

INTRODUCTION TO MICROECONOMICS

Tulane University
Professor Alan Barreca

EXAM #1 PRACTICE

INSTRUCTIONS

1. You will have 60 minutes to take this exam. Please do not begin the exam until instructed to do so.
2. You must stop writing once the exam time is over; failure to do so, will result in the deduction of points from your exam.
3. Calculators are not allowed.
4. Place all your cell phones, backpacks, book bags, computers, calculators, etc. at the front of the room. Nothing should be on the floor near you.
5. You are not allowed to wear hats or hoods during the exam.
6. If needed, I will provide you with scratch paper.
7. Have your student identification card on your desk. I will come by and take roll during the exam.
8. Circle your answer to the multiple choice questions on the exam and on the scantron sheet. I will not be returning the scantrons to you.
9. Finally, please read the following paragraph and sign below.

STATEMENT OF ACADEMIC INTEGRITY

Academic integrity is a fundamental expectation of all students in this course. It enhances the quality of education, and is critical to the learning process. Honesty and respect are “capabilities enabling” while cheating and plagiarism are destructive: students don't learn in a climate of dishonesty and unfairness. As such, cheating and other forms of academic misconduct will not be tolerated. Instances of cheating on an examination will result in an automatic grade of 0 for the examination with no opportunity for a retake, and that student will be referred to the Division of Student Affairs. Other forms of academic misconduct will receive equivalent sanctions. Please remember that assisting another student to cheat also constitutes academic misconduct and you will be accountable for knowingly providing such assistance. It is your responsibility to be familiar with Tulane University Honor Code, and conduct yourself according to the standards that are described therein.

I have read the "Statement of Academic Integrity" above:

PRINT NAME _____

STUDENT ID# _____

SIGN _____

DATE _____

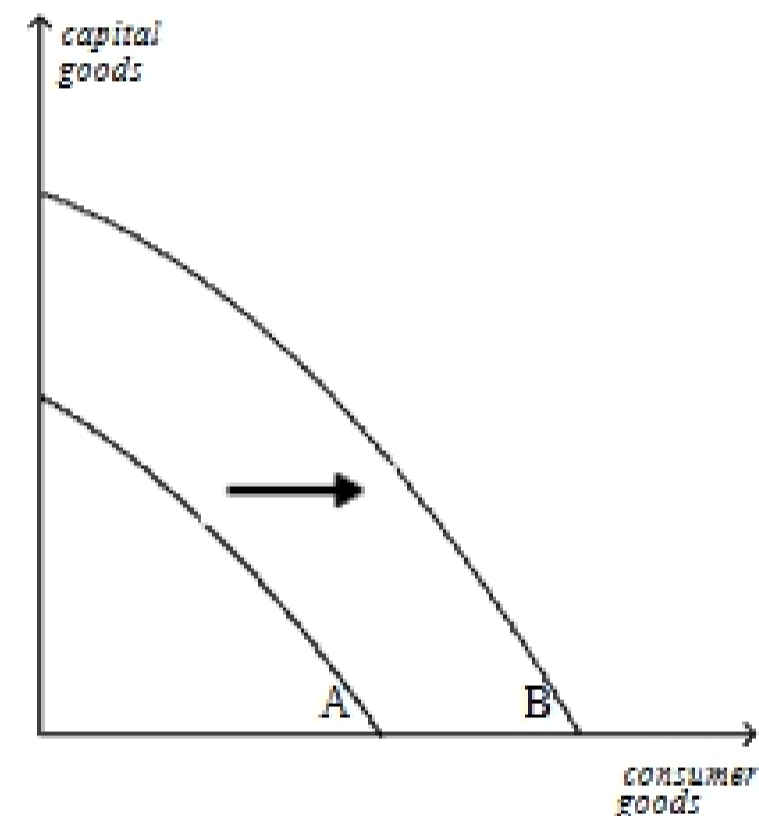
DO NOT BEGIN THE EXAM UNTIL INSTRUCTED TO DO SO

MULTIPLE CHOICE QUESTIONS

Choose the best answer to the following multiple choice questions. Also, be sure to answer all your questions on the scantron/answer sheet provided to you.

1. The adage, "There is no such thing as a free lunch," means
 - a. even people on welfare have to pay for food.
 - b. the cost of living is always increasing.
 - c. people face tradeoffs.
 - d. all costs are included in the price of a product.
2. Economists face an obstacle that many other scientists do not face. What is that obstacle?
 - a. It is often difficult to formulate theories in economics.
 - b. It is often difficult and sometimes impossible to perform experiments in economics.
 - c. Economics cannot be addressed objectively; it must be addressed subjectively.
 - d. The scientific method cannot be applied to the study of economics.

3. Which of the following would most likely have caused the production possibilities frontier to shift outward from A to B?
 - a. a decrease in unemployment
 - b. a technological advance that is specific to the consumer goods industries
 - c. an increase in the availability of capital-producing resources
 - d. a general technological advance



4. Suppose a gardener produces both green beans and corn in her garden. If the opportunity cost of one bushel of corn is $\frac{3}{5}$ bushel of green beans, then the opportunity cost of 1 bushel of green beans is
 - a. $\frac{3}{5}$ bushel of corn.
 - b. $\frac{5}{3}$ bushels of corn.
 - c. 3 bushels of corn.
 - d. 5 bushels of corn.
5. Trade can make everybody better off because it
 - a. allows people to specialize according to comparative advantage.
 - b. increases cooperation among nations.
 - c. requires some workers in an economy to be retrained.
 - d. reduces competition among domestic companies.

6. Suppose that a worker in Freedonia can produce either 6 units of corn or 2 units of wheat per year, and a worker in Sylvania can produce either 2 units of corn or 6 units of wheat per year. Each nation has 10 workers. For many years the two countries traded, each completely specializing according to their respective comparative advantages. Now, however, war has broken out between them and all trade has stopped. Without trade, Freedonia produces and consumes 30 units of corn and 10 units of wheat per year. Sylvania produces and consumes 10 units of corn and 30 units of wheat. The war has caused the combined yearly output of the two countries to decline by
- 10 units of corn and 10 units of wheat.
 - 20 units of corn and 20 units of wheat.
 - 30 units of corn and 30 units of wheat.
 - 40 units of corn and 40 units of wheat.
7. The law of demand states that, other things equal,
- an increase in price causes quantity demanded to increase.
 - an increase in price causes quantity demanded to decrease.
 - an increase in price causes demand to increase.
 - an increase in price causes demand to decrease.
8. Currently you purchase 6 packages of hot dogs a month. You will graduate from college in December, and you will start a new job (and have more money) in January. As such, you have no plans to purchase hot dogs in January. For you, hot dogs are
- a substitute good.
 - a normal good.
 - an inferior good.
 - a complementary good.
9. Suppose that demand for corn increases and, at the same time, the supply of corn decreases. What would happen in the market for corn?
- Equilibrium price would decrease, but the impact on equilibrium quantity would be ambiguous.
 - Equilibrium price would increase, but the impact on equilibrium quantity would be ambiguous.
 - Equilibrium quantity would decrease, but the impact on equilibrium price would be ambiguous.
 - Equilibrium quantity would increase, but the impact on equilibrium price would be ambiguous.
10. Which of the following would be true as the price elasticity of supply approaches infinity?
- Very small changes in price lead to very large changes in quantity supplied.
 - Very large changes in price lead to very small changes in quantity supplied.
 - Very small changes in price lead to no change in quantity supplied.
 - Very large changes in price lead to no change in quantity supplied.