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CONCISE

Education

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6. If X is a normal good and the average income of the consumers of commodity X increases, what will happen to equilibrium price and quantity of X, ceteris paribus?
   A) Equilibrium price increases while quantity decreases
   B) Both equilibrium price and quantity increases
   C) Equilibrium price decreases while quantity increases
   D) Both equilibrium price and quantity decreases
   E) None of the above

7. Reason/s for differences in price elasticity of demand is/are
   A) The nature of the good
   B) Availability of substitutes
   C) Adjustment time
   D) All of the above
   E) A and B are answers

8. If an economy moves from producing 10 metric tons of Wheat and 4 metric tons of Maize to producing 7 metric tons of Wheat and 5 metric tons of Maize, then the opportunity cost of producing one more metric ton of Maize is:

   A) 7 B) 10 C) 3 D) 1 E) None

9. One of the following results in a decrease in demand?
   A) An increase in income, if the good is normal.
   B) A decrease in the price of a complement to the good.
   C) An increase in the price of a substitute for the good.
   D) An increase in the number of buyers
   E) None of the above.

10. The sacrifice involved when you choose a particular course of action is called the:
   A) Alternative
   B) Opportunity cost
   C) Consumer cost
   D) Producer cost
   E) B and D

11. All of the following are features of mixed economic system except:
   A) Instability
   B) Economic welfare
   C) Red tapism
   D) Economic planning
   E) C and D

12. Suppose the price of good X increases. If X and Y are substitutes, then, in the market for good Y, we would expect, ceteris paribus
A) An increase in both the equilibrium price and quantity.
B) A decrease in the equilibrium price and an increase in the equilibrium quantity.
C) An increase in the equilibrium price and a decrease in the equilibrium quantity.
D) A decrease in both the equilibrium price and quantity.
E) None of the above

13. In which instance will both the equilibrium price and quantity rise?
A) When demand and supply increase, but the rise in demand exceeds the rise in supply.
B) When demand and supply increase, but the rise in supply exceeds the rise in demand.
C) When demand and supply decline, but decline in the demand exceeds the decline in supply.
D) When demand and supply decline, but the decline in supply exceeds decline in the demand.
E) C and D

14. Given a market demand function $Q_D=10-2P$ and a market supply function $Q_S=5+3P$, answer question 14 and 15. What are the equilibrium price and the equilibrium quantity respectively?
A) 5 and 1
B) 8 and 1
C) 1 and 5
D) 1 and 8
E) None of the above

15. What is the price elasticity of demand at the equilibrium point and its interpretation?
A) 0.5 and inelastic
B) 1.5 and elastic
C) 0.25 and inelastic
D) 0 and perfectly inelastic

16. The free-market involves:
A) Free provision of products by the state
B) Subsidizing of products by the government
C) Market forces of supply and demand
D) All trade occurring via barter
E) C and D

17. Which of the following statements is INCORRECT?
A) Normal goods have positive income elasticity
B) Inferior goods have negative income elasticity
C) Luxury goods have high income elasticity of demand
D) Necessity goods must also be inferior goods.
E) None of the above

18. Economic growth is depicted by
A) A shift in the production possibilities frontier outward.
B) A movement from inside the curve toward the curve.
C) A shift in the production possibilities frontier inward.
D) A movement along a production possibilities frontier toward capital goods.
E) A and B

19. One of the following determinants of demand causes the demand curve for a good to shift inward
A) Increases in own price of the good
B) Increase in income of the consumer if the good in question is inferior
C) The consumer's expectation of higher price of the good in the future
D) Decrease in price of the goods which are complement to the good in question
E) Positive taste towards the product

20. Which of the following is not correct about the subject economics?
A) Economics is the study of how people choose to use their scarce resources to satisfy their unlimited wants.
B) Positive economics attempts to understand behavior and economic systems without making judgments whether the outcomes are good or bad.
C) Normative economics relies on testable hypotheses while Positive economics relies on value judgments to evaluate or recommend alternative policies.
D) Macroeconomics is the study of the aggregate economy as a whole.
E) B and C

21. Which of the following is a positive statement?
A) Taxes should be lower because then people get to keep more of what they earn, so they will work more
B) My economics class should last for two terms because it is my favorite class
C) A 10 percent increase in income leads to a 4 percent increase in the consumption of beef
D) Given their negative impact on productivity, the government should eliminate labor unions
E) C and D are answers

22. One of the following is not the features or advantages of mixed economic system?
A) Provision of private property right
B) Sovereignty of consumer and producer in a market
C) Control of price by government of basic food items
D) Unbalanced economic growth in different regions
E) C and D are answers