____

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

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

81) Refer to Table 1-2. What is Sam's opportunity cost of completing 2 biology lab reports? 81) _____

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

Answer: C

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

82) In the current Canadian economy, the majority of choices on how resources are allocated are made by 82) _____

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

Answer: A

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

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

83) _____

- 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)

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

84) _____

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

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.

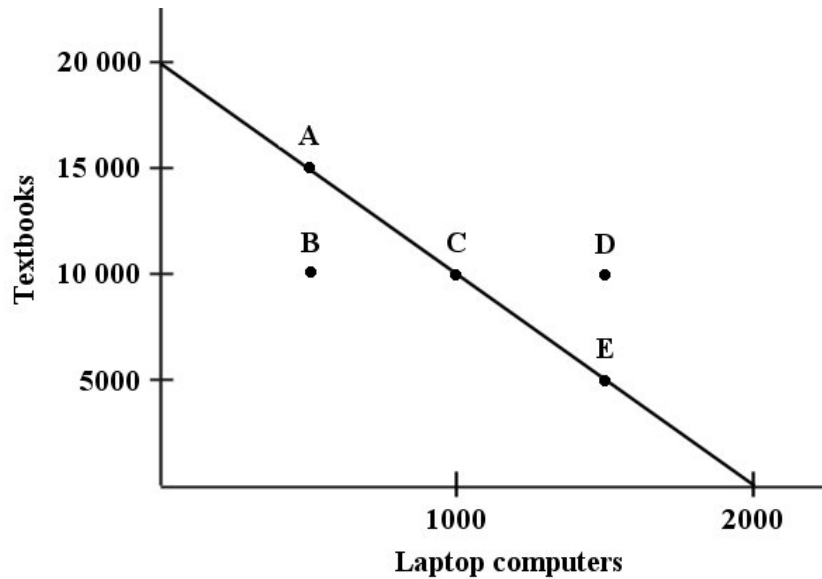


Figure 1-2

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

85) _____

- 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)

86) The key decision makers in a market economy are

86) _____

- A) governments and all institutions under government control.
- B) corporations and governments.
- C) individual citizens, non-profit organizations, and the Bank of Canada.
- D) large corporations and labour organizations.
- E) households, firms, and government.

Answer: E

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

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

87) _____

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

Answer: E

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

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

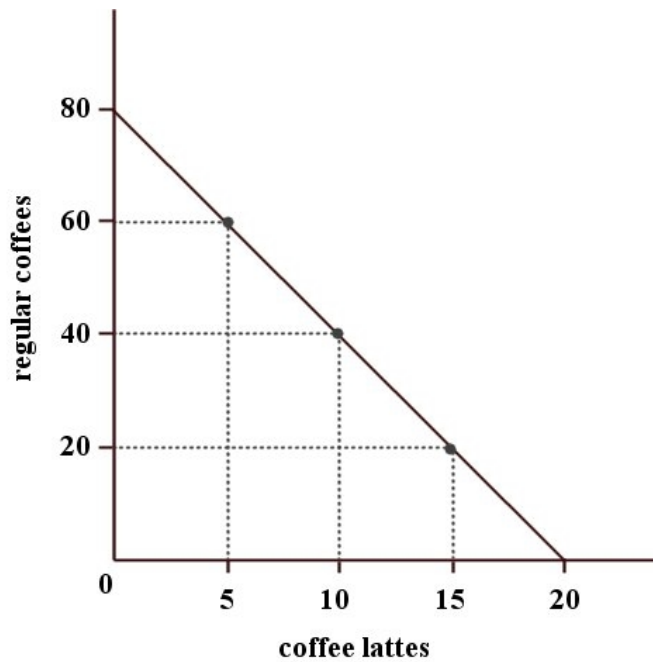


FIGURE 1-3

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

88) _____

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

Answer: A

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

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

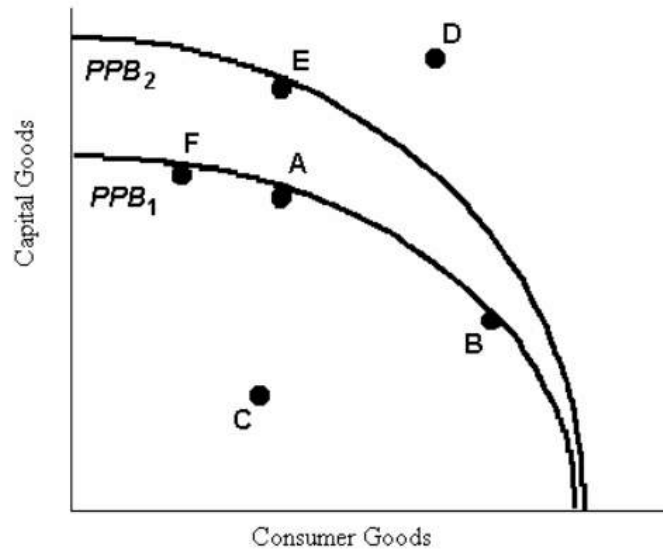


FIGURE 1-4

- 89) Refer to Figure 1-4. A shift of the production possibilities boundary from PPB_1 to PPB_2 implies 89) _____
- A) that technology in the consumer goods industry has improved.
 - B) that technology in the capital goods industries has improved.
 - C) an inevitable decrease in total output.
 - D) a movement from full employment to some unemployment.
 - 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)

- 90) Comparison of economic systems indicates that 90) _____
- A) most countries have mixed economies.
 - B) most nations have either a purely socialist economy or a purely capitalist economy.
 - C) all countries have largely traditional economies.
 - D) socialist economies are clearly superior in producing consumer goods.
 - E) capitalist economies are clearly superior in distributing income.

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

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

91) _____

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

Answer: C

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

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

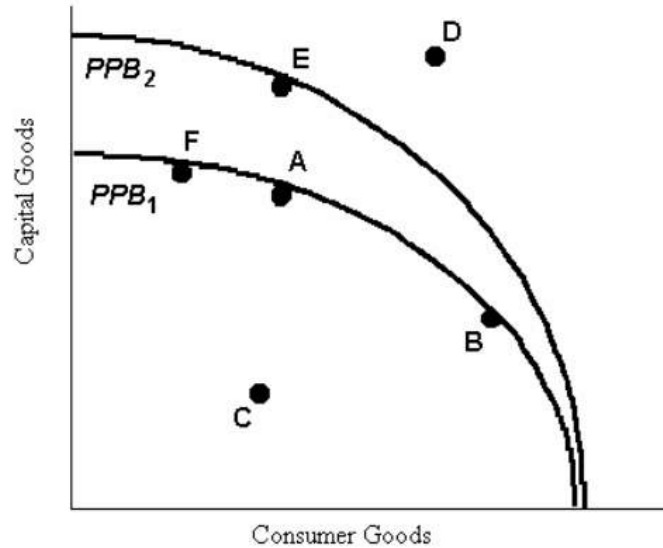


FIGURE 1-4

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

Answer: D

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

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

Answer: C

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

- 94) Economics can best be described as 94) _____
- A) the study of how a society *ought* to allocate its resources.
 - B) the study of the use of scarce resources to satisfy unlimited human wants.
 - C) a normative science.
 - D) the application of sophisticated mathematical models to address social problems.
 - E) the study of how to reduce inflation and unemployment.

Answer: B

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

- 95) Consider Canada's production possibilities boundary. Suppose a scientific breakthrough leads to a lower-cost method of producing battery-operated cars in Canada. The likely effect would be to move Canada's current production 95) _____
- A) to a point inside its new production possibilities boundary.
 - B) above the level of U.S. production.
 - C) to a point beyond its new production possibilities boundary.
 - D) possibilities boundary outward.
 - E) possibilities boundary inward.

Answer: D

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

- 96) A farmer selling tomatoes and corn at a roadside, and a currency trader in Hong Kong, are each participating in 96) _____
- A) an involuntary transaction.
 - B) international trade.
 - C) barter.
 - D) a market.
 - E) flexible manufacturing.

Answer: D

- 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.

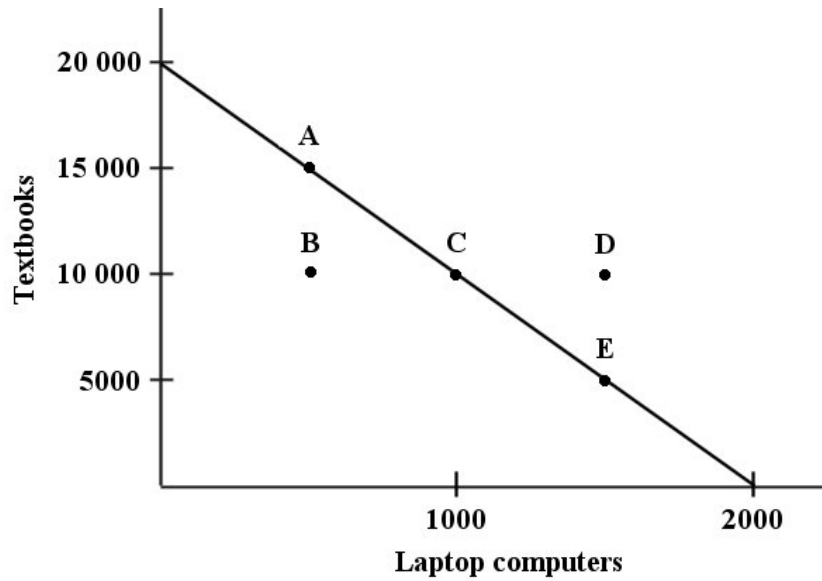


Figure 1-2

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

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

97) _____

Answer: E

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

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

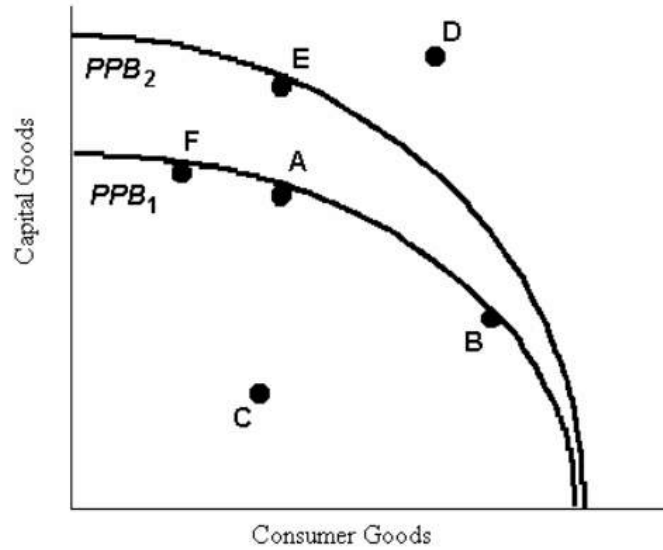


FIGURE 1-4

- 98) Refer to Figure 1-4. The production possibilities boundaries are drawn concave to the origin. What does this shape of the PPB demonstrate? 98) _____
- A) the increasing opportunity cost of producing more of either good
 - B) the decreasing 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 constant opportunity cost of producing more of either good

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

- 99) Refer to Table 1-2. What is Sam's opportunity cost of completing 1 chemistry lab report? 99) _____
- A) 3 of a biology lab report
 - B) $\frac{4}{3}$ of a biology lab report
 - C) $\frac{3}{4}$ of a biology lab report
 - D) $\frac{2}{3}$ of a biology lab report
 - E) 4 of a biology lab report

Answer: C

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

- 100) In practice, the term "centrally planned economy" refers to an economy in which 100) _____
- A) the government makes ALL production and consumption decisions.
 - B) the military is in control of the government.
 - C) the mix of market and command principles is heavily weighted towards the latter.
 - D) economic decisions are made in the geographic centre of the country.
 - E) all commodities are rationed.

Answer: C

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

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

101) _____

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)

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

102) _____

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

Answer: D

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

- 103) An insight first fully developed by Adam Smith is that

103) _____

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

Answer: B

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

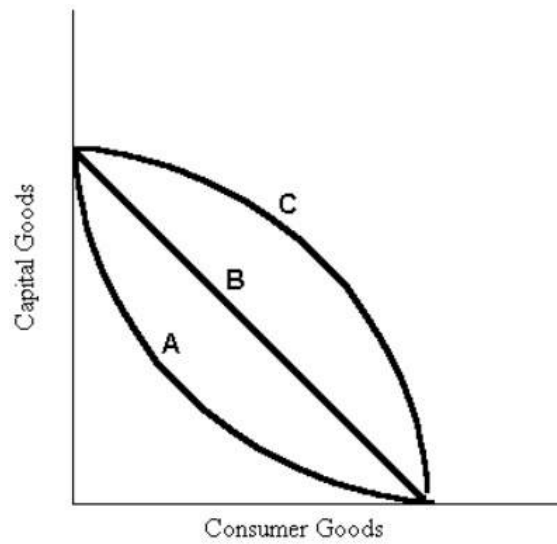


FIGURE 1-5

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

104) _____

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

Answer: B

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

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

105) _____

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

Answer: A

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

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

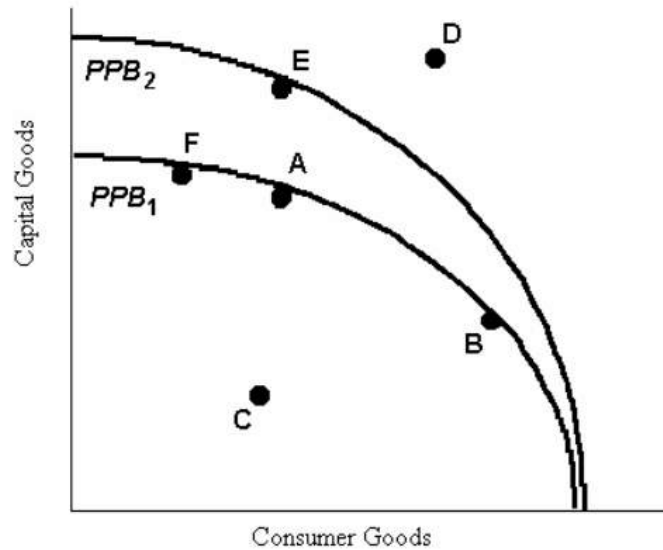


FIGURE 1-4

- 106) 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 _____ 106) _____
- A) C. B) E. C) B. D) D. E) F.

Answer: E

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

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

Answer: D

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

108) Consider the production possibilities boundary (PPB) of an economy. Economic growth is illustrated by 108) _____

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

Answer: B

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

109) The opportunity cost of going to college or university for four years is 109) _____

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

Answer: E

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

110) Scarcity is likely to be 110) _____

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

Answer: B

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

111) A move from inside the production possibilities boundary to the boundary itself could be caused by 111) _____
A) an improvement in the government's ability to control its spending.
B) an increase in the labour supply.
C) technological progress.
D) the employment of previously idle resources.
E) a reallocation of resources from military to civilian goods.

Answer: D

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

112) Complex economic plans for many economic sectors are most associated with a 112) _____
A) feudal system.
B) traditional economy.
C) free-market system.
D) command economy.
E) mixed market system.

Answer: D

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

113) In a modern mixed economy the government ensures that key institutions are in place to facilitate 113) _____
voluntary transactions between economic agents. These key institutions are
A) the House of Commons and the Senate.
B) labour and capital markets.
C) the Department of Finance and the Bank of Canada.
D) securities regulators and the court system.
E) private property and freedom of contract.

Answer: E

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.

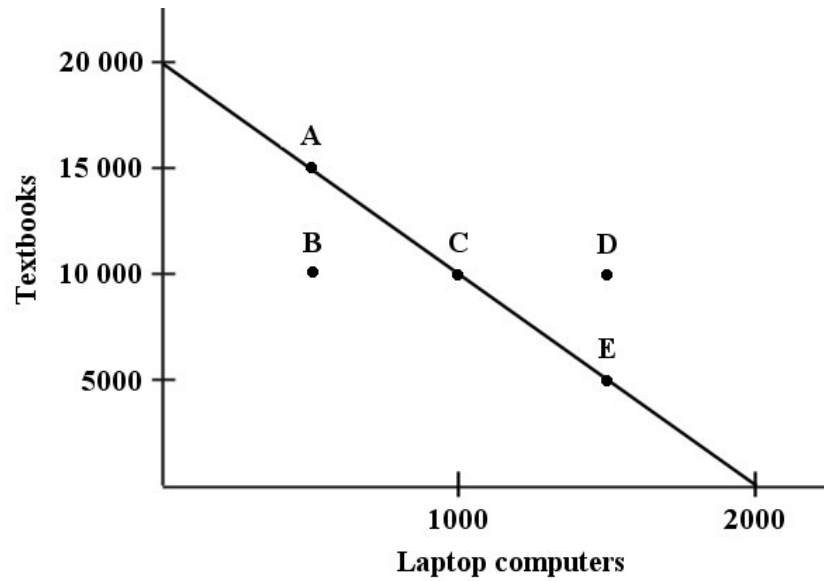


Figure 1-2

114) 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? 114) _____

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

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.

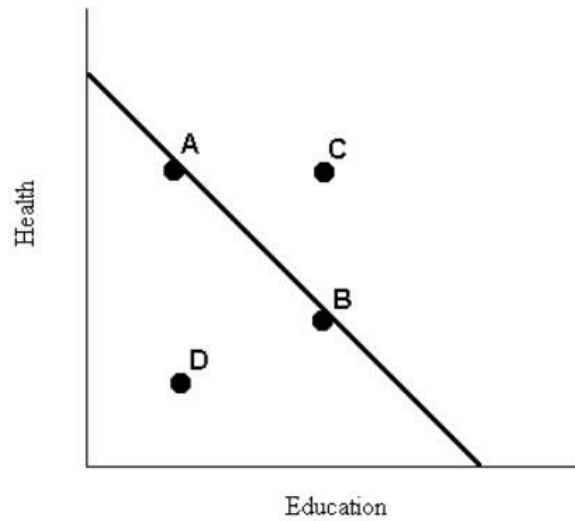


FIGURE 1-6

115) Refer to Figure 1-6. The levels of health and education expenditures at point C

115) _____

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

Answer: A

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

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

116) _____

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

Answer: E

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

117) 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? 117) _____

- A) Katie's opportunity cost of producing 1 jar of pickles is 2 pies.
- B) Hugh's opportunity cost of producing 1 jar of pickles is 4 pies.
- C) Katie's opportunity cost of producing 1 jar of pickles is 1/2 of a pie.
- D) Hugh's opportunity cost of producing 1 pie is 1/4 jar of pickles.
- E) Hugh's and Katie's opportunity costs of producing are the same.

Answer: C

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

118) Which countries have mostly public ownership of resources? 118) _____

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

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

119) Refer to Table 1-1. What is Tristan's opportunity cost of producing one fishing lure? 119) _____

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

Answer: E

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

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

120) _____

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

Answer: B

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

Answer Key
Testname: C1

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

Answer Key
Testname: C1

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

Answer Key

Testname: C1

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