Problems:

Table 1:

<table>
<thead>
<tr>
<th>Labor Hours needed to make one</th>
<th>Amount produced in 90 hours:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quilt</td>
<td>Dress</td>
</tr>
<tr>
<td>Helen</td>
<td>50</td>
</tr>
<tr>
<td>Carolyn</td>
<td>90</td>
</tr>
</tbody>
</table>

1. Refer to Table 1. For Carolyn, the opportunity cost of 1 quilt is
   a. 0.5 dresses.
   b. 1 dress.
   c. 2 dresses.
   d. 3 dresses.

2. Refer to Table 1. For Carolyn, the opportunity cost of 1 dress is
   a. 5 quilts.
   b. 4 quilts.
   c. 1/2 quilt.
   d. 1/10 quilt.

3. Refer to Table 1. Helen has an absolute advantage in
   a. dresses and Carolyn has an absolute advantage in quilts.
   b. quilts and Carolyn has a comparative advantage in dresses.
   c. both goods and Carolyn has a comparative advantage in quilts.
   d. neither good and Carolyn has a comparative advantage in dresses.

4. Refer to Table 1. We could use the information in the table to draw a production possibilities frontier for Helen and a second production possibilities frontier for Carolyn. If we were to do this, measuring quilts along the horizontal axis, then
   a. the slope of Helen's production possibilities frontier would be -0.2 and the slope of Carolyn's production possibilities frontier would be -0.5.
   b. the slope of Helen's production possibilities frontier would be -5 and the slope of Carolyn's production possibilities frontier would be -2.
   c. the slope of Helen's production possibilities frontier would be 0.2 and the slope of Carolyn's production possibilities frontier would be 0.5.
   d. the slope of Helen's production possibilities frontier would be 5 and the slope of Carolyn's production possibilities frontier would be 2.
5. **Refer to Figure 1.** The opportunity cost of 1 pair of tap shoes for Fred is
   a. 1/3 pair of ballet slippers.
   b. 1/5 pair of ballet slippers.
   c. 3/5 pair of ballet slippers.
   d. 5/3 pairs of ballet slippers.

6. **Refer to Figure 1.** The opportunity cost of 1 pair of ballet slippers for Ginger is
   a. 1/4 pair of tap shoes.
   b. 1/3 pair of tap shoes.
   c. 3/4 pair of tap shoes.
   d. 4/3 pairs of tap shoes.

7. **Refer to Figure 1.** Fred would incur an opportunity cost of 3 ballet slippers if he
   a. increased his production of tap shoes by 4.
   b. increased his production of tap shoes by 5.
   c. decreased his production of tap shoes by 4.
   d. increased the time he spends on the two activities from 40 hours to 50 hours.
8. ** Refer to Figure 1. Ginger has an absolute advantage in**
   a. ballet slippers and Fred has an absolute advantage in tap shoes.
   b. tap shoes and Fred has an absolute advantage in ballet slippers.
   c. neither good and Fred has an absolute advantage in both goods.
   d. both goods and Fred has an absolute advantage in neither good.

9. ** Refer to Figure 1. Ginger has an absolute advantage in**
   a. tap shoes and Fred has a comparative advantage in ballet slippers.
   b. both goods and Fred has a comparative advantage in neither good.
   c. ballet slippers and Fred has a comparative advantage in tap shoes.
   d. neither good and Fred has a comparative advantage in both goods.

10. **Refer to Figure 1. In order to maximize total output,**
    a. Ginger should specialize in tap shoes and Fred should specialize in ballet slippers.
    b. Ginger should specialize in both goods and Fred should specialize in neither good.
    c. Ginger should specialize in ballet slippers and Fred should specialize in tap shoes.
    d. Ginger should specialize in neither good and Fred should specialize in both goods.

11. **Refer to Figure 1. Suppose Fred specializes in the good in which he has a comparative advantage, and Ginger specializes in the good in which she has a comparative advantage. Then**
    a. total production of ballet slippers would be 6 and total production of tap shoes would be 6.
    b. total production of ballet slippers would be 8 and total production of tap shoes would be 6.
    c. total production of ballet slippers would be 8 and total production of tap shoes would be 8.
    d. total production of ballet slippers would be 8 and total production of tap shoes would be 10.

12. If the price elasticity of demand for a good is 0.94, then which of the following events is consistent with a 4 percent decrease in the quantity of the good demanded?
    a. a 0.235 percent increase in the price of the good
    b. a 2.350 percent increase in the price of the good
    c. a 3.760 percent increase in the price of the good
    d. a 4.255 percent increase in the price of the good
13. Refer to Figure 2. The price elasticity of demand between point A and point B, using the midpoint method, is
   a. 1.
   b. 1.5.
   c. 2.
   d. 2.5.

14. When the local used bookstore prices economics books at $15.00 each, they generally sell 70 books per month. If they lower the price to $7.00, sales increase to 90 books per month. Given this information, we know that the price elasticity of demand for economics books is about
   a. 2.91, and an increase in price from $7.00 to $15.00 results in an increase in total revenue.
   b. 2.91, and an increase in price from $7.00 to $15.00 results in a decrease in total revenue.
   c. 0.34, and an increase in price from $7.00 to $15.00 results in an increase in total revenue.
   d. 0.34, and an increase in price from $7.00 to $15.00 results in a decrease in total revenue.
Definitions:

Chapter 1:
- Efficiency
- Opportunity cost
- Market failure
- Productivity
- Externality
- 10 principles of economics

Chapter 2:
- Circular Flow Diagram (Decision-makers, markets, flow of inputs and outputs, flow of dollars, factors of production)
- Production Possibilities Frontier (How to draw production possibilities frontier; efficient, impossible and inefficient production possibilities, shift of production possibilities frontier)
- Microeconomics vs. Macroeconomics
- Positive vs. Normative Statements

Chapter 3:
- Interdependence
- Absolute advantage
- Comparative advantage
- Specialization
- Imports vs. Exports
- Trade and gains from trade

Chapter 4:
- Market
- Competitive market
- Law of demand and supply
- Law of supply
- Quantity demanded
- Quantity supplied
- Movement along demand curve (downward vs. upward)
- Shift of demand curve (right vs. left)
- Movement along supply curve (downward vs. upward)
- Shift of supply curve (right vs. left)
- Demand curve and schedule
- Supply curve and schedule
- Substitutes vs. Complements
- Normal Good
- Inferior Good
- Luxury Good
- Demand shifters (5 of them)
- Supply Shifters (4 of them)
- Market Demand vs. Individual Demand
- Market Supply vs. Individual Supply
- Shortage
- Surplus
- Equilibrium price and quantity
- Graphical demonstration of shift, movement along curves...etc.

Chapter 5:
- Elasticity
- Price elasticity of demand
- Price elasticity of supply
- Income elasticity of demand
- Cross-price elasticity
- Total Revenue
- Determinants of price elasticity of demand
- Determinants of price elasticity of supply
- Midpoint method
- Types of demand and supply curves (Elastic, Unit Elastic, Inelastic, Perfectly Elastic, Perfectly Inelastic)

Answers:
1-c  8-a
2-c  9-c
3-c  10-c
4-b  11-d
5-c  12-d
6-c  13-d
7-b  14-c