York University
Department of Economics
Exam Cover Sheet

Name: _____

Student Number: _____

Course Code: AP/ECON _____

Section (A, B, C, etc.): _____

Year/Term: _____

Please sign below to agree to the following:

- All items permitted to use during the exam are now on my desk in front of me, including writing utensils, drink/snack, and tissues.
- All plastic bottles (e.g., water/juice) have their labels removed, and any other containers that I would like to use have been pre-screened by an invigilator, including eye glass cases.
- Unless permitted by the test instructions, I do not have a cell phone or any other electronic device on my desk or person and will not attempt to use or touch one during the test. Such devices must be powered off (not simply sleep mode) and secured away in a bag.
- I will not talk during the test for any reason except to invigilators or the instructor. I will not seek/receive any additional help from another student on the exam and will not give another student additional help on the exam. If I need something, I will raise my hand.
- I will keep my responses out of sight of other students.
- I understand that all answers must be in my own words.
- I am aware that this test/exam material is the property of the Department of Economics and unauthorized dissemination or recording of the test is prohibited.

Any potential violation of the above will result in a charge of breaching academic honesty, and could result in a '0' on the exam or more severe penalty.

Student Signature: _____

Date: _____

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YORK UNIVERSITY
Department of Economics

AP/ECON 1000 B Introduction to Microeconomics

DATE: Friday, October 20, 2017 **Professor Gordana Colby**

TEST 1

INSTRUCTIONS:

1. **PRINT** your name: _____ _____
   (Last Name) **(First Name)**

2. Student Number: _____

3. Signature: _____

On the pink SCANTRON form, use an HB PENCIL to:

4. Fill in your Name only at the top right.

5. At the top left, fill in your Student ID Number, and darken each number in the corresponding bubble to the left of each box. **You will lose 3 marks if your student number is filled out wrongly or incompletely.**

6. All answers must be entered on the SCANTRON sheet to be counted.
   We will NOT transfer your answers to your scantron.

7. The test is 60 minutes, 30 marks. Insert the SCANTRON sheet in the middle of the test paper when you are finished.

8. **NO ELECTRONIC AIDS (INCLUDING PHONES AND CALCULATORS) ARE ALLOWED.**

VERSION A

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Econ 1000 B

Name_____

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

1) 1) _____

A) Version A B) Version B C) Version C

2) If opportunity costs are increasing, then the production possibilities frontier 2) _____

A) reflects the fact that available resources are equally useful in all production activities.
B) will be positively sloped.
C) will be bowed out and have a positive slope.
D) will be linear and have a negative slope.
E) will be bowed out and have a negative slope.

Use the table below to answer the following questions.

Table 2.1.1

The following table gives points on the production possibilities frontier for goods *X* and *Y*.

Point	Production of *X*	Production of *Y*
A	0	40
B	4	36
C	8	28
D	12	16
E	16	0

3) Refer to Table 2.1.1. The opportunity cost of increasing the production of *X* from 8 to 12 units is 3) _____

A) 4 units of *Y*.
B) 16 units of *Y*.
C) 4 units of *X*.
D) 12 units of *Y*.
E) 8 units of *Y*.

4) Which of the following is true regarding marginal benefit? 4) _____

I. The marginal benefit curve shows the benefit firms receive by producing another unit of a good.
II. Marginal benefit increases as more and more of a good is consumed.
III. Marginal benefit is the maximum amount a person is willing to pay to obtain one more unit of a good.

A) I only
B) I and II
C) I and III
D) III only
E) I, II, and III

5) A production possibilities frontier will shift outward for all of the following reasons *except* 5) _____
A) an increase in the stock of capital.
B) an increase in the labour force.
C) an increase in opportunity cost.
D) a technological improvement.
E) an increase in human capital.

Use the information below to answer the following questions.

Fact 2.4.1

In an eight–hour day, Andy can produce either 24 loaves of bread or 8 kilograms of butter. In an eight–hour day, Rolfe can produce either 8 loaves of bread or 8 kilograms of butter.

6) Given Fact 2.4.1, the opportunity cost of producing 1 loaf of bread is 6) _____
A) 20 minutes (1/3 hour) for Andy and 1 hour for Rolfe.
B) 3 kilograms of butter for Andy and 1 kilogram of butter for Rolfe.
C) 8 kilograms of butter for both Andy and Rolfe.
D) 1/3 kilogram of butter for Andy and 1 kilogram of butter for Rolfe.
E) not calculable from the given information.

7) Tom takes 20 minutes to cook an egg and 5 minutes to make a sandwich. Jerry takes 15 minutes to cook an egg and 3 minutes to make a sandwich. If Tom and Jerry specialize and trade eggs and sandwiches with each other, 7) _____
A) Jerry benefits but Tom does not.
B) Tom benefits but Jerry does not.
C) neither Tom nor Jerry benefit.
D) both of them benefit.
E) either Tom or Jerry benefit but we don't have enough information to know which one benefits.

8) The flows in the market economy that go from firms to households are _____. 8) _____
The flows in the market economy that go from households to firms are _____.
A) the income flows of wages, rent, interest, and profits and the flow of expenditure on goods and services; the real flows of goods and services and the real flows of labour, land, capital and entrepreneurship
B) all flowing through goods markets; all flowing through factor markets
C) the real flows of goods and services and the income flows of wages, rent, interest and profits; the real flows of labour, land, capital and entrepreneurship and the flow of expenditure on goods and services
D) all flowing through factor markets; all flowing through goods markets
E) the real flows of goods and services and the real flows of labour, land, capital and entrepreneurship; the income flows of wages, rent, interest, and profits and the flow of expenditure on goods and services

9) The relative price of a good is all of the following *except* 9) _____
A) the money price of the good divided by a price index.
B) the ratio of one price to another.
C) the same as the money price of a good.
D) an opportunity cost.
E) determined in a market.

10) The price of good *X* falls and the demand for good *Y* decreases. We can conclude that 10) _____
A) X and *Y* are substitutes.
B) X is an inferior good.
C) X is a normal good.
D) X and *Y* are complements.
E) X and *Y* are independent of each other.

11) Which of the following will shift the supply curve of good X rightward? 11) _____
A) a decrease in the wages of workers employed to produce good X
B) the price of *Y*, a substitute in production for good *X*, rises
C) an increase in the price of energy
D) a decrease in the number of suppliers of good X
E) an increase in the cost of capital used to produce good X

Use the figure below to answer the following questions.

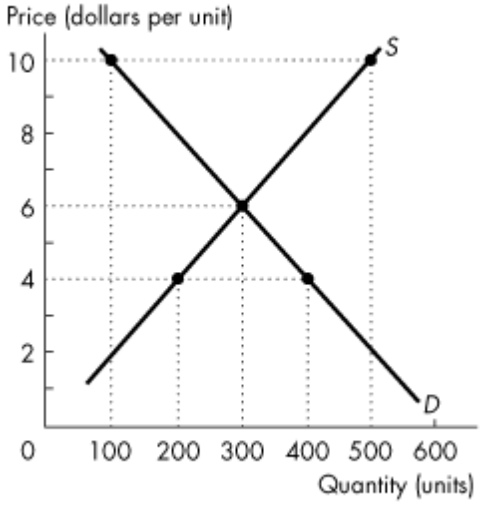

Figure 3.4.2

12) Refer to Figure 3.4.2. When the price is $10 a unit, 12) _____
A) consumers will buy only 100 units of output.
B) the surplus is zero.
C) a shortage occurs.
D) consumers will buy 500 units of output.
E) consumers will buy nothing.

13) Complete the following sentence. A surplus 13) _____

A) will lead to rising prices.
B) is the amount by which the quantity demanded exceeds the equilibrium quantity.
C) is the amount by which the quantity demanded exceeds the quantity supplied.
D) is the amount by which the quantity supplied exceeds the equilibrium quantity.
E) exists if the price is above the equilibrium price.

Use the figure below to answer the following questions.

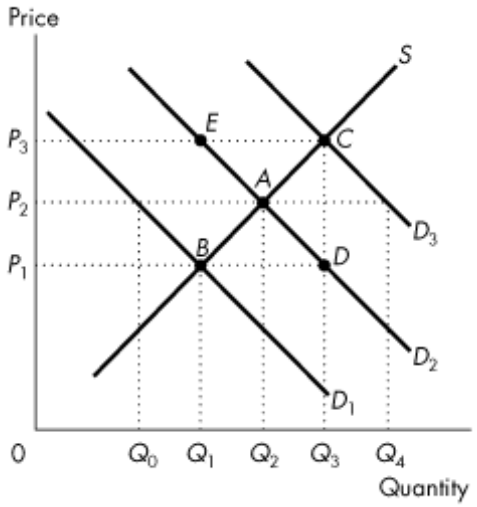

Figure 3.5.1

14) Initially, the demand curve for good *A* is D_2 in Figure 3.5.1. Suppose good *B* is a substitute for good *A*. If the price of *B* falls 14) _____

A) the equilibrium quantity of good *A* will increase.
B) the price of *A* will rise.
C) there will be a surplus of good *A* at P_2.
D) the demand curve for good *A* will shift from D_2 to D_3.
E) all of the above are true *except* B.

15) If demand increases and supply decreases, then the 15) _____

A) equilibrium price falls but the effect on the equilibrium quantity is unknown.
B) equilibrium price rises but the effect on the equilibrium quantity is unknown.
C) effect on both equilibrium price and quantity is unknown.
D) equilibrium quantity increases but the effect on the equilibrium price is unknown.
E) equilibrium quantity decreases but the effect on the equilibrium price is unknown.

Use the table below to answer the following questions.

Table 3.5.1
The Market for Car–Seat Heaters

Price (dollars per heater)	Quantity Demanded (heaters per month)	Quantity Supplied (heaters per month)
40	500	300
50	450	350
60	400	400
70	350	450
80	300	500
90	250	550
100	200	600

16) Refer to Table 3.5.1. Suppose a problem develops with car–seat heaters – they malfunction and occasionally cause serious burns. As a result, demand decreases by 100 heaters at each price. The new equilibrium price is $_____ and the new equilibrium quantity is _____ heaters per month. 16) _____
A) 50; 450 B) 70; 350 C) 50; 350 D) 70; 450 E) 60; 400

17) The demand curve is $P = 700 - 20Q_D$. The supply curve is $P = 300 + 20Q_S$. At market equilibrium, the equilibrium quantity is _____ and the equilibrium price is _____. 17) _____
A) 0.10; 20 B) 20; 0.10 C) 400; 40 D) 500; 10 E) 10; 500

18) The price of apples falls by 5 percent and quantity of apples demanded increases by 6 percent. We conclude that the demand for apples is 18) _____
A) inelastic.
B) elastic.
C) perfectly elastic.
D) unit elastic.
E) perfectly inelastic.

Use the figure below to answer the following question.

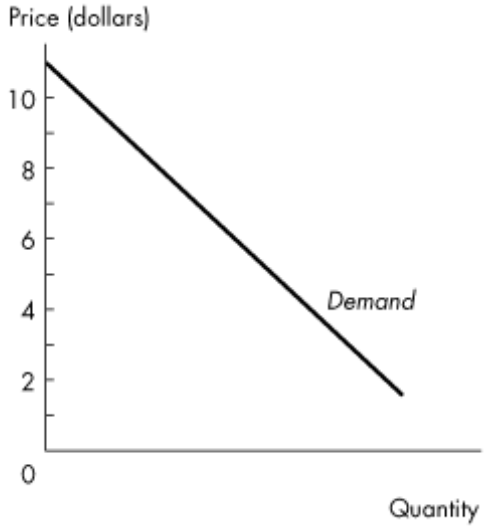

Figure 4.1.1

19) Figure 4.1.1 illustrates a linear demand curve. Comparing the price elasticity in the $2 to $3 price range with the elasticity in the $8 to $9 range, we can conclude 19) _____
A) nothing without numerical information about quantities.
B) that demand is more elastic in the $8 to $9 price range.
C) that the price elasticity of demand is the same in both price ranges.
D) that demand is more elastic in the $2 to $3 price range.
E) that the price elasticity of demand is zero in both price ranges because the demand curve is a straight–line demand curve.

20) Total revenue is more likely to rise when the price falls if 20) _____
A) a low proportion of income is spent on the good.
B) some extended period of time passes.
C) there are few substitutes for the good.
D) all of the above
E) none of the above

21) Luxury goods tend to have income elasticities of demand that are 21) _____
A) greater than zero but less than 1.
B) first positive and then negative as income increases.
C) less than the income elasticities of demand for necessary goods.
D) negative.
E) greater than 1.

22) If the cross elasticity of demand between goods *A* and *B* is positive, then 22) _____
A) *A* and *B* are independent goods.
B) the demands for *A* and *B* are both price elastic.
C) *A* and *B* are complements.
D) *A* and *B* are substitutes.
E) the demands for *A* and *B* are both price inelastic.

23) You are told that a 5 percent increase in the price of a good increases the quantity supplied by 10 percent after one month. Supply of this good is _____. This good is most likely produced using productive resources that are _____. 23) _____

A) unit elastic; unique or rare
B) elastic; unique or rare
C) decreasing; unique or rare
D) inelastic; plentiful or easily obtained
E) elastic; plentiful or easily obtained

24) A used truck has a sticker price of $21,000. Arthur decided that he would pay no more than $19,500 for this truck. He bought the truck for $19,250. Arthur obtained a consumer surplus of 24) _____

A) $1,750. B) $19,250. C) $21,000. D) $19,500. E) $250.

Use the figure below to answer the following questions.

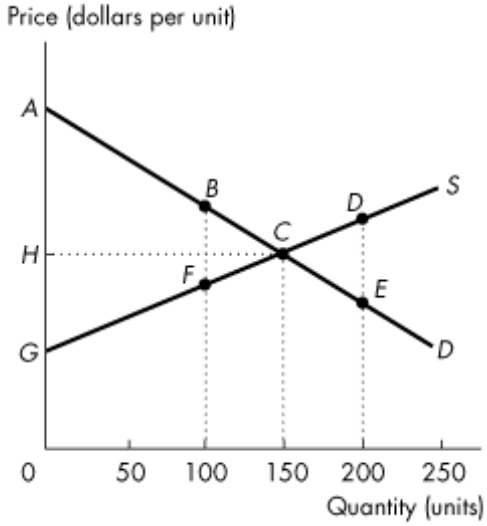

Figure 5.3.2

25) Refer to Figure 5.3.2. If the level of output is 100 units, the deadweight loss is area 25) _____

A) *BCF*. B) *ACG*. C) *DCE*. D) *ACH*. E) *HCG*.

Use the figure below to answer the following questions.

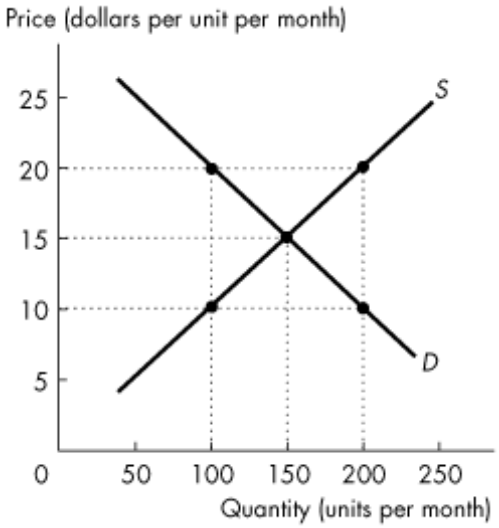

Figure 6.1.2

26) Refer to Figure 6.1.2. If a rigorously enforced price ceiling is set at $10, then 26) _____
A) 200 units will be sold at a price of $10 each.
B) 100 units will be sold at a price of $20 each.
C) 100 units will be sold at a price of $15 each.
D) 100 units will be sold at a price of $10 each.
E) 150 units will be sold at a price of $15 each.

27) Refer to Figure 6.1.2. What would be the maximum black market price of the good if a price ceiling is set at $10 a unit? 27) _____
A) $20
B) $15
C) $10
D) 50 goods sold at $10 and 50 goods sold at $20
E) 50 goods sold at $10 and 50 goods sold at $15

28) Complete the following sentence. A price floor set below the equilibrium price results in 28) _____
A) an increase in supply.
B) the equilibrium price.
C) a shortage.
D) a decrease in demand.
E) a surplus.

29) The government sets a price floor for corn, which is above the equilibrium price of corn. As a result 29) _____
A) a deadweight loss is created.
B) a shortage of corn occurs.
C) consumer surplus is maximized.
D) the market for corn is efficient.
E) the sum of consumer surplus and producer surplus is maximized.

Use the figure below to answer the following questions.

Figure 6.3.1

30) Refer to Figure 6.3.1 showing the market for frisbees before and after a tax is imposed. The tax on each frisbee is 30) _____
A) $5.60. B) $1.00. C) $6.60. D) $0.40. E) $0.60.

31) Refer to Figure 6.3.1 showing the market for frisbees before and after a tax is imposed. On each frisbee, the sellers' share of the tax is 31) _____
A) $6.60. B) $0.60. C) $1.00. D) $0.40. E) $5.60.

Answer Key
Testname: F17ECON1000BTEST1

1) A
2) E
3) D
4) D
5) C
6) D
7) D
8) C
9) C
10) A
11) A
12) A
13) E
14) C
15) B
16) C
17) E
18) B
19) B
20) B
21) E
22) D
23) E
24) E
25) A
26) D
27) A
28) B
29) A
30) B
31) D