ECON101 - Introduction to Economics I

Tutorial for Topic 1

Question 1: Multiple Choice Q1

Economics is best defined as the study of

- how society manages its scarce resources.
- how to run a business most profitably.
- how to predict inflation, unemployment, and stock prices.
- how the government can stop the harm from unchecked self-interest.

Practice

Question 2: Multiple Choice Q2

Your opportunity cost of going to a movie is

- the price of the ticket.
- the price of the ticket plus the cost of any soda and popcorn you buy at the theater.
- the total cash expenditure needed to go to the movie plus the value of your time.
- zero, as long as you enjoy the movie and consider it a worthwhile use of time and money.

Practice

Question 3: Multiple Choice Q3

A marginal change is one that

- is not important for public policy.
- incrementally alters an existing plan.
- makes an outcome inefficient.
- does not influence incentives.

Practice

Question 4: Multiple Choice Q4

Adam Smith's "invisible hand" refers to

- how society manages its scarce resources.
- how to run a business most profitably.
- how to predict inflation, unemployment, and stock prices.
- how the government can stop the harm from unchecked self-interest.
- the price of the ticket.
- the price of the ticket plus the cost of any soda and popcorn you buy at the theater.
- the total cash expenditure needed to go to the movie plus the value of your time.
- zero, as long as you enjoy the movie and consider it a worthwhile use of time and money.
- how society manages its scarce resources.
- how to run a business most profitably.
- how to predict inflation, unemployment, and stock prices.
- how the government can stop the harm from unchecked self-interest.
- the price of the ticket.
- the price of the ticket plus the cost of any soda and popcorn you buy at the theater.
- the total cash expenditure needed to go to the movie plus the value of your time.
- zero, as long as you enjoy the movie and consider it a worthwhile use of time and money.
Practice Question 5: Problems and Applications Q1

Which of the following describe some of the trade-offs faced by a family deciding whether to buy a new car? Check all that apply.

- The vehicle is available in several colors.
- An increase in the family's car payment means the family will be unable to afford a vacation.
- Fuel efficient cars are more expensive, but regular cars require spending more on gas.
- A larger vehicle means saving time by not having to make multiple trips somewhere, but a smaller vehicle is cheaper.

Which of the following describe some of the trade-offs faced by a member of Congress deciding how much to spend on national parks? Check all that apply.

- The President likes white flowers and wants to see more in parks.
- Money spent on national parks benefits park visitors, but alternatively the money could be spent on highways to benefit drivers.
- Dog ownership will surge as a result of better national parks.
- Congress can spend either a small amount on a lot of parks or a large amount on a single national park.

Which of the following describe some of the trade-offs faced by a company president deciding whether to open a new factory? Check all that apply.

- The firm can either pay out more of its profit to shareholders or earn additional profit next year by increasing production.
- The factory currently employs 100 workers.
- The firm can either open a new factory or upgrade existing equipment.
- The president has been with the company for 20 years.

Which of the following describe some of the trade-offs faced by a professor deciding how much time to spend preparing for class? Check all that apply.

- The better the lecture, the better his chances of tenure, but time spent preparing the lecture decreases the time he available to work on research.
- The more he prepares, the better his lectures, but the less he prepares, the more free time he can enjoy doing something else.
- He has taught the same subject for 4 years.
- He likes his students a lot.

Which of the following describe some of the trade-offs faced by a recent college graduate deciding whether to go to graduate school? Check all that apply.

- Graduate school means fewer years of on-the-job experience.
- If she goes to graduate school, she won't be able to spend as much time with her family.
- Taking out more student loans means she may not able to purchase the new car she needs.
- She is currently studying biology.

Practice
Question 6: Problems and Applications Q3

You were planning to spend Saturday working at your part-time job, but a friend asks you to go skiing.

Which of the following are included in the true cost of going skiing? Check all that apply.

- The rental of any ski equipment you need
- The cost of a lift ticket
- The cost of your ski jacket you purchased last year
- The wages you forego by going skiing

Now suppose you had been planning to spend the day studying at the library.

What is the cost of going skiing in this case? Check all that apply.

- The value of your time spent studying
- The cost of a lift ticket
- The rental of any ski equipment you need
- The cost of your ski jacket you purchased last year
- The wages you forego by going skiing

Practice

Question 7: Problems and Applications Q5

The company that you manage has invested $5 million in developing a new product, but the development is not quite finished. At a recent meeting, your salespeople report that the introduction of competing products has reduced the expected sales of your new product to $3 million. If it would cost $1 million to finish development and make the product, you ______ go ahead and do so. The most you should pay to complete development is ______ million.

Practice

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