Economics 101-8 LAST NAME_____

Professor Turchi FIRST_____

Thursday, October 24, 2019 PID #_____

TA's Name & Section #_____

Sign the Honor Pledge Here:_____

Midterm Exam No. 2

Instructions:

1) On your blue answer sheet mark in the bubbles for your name, student PID number, and section number. The section number should be filled in like this: "000802" for Tsuyoshi's Wed 4:40 pm section in the area marked "sequence number." ***Two points will be deducted if you incorrectly record your section number.***

2) Write your exam # (upper right hand corner of this page) on the **top left** corner of your blue answer sheet.

3) On your blue answer sheet, where it says "Page Number" bubble in either "1" or "2" depending on whether it says "Page 1" or "Page 2" at the top left corner of this page.

4) Go RIGHT NOW to page 5 of this exam and write your name, PID#, and TA's name.

5) Answer all questions. There are six (6) pages on the exam.

6) Turn in your exam with your answer sheet. Interleave the answer sheet in the exam paper.

7) Sign the Honor Code on your blue answer sheet and on this page.

Section	Day	Start	Room	TA Name
801	Mo	4:40PM	Gardner 0007	Pyoungsik Kim
802	We	4:40PM	Gardner 0007	Tsuyoshi Nakano
804	We	8:00AM	Gardner 0007	Boyuan Li
805	Mo	9:05AM	Gardner 0106	Gu, Jiadong
806	We	9:05AM	Gardner 0106	Boyuan Li
807	Mo	10:10AM	Gardner 0106	Gu, Jiadong
808	We	10:10AM	Gardner 0106	Yi, Lu
810	We	11:15AM	Gardner 0106	Yi, Lu
811	Mo	2:30PM	Gardner 0106	Mauricio Salazar
812	We	2:30PM	Gardner 0106	Tsuyoshi Nakano
813	Mo	3:35PM	Gardner 0106	Pyoungsik Kim

Multiple Choice (4 points each)

1. At a given level of wheat output, one more unit of labor would produce 10 extra bushels, and one more unit of seed would produce 30 extra bushels. A unit of labor costs $6, and a unit of seed costs $12. The farmer should

   (1) Use less labor.
   (2) Use only seed.
   (3) Use more seed and less labor.
   (4) Use less seed and more labor.

2. When the value of marginal product of an input is less than its price, the

   (1) producer should expand the use of that input.
   (2) price of the input will automatically rise in a free market.
   (3) producer should reduce the use of that input.
   (4) None of the above is correct.

3. If an hour of labor's marginal physical product is 8 widgets, and each widget sells for $70, then, at a labor cost of $150 per hour, the firm is using

   (1) The correct amount of labor.
   (2) Too little labor.
   (3) Too much labor.
   (4) There isn't enough information.

4. The slope of a typical production possibilities frontier reflects the fact that

   (1) some systems of market organization are more efficient than others.
   (2) the invisible hand always functions smoothly in a market system without government intervention.
   (3) when resources are allocated efficiently, it's impossible to produce more of anything without producing less of something else.
   (4) production is only possible when resources are allocated efficiently

5. When prices of products are set below equilibrium,

   (1) society's resources are inefficiently allocated.
   (2) firms expand output to increase profits.
   (3) firms earn excessively high profits.
   (4) consumers benefit from surpluses of cheap goods.

6. The concept of money as a "unit of account" involves the use of money to

   (1) speed transactions.
   (2) reduce shopping time.
   (3) protect against inflation.
   (4) quote prices.

7. Under a system of free, competitive markets,

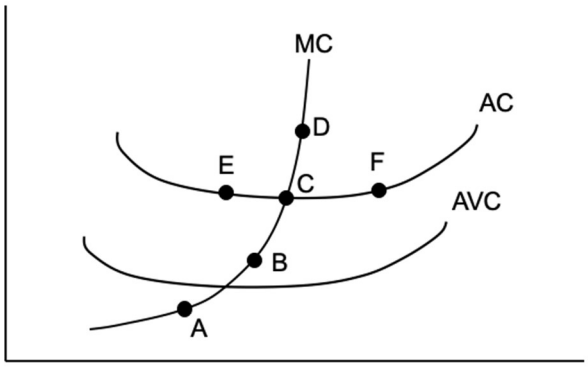
   (1) a society can usually achieve efficiency, but equality is not guaranteed.
   (2) poverty cannot exist in the long run.
   (3) all the workers are paid equally.
   (4) income is distributed equally across the population.

8. The Gini coefficient measures the inequality of the income distribution. Which of the following numbers is both possible and represents the most severe inequality in income distribution?

   (1) 0
   (2) 0.8
   (3) 1.5
   (4) 2

9. The invisible hand enforces the tendency toward

   1) $\frac{\text{Marginal Revenue}_X}{\text{Marginal Revenue}_Y} = \frac{\text{Marginal Utility}_X}{\text{Marginal Utility}_Y}$
   2) $\frac{\text{Marginal Cost}_X}{\text{Marginal Cost}_Y} = \frac{\text{Price}_X}{\text{Price}_Y} = \frac{\text{Marginal Utility}_X}{\text{Marginal Utility}_Y}$
   3) $\frac{\text{Marginal Cost}_X}{\text{Marginal Cost}_Y} = \frac{\text{Price}_X}{\text{Price}_Y} = \frac{\text{Marginal Product}_X}{\text{Marginal Product}_Y}$
   4) $\frac{\text{Total Revenue}_X}{\text{Total Revenue}_Y} = \frac{\text{Total Utility}_X}{\text{Total Utility}_Y}$



10. In the figure above, points which lie on the firm's short-run supply are

    1) C and D, but not A, B, E, and F.
    2) C and F, but not A, B, E, and D.
    3) B, C and D, but not A, E, and F.
    4) A, B, C and D, but not E, and F.

11. A firm in the perfectly competitive widget industry is in long-run equilibrium. The firm receives total revenue of $75,000. The firm pays its labor $15,000, and buys $15,000 of other inputs to make the widgets, and the owner works full time at the firm. The firm's economic profit is ____ and the opportunity cost of the owner's time is ____.

    1) $30,000; $15,000
    2) $15,000; $30,000
    3) 0; $45,000.
    4) $45,000;0.

12. A firm in a competitive industry should shut down in the short run if

    1) TFC + TVC > TR
    2) TR + TC > TFC
    3) Total Profit > TFC
    4) TC – TR > TFC

Q (in units)	AVC (in dollars)	MC (in dollars)	Revenue (in dollars)
0	N.A.	N.A	-10
1	10	10	
2	9	8	
3	10	12	
4	11	14	
5	12	16	
6	13	18	
7	14	20	

13. In the table above is the short-run cost schedule of a perfectly competitive firm. If the average revenue of a firm is $17, the firm will produce ____ units and earn a profit of ____

    1) 5 ; $16
    2) 5 ; $15
    3) 6 ; $17
    4) 6 ; $16

14. Whenever average cost exceeds marginal cost,

    1) average cost is rising.
    2) average cost is falling.
    3) marginal cost is rising.
    4) marginal cost is falling.

15. A grocery store sells soup for $3 a can, or $5 for two cans. To a customer who buys two cans, the marginal cost of buying the second can of soup is___ than the average cost per can.

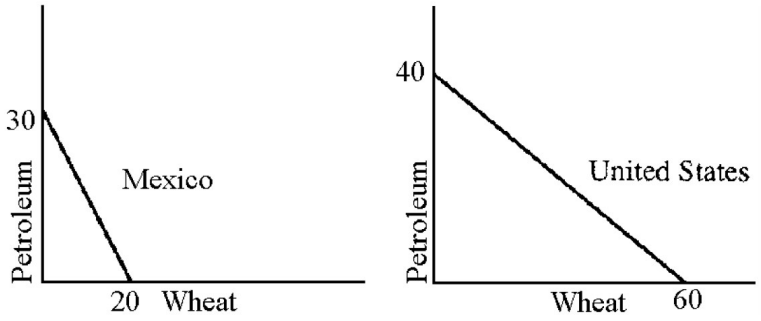
    1) smaller.
    2) greater.
    3) equal.
    4) not sure.

16. In the short run, which are most important in determining changes in output?

    1) marginal costs and marginal revenue.
    2) total costs and total revenue.
    3) average costs and average revenue.
    4) Average variable costs and average fixed costs.

17. Suppose that Captain Canada can produce 100 hockey sticks or 10 gallons of maple syrup in a typical work week, while Captain Germany can produce 90 hockey sticks or 20 gallons of maple syrup in a typical work week. From these numbers, we can conclude

    1) Captain Canada has a comparative advantage in the production of hockey sticks.
    2) Captain Germany has a comparative advantage in the production of maple syrup.
    3) Captain Canada has an absolute advantage in the production of hockey sticks.
    4) All of the above conclusions are correct.



18. In the figure above,

    1) the opportunity cost of 1 unit of wheat in the United States is a 2/3 unit of petroleum.
    2) the opportunity cost of 1 unit of wheat in Mexico is a 2/3 unit of petroleum.
    3) the opportunity cost of wheat is higher in the United States than it is in Mexico.
    4) the United States has a comparative advantage over Mexico in the production of petroleum.

Answers to MC Questions: Mtm 2 F 2019 Econ 101-8

Page 1 Question #	Page 2 Question #	Answer
1	12	3
2	13	3
3	14	2
4	15	3
5	16	1
6	17	4
7	18	1
8	1	2
9	2	2
10	3	3
11	4	3
12	5	4
13	6	2
14	7	2
15	8	1
16	11	1
17	9	4
18	10	1