Macroeconomics Canada in the Global Environment (Canadian) 11th edition Parkin Test Bank

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MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) In a world characterized by scarcity
   A) we are not limited by time.
   B) all goods are free.
   C) people must make choices among alternatives.
   D) individuals need not work to obtain goods.
   E) opportunity cost is zero.

   Answer: C

2) Which of the following is the best definition of economics?
   A) the study of how a provincial government allocates tax dollars
   B) the study of how consumers and producers meet each other in the market
   C) the study of how consumers spend their income
   D) the study of how individuals, businesses, governments, and entire societies make choices as they cope with scarcity and the incentives that influence and reconcile those choices
   E) the study of how producers decide what inputs to hire and what outputs to produce

   Answer: D

3) Which of the following is a microeconomic topic?
   A) the reasons why the average price level in a country falls
   B) the reasons why a consumer buys less honey
   C) the effect of the government budget deficit on inflation
   D) the cause of increasing unemployment
   E) the reasons why the labour force in a country decreases

   Answer: B

4) The study of how wages are set for New Brunswick teachers is classified as
   A) a microeconomic topic.
   B) economics of private interest.
   C) a macroeconomic topic.
   D) economics of social interest.
   E) normative economics.

   Answer: A

5) Which of the following newspaper headlines concerns a macroeconomic issue?
   A) Why is the U.S. economy experiencing slow growth?
   B) Why do grain producers purchase less pesticides?
   C) How would an unexpected freeze in Oxford, Nova Scotia change the price of blueberries in the Maritimes?
   D) How would a tax on e–commerce affect chapters.indigo.ca?
   E) Why are people buying more SUVs and fewer minivans?

   Answer: A

6) The branch of economics that studies the choices of individuals and businesses is
   A) macroeconomics.
   B) microeconomics.
   C) social economics.
   D) positive economics.
   E) normative economics.

   Answer: B

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7) Each of the following would be considered a macroeconomic topic *except*
A) the cause of recessions.
B) the selection of production techniques.
C) the reasons for a decrease in the unemployment rate.
D) the determination of aggregate income.
E) the effect of the government budget deficit on inflation.

Answer: B

8) Complete the following sentence. Macroeconomics
A) deals mainly with the economic behaviour of households.
B) is the only part of economics to deal with government decisions.
C) is primarily concerned with the behaviour of the stock market.
D) is primarily concerned with the operation of individual markets in the economy.
E) is the study of the performance of the national economy and the global economy.

Answer: E

9) The determination of prices in individual markets is primarily a concern of
A) positive economics.
B) descriptive economics.
C) macroeconomics.
D) microeconomics.
E) negative economics.

Answer: D

10) Which one of the following topics does macroeconomics study?
A) effects of government safety regulations on the price of cars
B) decisions of individual firms
C) the performance of the global economy
D) effects of taxes on the price of gasoline
E) prices of individual goods and services

Answer: C

11) Which one of the following topics does microeconomics study?
A) effect of interest rates on national economic growth
B) reasons for a fall in the price of orange juice
C) the effect of a rise in the Canadian dollar on Canada's exports
D) determination of total production in a country
E) effect of the government budget deficit on employment

Answer: B

12) Complete the following sentence. Microeconomics is
A) concerned with the size of the total amount of income earned by all households in an economy.
B) concerned exclusively with the role of the government in the economy.
C) not concerned with factors of production.
D) the branch of economics that studies the choices of individuals and businesses.
E) concerned with normative issues only.

Answer: D

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13) Which of the following would be considered a microeconomic topic?
A) the study of how wages are set for childcare workers
B) the effect of the government budget deficit on inflation
C) the determination of aggregate income
D) the severity of a recession
E) the cause of unemployment in the economy

Answer: A

14) The branch of economics that studies the performance of the national economy and the global economy is
A) macroeconomics.
B) normative economics.
C) Keynesian economics.
D) positive economics.
E) microeconomics.

Answer: A

15) The fact that human wants cannot be fully satisfied with available resources is called the problem of
A) opportunity cost.
B) the big tradeoff.
C) marginal cost.
D) scarcity.
E) normative economics.

Answer: D

16) The problem of scarcity exists
A) now but will be eliminated with economic growth.
B) in all economies.
C) only in economies that have incentives.
D) only when people are unemployed.
E) only in economies that lack incentives.

Answer: B

17) The inescapable economic fact is that
A) resources cost too much.
B) there are unlimited wants and limited resources.
C) there are unlimited resources, and we have to decide how to allocate them.
D) there are limited wants and limited resources.
E) resources cannot be allocated without government intervention

Answer: B

18) An incentive
A) could be either a reward or a penalty.
B) is the opposite of a tradeoff.
C) occurs in the macroeconomy but not in the microeconomy.
D) could be a reward but could not be a penalty.
E) could be a penalty but could not be a reward.

Answer: A

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19) Scarcity confronts
A) the poor but not the rich.
B) the rich but not the poor.
C) the rich and the poor.
D) neither the poor nor the rich.
E) only families with incomes less than $25,000 a year.

Answer: C

20) The problem of scarcity applies
A) only to developing countries because resources are scarce in these countries.
B) only to countries that are over–populated.
C) only to countries that use natural resources in most of their production processes.
D) only to industrially developed countries because they create pollution.
E) to all countries, regardless of their level of development.

Answer: E

21) Operators of private dog parks in your city decide to eliminate their fees and allow dog owners to exercise their dogs in the parks at no charge.
This statement means that the incentive to exercise dogs at the dog park _____.
The operators' decision is a _____.
A) changes; decision in the self–interest but not in the social interest
B) remains the same; microeconomic decision
C) remains the same; macroeconomic decision
D) changes; microeconomic decision
E) changes; macroeconomic decision

Answer: D

22) Choose the statement about incentives that is *incorrect*.
A) If the price of a bus ride falls, Jill has less incentive to drive herself to school.
B) An incentive can be a penalty that discourages an action.
C) With stiffer penalties for fraud, company directors have an incentive to play by the rules.
D) Incentives create scarcity.
E) An incentive can be a reward that encourages an action.

Answer: D

23) The two big economic questions
A) involve neither self–interest nor social interest.
B) involve only social interest.
C) do not arise from scarcity.
D) involve self–interest only.
E) involve both self–interest and social interest.

Answer: E

24) The two big economic questions
A) are "why are goods and services produced?" and "when are goods and services produced?"
B) deal with macroeconomics but not microeconomics.
C) summarize the scope of economics.
D) are "where are goods and services produced?" and "what goods and services are produced?"
E) are "what goods and services are produced?" and "how are goods and services produced?"

Answer: C

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25) The two big economic questions include all of the following *except*
A) *for whom* to produce.
B) *why* to produce.
C) *what* to produce.
D) *how* to produce.
E) a determination of whether the pursuit of self–interest also promotes the social interest.
Answer: B

26) When a firm decides to produce more hybrid cars and fewer gas guzzlers, it is answering the _____ question.
A) "where" B) "who" C) "how" D) "what" E) "when"
Answer: D

27) When a textile firm decides to produce more silk fabric and less cotton fabric, it is answering the _____ question.
A) "where" B) "who" C) "how" D) "when" E) "what"
Answer: E

28) When a farmer decides to harvest tomatoes using machines instead of migrant workers, the farmer is answering the _____ question.
A) "who" B) "how" C) "when" D) "what" E) "where"
Answer: B

29) What is capital? Capital is
A) the tools, instruments, machines, buildings, and other constructions that businesses use to produce goods and services.
B) the knowledge and skill that people obtain from education, on–the–job training, and work experience.
C) traded in stock markets and bond markets.
D) composed of financial investment and commodities such as gold and silver.
E) money in the bank.
Answer: A

30) When a firm decides to produce computers using robots instead of people, it is answering the _____ question.
A) "who" B) "where" C) "how" D) "when" E) "what"
Answer: C

31) To meet increased demand for its good, a firm decides to hire a few high–skilled workers, rather than hire many low–skilled workers. The firm is answering the _____ question.
A) "where" B) "who" C) "how" D) "when" E) "what"
Answer: C

32) An art museum decides to offer audio tour downloads rather than have tour guides. The museum is answering the _____ question.
A) "when" B) "who" C) "how" D) "what" E) "where"
Answer: C

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33) To earn income, people sell the services of the factors of production they own. Land earns _____ and labour earns _____.
A) profit; wages
B) rent; minimum wage
C) rent; wages
D) profit; interest
E) wages; interest

Answer: C

34) Some people can afford to live in beautiful homes and others are homeless. This is an example of an economy answering the _____ question.
A) "how" B) "when" C) "what" D) "where" E) "for whom"

Answer: E

35) A hockey player earns $10 million a year and a teacher earns $75,000 a year. This is an example of an economy answering the _____ question.
A) "when" B) "where" C) "for whom" D) "what" E) "how"

Answer: C

36) What is entrepreneurship? Entrepreneurship is
A) a form of money.
B) the human resource that organizes labour, land and capital.
C) traded on the stock market.
D) categorized as the factor of production labour.
E) categorized as capital.

Answer: B

37) Sue, who has a law degree, earns $200,000 a year, while Chris, a high–school dropout, earns $15.00 an hour. This is an example of an economy answering the _____ question.
A) "where" B) "how" C) "for whom" D) "what" E) "when"

Answer: C

38) A star athlete owns many cars while other people who cannot afford a car use a city bus for transportation. This is an example of an economy answering the _____ question.
A) "how" B) "when" C) "where" D) "what" E) "for whom"

Answer: E

39) What is financial capital? Financial capital is
A) one of the "gifts of nature."
B) a service.
C) a factor of production.
D) not subject to scarcity.
E) money, stocks, and bonds.

Answer: E

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40) Which factor of production earns the most income?
A) entrepreneurship
B) the stock market
C) capital
D) labour
E) land

Answer: D

41) A choice is in the social interest when it is
A) made by majority vote.
B) made by well–meaning citizens.
C) best for the poorest citizens.
D) influenced by lobbyists.
E) best for society as a whole.

Answer: E

42) Choices in the self–interest are
A) choices which are best for the person making them.
B) choices that are best for all residents of a region.
C) choices that are agreed to by majority vote.
D) always in the social interest.
E) never in the social interest.

Answer: A

43) The expansion of international trade, borrowing and lending, and investment is
A) not in the best interests of most countries.
B) the big tradeoff.
C) globalization.
D) antiglobalization.
E) a corporate revolution.

Answer: C

44) Which statement about incomes earned by factors of production is correct?
A) Labour earns rent.
B) Land earns interest.
C) Entrepreneurship earns rent.
D) Land earns rent.
E) Capital earns profit.

Answer: D

45) Which statement about incomes earned by factors of production is *false*?
A) Labour earns wages.
B) Land earns rent.
C) Capital earns profit.
D) Entrepreneurship earns profit.
E) Natural resources earn rent.

Answer: C

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46) A tractor is an example of which of the following factors of production?
A) labour
B) energy
C) capital
D) entrepreneurship
E) land

Answer: C

47) Which one of the following is an example of capital as a factor of production?
A) an automobile factory owned by Ford
B) a high school teacher
C) natural gas
D) money
E) a Bell Canada bond

Answer: A

48) Which of the following would an economist classify as capital?
A) entrepreneurship
B) land
C) natural resources
D) a computer
E) a deposit of silver

Answer: D

49) Which one of the following is labour?
A) a carpenter's hammer
B) a bread–slicing machine
C) money
D) a shoe factory
E) a singer's voice

Answer: E

50) Which one of the following would economists classify as land?
A) an automotive plant in British Columbia
B) rich agricultural soil in Saskatchewan
C) automobiles parked in a parking lot in Manitoba
D) an elementary school in Nova Scotia
E) an oil rig in the Atlantic Ocean

Answer: B

51) Which one of the following is an example of a factor of production?
A) an IBM stock certificate
B) an insurance policy
C) the skills of a welder
D) a computer game
E) a donut

Answer: C

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52) Which one of the following is an example of capital?
A) a bread–slicing machine
B) a university professor
C) a carpenter
D) money
E) pasture

Answer: A

53) The creation of a successful movie can influence the main questions that economics seeks to answer. Choose the statement that is *false*.
A) The movie influences the *for whom* question because the people who earn higher incomes through the movie production buy more goods and services.
B) The movie influences the *how* question because the movie can create new production techniques, which can be used in subsequent films.
C) The movie influences the *how* question because it can use unknown actors or Academy Award winners.
D) The movie influences the *what* question because it can lead to spinoff goods or a new movie genre, which can result in the production of similar films.
E) The movie influences the *when* question because movie crews work on many different films and must be available for the entire production.

Answer: E

54) Choose the correct statement.
A) Canada produces more services than goods.
B) Canada's production of manufacturing is a greater percentage of its total production than China's.
C) China's production of services is a greater percentage of its total production than Canada's.
D) In Canada today, agriculture accounts for 30 percent of total production.
E) In Canada today, manufacturing accounts for 50 percent of total production.

Answer: A

55) In Canada, approximately _____ percent of the adult population have completed high school and approximately _____ percent have a college or university degree.
A) 95; 55 B) 25; 95 C) 100; 55 D) 55; 25 E) 95; 25

Answer: E

56) Which of the following is *not* a factor of production?
A) the land used by a farmer to grow wheat
B) the water used to cool a nuclear power plant
C) the management skill of a small business owner
D) the wages paid to workers
E) the effort of farmers raising cattle

Answer: D

57) Which factor of production includes the "gifts of nature"?
A) labour
B) capital
C) land
D) human capital
E) entrepreneurship

Answer: C

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58) Which of the following is *not* a factor of production?
A) 175 shares of Microsoft stock
B) wilderness areas that have yet to be developed
C) Tim, who is developing a production schedule for a new product
D) vans used by a bakery company for deliveries
E) national parks

Answer: A

59) An outcome is considered efficient if
A) everyone makes the same income.
B) it is not possible to make someone better off without making anyone else worse off.
C) there is the smallest difference possible between the highest income earned and the lowest income earned.
D) it is the best available choice for an individual.
E) as many people as possible are happy about the outcome.

Answer: B

60) According to Adam Smith,
A) politicians are well–equipped to regulate corporations and intervene in markets to improve market outcomes.
B) in a market transaction buyers can either get what they want for less than they would be willing to pay or sellers can make a profit, but both buyers and sellers can't gain simultaneously.
C) the self–interest and the social interest never conflict.
D) government intervention in markets is not desirable because an invisible hand leads decisions made in pursuit of self–interest to unintentionally promote the social interest.
E) when big corporations pursue their self–interest of maximum profit, they will inevitably conflict with social interest.

Answer: D

61) Which one of the following news headlines definitely concerns the social interest?
A) E. Coli Test Results Must be Posted on Beaches
B) The Maple Leafs Win the Stanley Cup
C) Starbucks Expands in China
D) McDonald's Moves into Salads
E) Pumpkin Spice Lattes Available Now!

Answer: A

62) Which of the following statements is correct?
A) Canada produces more agricultural goods than manufactured goods.
B) Canada produces more manufactured goods than services.
C) Canada produces more agricultural goods than services.
D) Canada produces more services than goods.
E) Agriculture accounts for 10 percent of total Canadian production.

Answer: D

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63) Martin contacts 10 high school students who don't have summer jobs and hires them to work during the summer in his convenience store. He pays 5 of the students $12 an hour and he pays 5 of the students $15 an hour. Is the outcome efficient?

A) The outcome is inefficient if the students are paid more than minimum wage.
B) The outcome is efficient if the students that Martin hired are hard workers.
C) The outcome is inefficient because not all students receive the same wage rate.
D) The outcome is efficient because the students no longer face scarcity.
E) The outcome is efficient because all the students are better off.

Answer: E

64) Opportunity cost is

A) the marginal benefit of an activity.
B) your value of leisure.
C) the money you spend on food, shelter, and clothing.
D) the value of your favourite activity.
E) the highest–valued alternative that we give up to get something.

Answer: E

65) During the next hour John can choose one of the following three activities: playing basketball, watching television, or reading a book. The opportunity cost of reading a book

A) is equal to the marginal benefit of reading the book.
B) depends on how much the book cost when it was purchased.
C) is the value of playing basketball if John prefers that to watching television.
D) depends on how much John enjoys the book.
E) is the value of playing basketball *and* the value of watching television.

Answer: C

66) Sally has to decide whether to study for her economics test or her accounting test. If she chooses to study for accounting, her opportunity cost of studying accounting is

A) not comparable to the value of studying economics.
B) studying economics.
C) equal to the value of studying economics.
D) the future lost wages that will occur if she fails her accounting exam.
E) less than the value of studying economics.

Answer: B

67) When the government of Alberta chooses to build more roads, the required resources are no longer available to provide better healthcare facilities. This situation illustrates the concept of

A) marginal benefit.
B) monetary cost.
C) human capital.
D) entrepreneurship.
E) opportunity cost.

Answer: E

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68) The concept of opportunity cost
A) is used in microeconomics but not macroeconomics.
B) suggests that individuals can achieve all they want.
C) is used in macroeconomics but not microeconomics.
D) is relevant only for developing countries.
E) suggests that a major increase in public education spending means reduced expansion in the public healthcare system.

Answer: E

69) To make choices, people must
A) be free from government constraint.
B) evaluate the values of alternative actions.
C) have unlimited resources.
D) have unlimited access to information at no cost.
E) be risk–takers.

Answer: B

70) When the government chooses to use resources to build a dam, those resources are no longer available to build a highway. This illustrates the concept of
A) a "how" tradeoff.
B) the big tradeoff.
C) macroeconomics.
D) opportunity cost.
E) a market.

Answer: D

71) Marginal benefit is
A) the benefit that arises from a decrease in an activity.
B) the cost of a decrease in an activity.
C) the cost of an increase in an activity.
D) the benefit that arises from an increase in an activity.
E) the sum of benefit and cost that arises from an increase in an activity.

Answer: D

72) "There can be too much of a good thing." This statement suggests that
A) a good may be produced to the point where its marginal benefit is equal to its marginal cost.
B) certain goods and services such as education and health care are inherently desirable and should be produced regardless of costs and benefits.
C) a good may be produced to the point where its marginal benefit exceeds its marginal cost.
D) choices made in self–interest cannot be applied to many economic decisions.
E) a good may be produced to the point where its marginal cost exceeds its marginal benefit.

Answer: E

73) Which of the following sayings best describes opportunity cost?
A) "Love of money is the root of all evil."
B) "Make hay while the sun shines."
C) "Baseball has been very good to me."
D) "Boldly go where no one has gone before."
E) "There's no such thing as a free lunch."

Answer: E

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74) If you take an additional class this term, you can graduate earlier. This is an example of
A) total cost.
B) opportunity cost.
C) the pursuit of social interest.
D) marginal benefit.
E) social cost.

Answer: D

75) Marginal benefit is the
A) total benefit from an activity.
B) opportunity cost of a decrease in an activity.
C) additional benefit from an increase in an activity.
D) additional benefit from a decrease in an activity.
E) opportunity cost of an increase in an activity.

Answer: C

76) What is marginal cost? Marginal cost is
A) the opportunity cost of a decrease in an activity.
B) the total cost of a decrease in an activity.
C) the opportunity cost of an increase in an activity.
D) the total cost of an activity.
E) equal to marginal benefit.

Answer: C

77) Monika will choose to eat a seventh pizza slice if
A) the marginal benefit of the seventh slice is greater than its marginal cost.
B) the marginal benefit of the seventh slice is less than its marginal cost.
C) the total benefit of all seven slices is less than their total cost.
D) the total benefit of all seven slices is greater than their total cost.
E) she has enough money to pay for it.

Answer: A

78) The night before a history test, you decide to go to the movies instead of reviewing your notes. You get 60 percent on your test compared with the 75 percent that you normally score. You _____ a tradeoff and the opportunity cost of your evening at the movies was _____.
A) did not face; zero
B) faced; the 75 percent that you normally score
C) faced; the 15 percent fall in your grade
D) did not face; the 15 percent fall in your grade
E) faced; the mark of 60 percent on your test

Answer: C

79) A university decides to change its late night bus service between the campus and student housing from a fare–based service to a free service. This statement means that the incentive to ride the bus _____ and the opportunity cost of a bus ride _____. The university's decision is a _____ decision.
A) remains the same; remains the same; macroeconomic
B) changes; increases; microeconomic
C) changes; decreases; microeconomic
D) changes; decreases; macroeconomic
E) remains the same; remains the same; microeconomic

Answer: C

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80) You have the choice of going on vacation to Florida for one week, staying at work for the week, or spending the week doing fix–up projects around your house. If you decide to go to Florida, the opportunity cost of the trip is
A) variable, depending on the weather you leave behind in Canada.
B) working *and* doing fix–up projects.
C) nothing, because you will enjoy the trip to Florida.
D) working *or* doing fix–up projects, depending on which you would have done otherwise.
E) working, because you would be giving up income.

Answer: D

81) Laura is a manager for HP. When Laura must decide whether to produce a few additional printers, she is choosing at the margin when she compares
A) the extra revenue from selling a few additional printers to the extra costs of producing the printers.
B) the revenue from selling HP's printers as compared to printers from competing companies, such as Lexmark.
C) the cost of producing HP's printers as compared to printers from competing companies, such as Lexmark.
D) the extra revenue from selling a few additional printers to the average cost of producing the additional printers.
E) the total revenue from sales of printers to the total cost of producing all the printers.

Answer: A

82) Which of the following creates an incentive to increase the amount of an activity?
A) an increase in the marginal cost of the activity and a decrease in the marginal benefit of the activity
B) an increase in the marginal cost of the activity and an equal increase in the marginal benefit of the activity
C) a decrease in the marginal cost of the activity and an increase in the marginal benefit of the activity
D) a decrease in the marginal cost of the activity and an equal decrease in the marginal benefit of the activity
E) constant marginal cost and constant marginal benefit of the activity

Answer: C

83) You have the choice to go skiing during spring break, staying at the university to study, or spending the week visiting your family. If you decide to go skiing, the opportunity cost of the holiday is
A) staying at the university or spending the week visiting your family, depending on what you would have done otherwise.
B) staying at the university because your parents are paying your tuition.
C) nothing because you enjoy skiing.
D) staying at the university to study because you need to improve your grades.
E) visiting your family because not visiting means that you will feel guilty.

Answer: A

84) Chanel has the option of purchasing one of three products: Brand A, Brand B, or Brand C. The price of each product is $10. If Chanel decides to purchase Brand A, the opportunity cost of this decision is
A) zero if this is a frivolous purchase with no marginal benefit.
B) Brand A.
C) Brand B and Brand C.
D) $20.
E) Brand B or Brand C, depending on which she considers to be the highest–valued alternative forgone.

Answer: E

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85) If Gordon's decision to attend Western University is a rational choice, then
A) most of Gordon's friends must have made the same choice of university.
B) for Gordon, attending Western University achieved the greatest benefit over cost.
C) Western must be the university that is closest to Gordon's home.
D) Gordon faced no tradeoff when he made his choice.
E) tuition and living costs at Western University must have been less than at any other university.

Answer: B

Use the information below to answer the following questions.

Fact 1.3.1 Costco

When Costco opened a gas bar just off Highway 401, the neighbourhood was swamped with cars as drivers lined up to get a discount of 10 cents a litre.

86) Refer to Fact 1.3.1. The opportunity cost of a litre of gas includes
A) the 10 cent discount on a litre of gasoline.
B) the incentive to purchase a full tank of gas.
C) the amount of money that a consumer saves by buying gasoline at Costco.
D) the time that you would have spent doing something other than lining up to buy a litre of gasoline.
E) the pleasure that motorists receive from buying cheaper gasoline.

Answer: D

87) Refer to Fact 1.3.1. To control the crowd Costco hires traffic police. When Costco hires traffic police, it faces a tradeoff that could include all of the following *except*
A) taking business away from gas stations in the area.
B) having a larger inventory of stock.
C) expansion of the warehouse.
D) having large seasonal displays.
E) hiring more customer service representatives.

Answer: A

88) Statements about "what should be" are called
A) scientific statements.
B) economic statements.
C) positive statements.
D) hypotheses.
E) normative statements.

Answer: E

89) Statements about "what is" are called
A) economic statements.
B) normative statements.
C) hypotheses.
D) positive statements.
E) scientific statements.

Answer: D

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90) Which of the following statements is normative?
A) Warts are caused by handling toads.
B) If income increases, sales of luxury goods fall.
C) There is more caffeine in a cup of tea than in a cup of coffee.
D) Scientists should not make normative statements.
E) As e–book prices fall, people buy more of them.

Answer: D

91) A positive statement is
A) what is currently believed about the way the world operates.
B) about what ought to be.
C) always false.
D) always true.
E) an opinion that cannot be verified.

Answer: A

92) A normative statement is
A) capable of evaluation, as true or false, by observation and measurement.
B) always false.
C) always true.
D) about what should be.
E) about what is.

Answer: D

93) "The rich should face higher income tax rates than the poor." This is an example of
A) economic reasoning.
B) a normative statement.
C) a negative statement.
D) a positive statement.
E) neither a normative nor a positive statement.

Answer: B

94) Which of the following is an example of a positive statement?
A) Increasing the minimum wage results in more unemployment.
B) Canada should cut back on its use of carbon–based fuels such as coal and oil.
C) Every Canadian should have equal access to health care.
D) The Bank of Canada should cut the interest rate.
E) Canada should have lower tax rates for wealthier Canadians.

Answer: A

95) What is true about economic models? Economic models
A) were first developed in the 1970s.
B) include most of the details of the economic world.
C) do not answer questions about the economic world.
D) describe some aspect of the economic world, but include only those features needed for the purpose at hand.
E) answer questions that arise from normative statements.

Answer: D

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96) The scientific purpose of simplifying assumptions in an economic model is to
A) eliminate the need for further testing of the implications of the model.
B) avoid confronting difficult issues.
C) add necessary hypotheses to the problem.
D) eliminate the possibility of personal bias in the model.
E) abstract from the complexities of the real world those issues that are not important for the issues under examination.

Answer: E

97) Model *A* is superior to Model *B* if Model *A*
A) contains more real world detail than Model *B*.
B) makes predictions that correspond more closely to the facts than the predictions of Model *B*.
C) contains fewer unrealistic assumptions than Model *B*.
D) is preferred by a majority of researchers in a public opinion poll.
E) is scientifically more "elegant" than Model *B.*

Answer: B

98) In choosing among alternative models, economists generally have the strongest preference for models that
A) are detailed and complex, with every available fact and figure included.
B) have few assumptions and are as simple as possible, even if they cannot predict very well.
C) have assumptions that are complicated.
D) have assumptions that are close to exact replicas of reality.
E) predict better than any other that is available.

Answer: E

99) A normative statement is a statement regarding
A) the assumptions of an economic model.
B) what is usually the case.
C) what should be.
D) what is.
E) the predictions of an economic model.

Answer: C

100) An economic model is tested by
A) comparing its predictions with the facts.
B) comparing its complexity to other models that deal with similar issues.
C) examining the realism of its assumptions.
D) the Testing Committee of the Canadian Economic Association.
E) comparing its descriptions and examining the realism of its assumptions.

Answer: A

101) Which of the following is a positive statement?
A) Government should control the rents that apartment owners charge.
B) Owners of apartment buildings should be free to charge whatever rent they want.
C) Low rents are better for a city than high rents.
D) Low rents restrict the supply of housing.
E) Housing costs too much.

Answer: D

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102) "The rich face higher income tax rates than the poor, which is not good since it is the rich who provide jobs for the poor." This is an example of

A) a negative statement.
B) a normative statement.
C) a descriptive statement.
D) a positive statement.
E) a theoretical statement.

Answer: B

103) An economic model is

A) tested by the Testing Committee of the Canadian Economic Association.
B) tested by examining the realism of its assumptions.
C) not useful because it simplifies real problems.
D) useful if it predicts well, even if its assumptions are not realistic.
E) not useful unless it predicts with 100 percent accuracy.

Answer: D

104) Select the best statement about economic models.

A) An economic model will be discarded if its predictions are often in conflict with the facts.
B) An economic model should not generate predictions about actual events in the real world, since it discusses only abstract events.
C) An economic model must always be correct in its predictions or it must be discarded.
D) Economic models are all false.
E) An economic model is evaluated based on the realism of its assumptions.

Answer: A

105) Economists test economic models by using

A) the *what*, *how*, and *for whom* questions.
B) natural experiments, statistical investigations, and economic experiments.
C) positive statements and normative statements.
D) marginal benefit and marginal cost.
E) personal economic policy, business economic policy, and government economic policy.

Answer: B

106) Which of the following statements are positive?

1. The federal government should increase taxes on the production of biofuels.
2. Pandemic restrictions reduced passenger air travel.
3. The greatest number of accidents are caused by drunk drivers.
4. We should have a cure for cancer.

A) Statements 1 and 4 are positive.
B) Statements 2 and 4 are positive.
C) Statements 2 and 3 are positive.
D) Statements 1 and 2 are positive.
E) Statements 3 and 4 are positive.

Answer: C

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107) Which of the following statements are true regarding "positive" statements?
I. They describe what "should be."
II. They describe what is believed about how the world appears.
III. They can be tested as to their truthfulness.
A) II and III
B) I, II and III
C) I and II
D) I and III
E) None of the statements are true.

Answer: A

108) Which of the following is a normative statement?
A) Hurricane Katrina caused more damage in the United States than Hurricane Andrew.
B) Next year's inflation rate will be under 2 percent.
C) A wheat shortage or surplus is always the result of federal government policies.
D) Government cuts in welfare spending impose an unfair hardship on the poor.
E) Consumers will buy more gasoline over the December holiday period than they bought during the summer holiday period even if the price of gas is 10 cents a litre higher than it was during the summer.

Answer: D

109) When Al makes the statement, "The cost of living has increased 10 percent over the past 10 years," he is
A) testing an economic model.
B) making a positive statement.
C) making a negative statement.
D) identifying the tradeoff between the standard of living and the cost of living.
E) making a normative statement.

Answer: B

110) A good economic model
A) does not include more than two variables.
B) includes more than two variables but less than 10 variables.
C) describes all aspects of the economic world.
D) includes only features of the world that can be described numerically.
E) includes only those features of the world that are needed for the purpose at hand.

Answer: E

111) "The poor pay too much for housing" is _____ statement.
"More low priced housing should be available" is _____ statement.
A) a positive; a normative
B) a political; a political
C) a normative; a positive
D) a correct; a correct
E) a normative; a normative

Answer: E

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112) Of the tasks listed below, an economics major would be best qualified to take a job
A) litigating.
B) determining ways of minimizing taxable income.
C) analyzing balance sheets.
D) studying ways of using resources more effectively.
E) determining the amount of tax owed.

Answer: D

113) According to the U.S. Bureau of Labor Statistics, between 2014 and 2024
A) jobs for those with a Ph.D. in economics are forecasted to grow faster than overall employment growth because government jobs for economists are expected to expand.
B) financial analyst jobs are expected to grow by less than overall employment growth.
C) market research analyst jobs are expected to grow by less than overall employment growth.
D) budget analyst jobs are expected to grow by less than overall employment growth because these jobs will be replaced by people with bookkeeping skills.
E) budget analyst jobs are expected to grow by less than overall employment growth because these jobs are easy to replace with artificial intelligence.

Answer: E

114) The most important skills needed for an economics job include
A) critical–thinking skills and entrepreneurial skills.
B) analytical skills and customer service skills.
C) oral communication skills and qualitative skills.
D) critical–thinking skills and math skills.

Answer: D

115) Choose the correct option regarding the earnings of economics majors.
A) Economists who work in finance, insurance, and government jobs earn less than other economists on average.
B) The Web resource payscale.com reports that the pay range for economists is between $25,000 and $250,000.
C) Graduates in economics can generally expect to earn more than graduates in sociology or business.
D) A person who majors in economics, completes a Ph.D., and gets a job as an economist would expect to earn about $250,000 by mid–career.
E) Market research analysts and financial analysts can generally expect to earn more at mid–career than a person with a Ph.D. in economics.

Answer: C

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Use the figure below to answer the following questions.

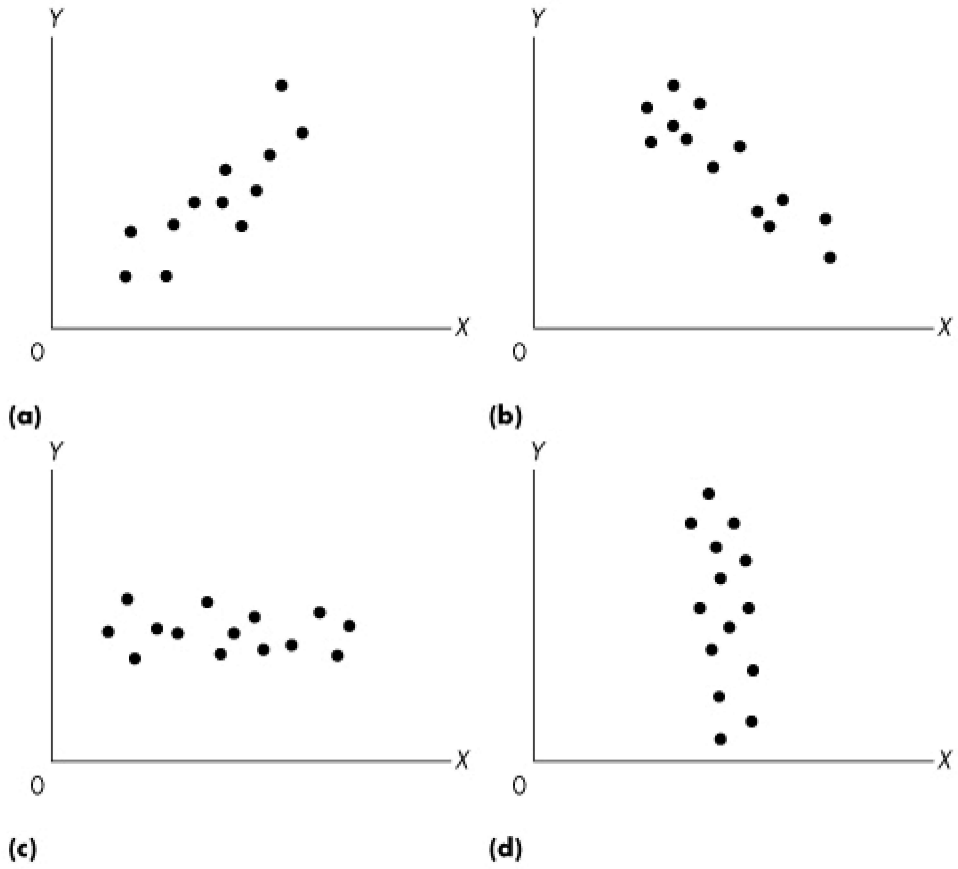

Figure 1A.1.1

116) The graphs in Figure 1A.1.1 are examples of
A) graphs that show no relationship between x and y.
B) dot diagrams.
C) misleading graphs.
D) scatter diagrams.
E) none of the above.

Answer: D

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Use the figure below to answer the following questions.

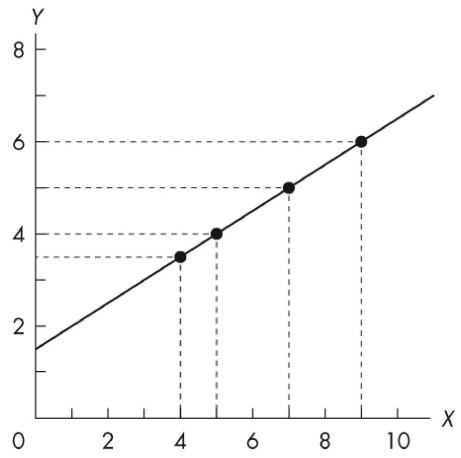

Figure 1A.1.2

117) In Figure 1A.1.2, the value of y is 5 when x is
A) 4. B) 5. C) 6. D) 7. E) 8.
Answer: D

118) Refer to Figure 1A.1.2. If x decreases from 5 to 4, y
A) decreases from 4 to 3.
B) increases from 3 1/2 to 4.
C) decreases from 4 to 3 1/2.
D) decreases from 4 to 2.
E) increases from 4 to 5.
Answer: C

119) Refer to Figure 1A.1.2. When y increases from 5 to 6, x
A) increases from 5 to 6.
B) increases from 7 to 9.
C) increases from 7 to 8.
D) increases from 7 to 7 1/2.
E) decreases from 9 to 7.
Answer: B

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Use the figure below to answer the following questions.

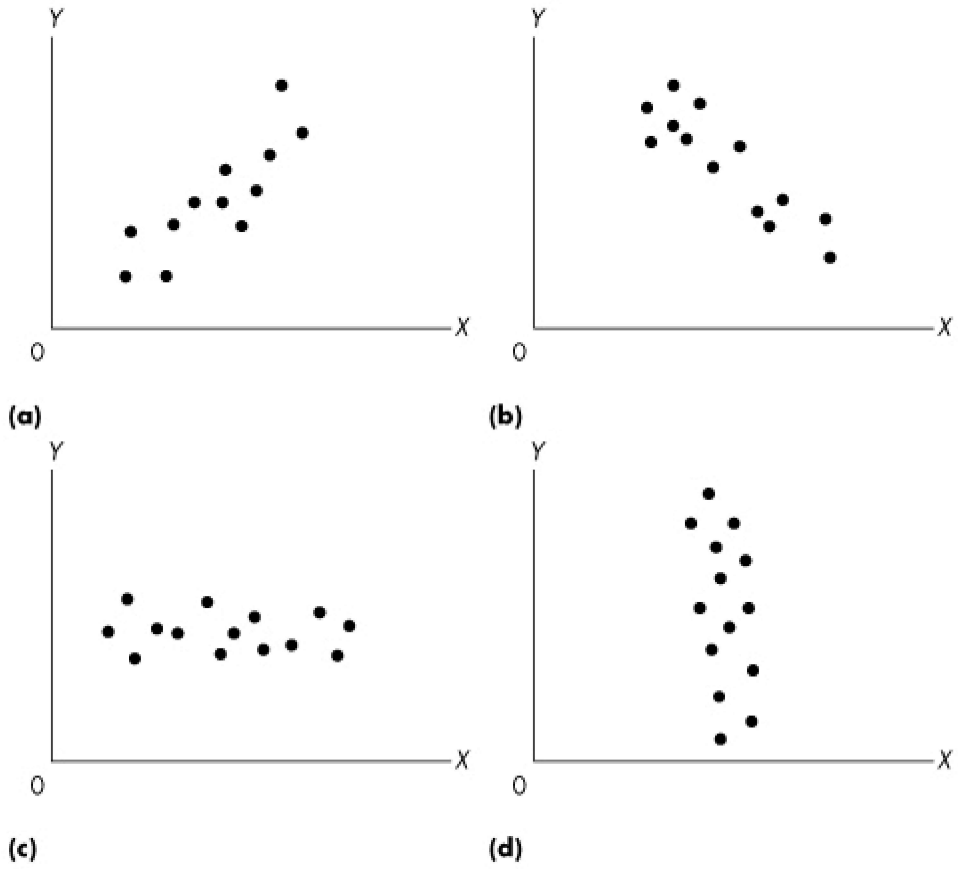

Figure 1A.2.1

120) Refer to Figure 1A.2.1. Which graph or graphs indicates a positive relationship between x and y?
A) (a) B) (b) C) (c) D) (d) E) (a) and (d)
Answer: A

121) Refer to Figure 1A.2.1. Which graph or graphs indicates a negative relationship between x and y?
A) (a) B) (b) C) (c) D) (d) E) (b) and (d)
Answer: B

122) Refer to Figure 1A.2.1. Which graph or graphs indicates no relationship between x and y?
A) (a) B) (b) C) (c) D) (c) and (d) E) (a) and (b)
Answer: D

123) Consider graph (a) of Figure 1A.2.1. Which one of the following statements is true?
A) The graph shows a negative relationship.
B) x and y are unrelated.
C) The graph shows a positive relationship.
D) x and y move in opposite directions.
E) Both A and D are correct.
Answer: C

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124) Consider graph (b) of Figure 1A.2.1. Which one of the following statements is true?
A) The graph shows a negative relationship.
B) x and y are unrelated.
C) The graph shows a positive relationship.
D) x and y move in opposite directions.
E) Both A and D are correct.

Answer: E

125) Consider graph (d) of Figure 1A.2.1. Which one of the following statements is true?
A) The graph shows a negative relationship.
B) x and y are unrelated.
C) The graph shows a positive relationship.
D) x and y move in opposite directions.
E) Both A and D are correct.

Answer: B

126) If variables x and y move in the same direction, they are
A) unrelated.
B) negatively related.
C) trendy.
D) conversely related.
E) positively related.

Answer: E

127) Two variables are positively related if
A) increases in one are associated with increases in the other.
B) decreases in one are associated with increases in the other.
C) increases in one are associated with decreases in the other.
D) any change in one causes an increase in the other.
E) any change in one causes a decrease in the other.

Answer: A

128) Two variables are negatively related if
A) any change in one causes an increase in the other.
B) increases in one are associated with decreases in the other.
C) any change in one causes a decrease in the other.
D) increases in one are associated with increases in the other.
E) both variables are less than zero.

Answer: B

129) The relationship between two variables that are positively related is shown graphically by a line that
A) is horizontal.
B) slopes downward to the right.
C) is above the x–axis and to the right of the y–axis.
D) slopes upward to the right.
E) is vertical.

Answer: D

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130) The relationship between two variables that are negatively related is shown graphically by a line that
A) slopes upward to the right.
B) slopes downward to the right.
C) is vertical.
D) is horizontal.
E) is below the x–axis and to the left of the y–axis.

Answer: B

Use the figure below to answer the following questions.

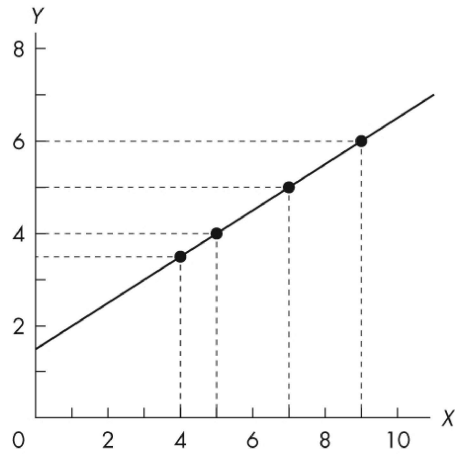

Figure 1A.2.2

131) Refer to Figure 1A.2.2. The variables x and y
A) are positively related.
B) are negatively related.
C) are unrelated.
D) have a nonlinear relationship.
E) have a negative linear relationship.

Answer: A

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Use the figure below to answer the following question.

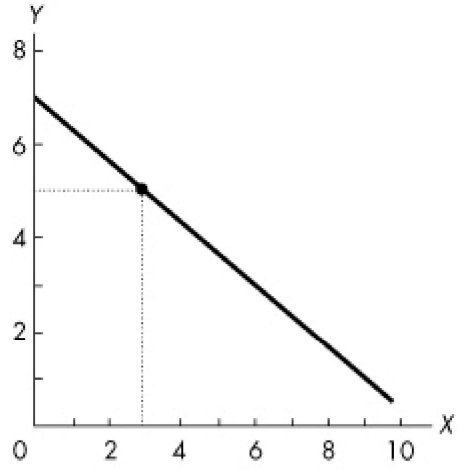

Figure 1A.2.3

132) In Figure 1A.2.3, the variables x and y
A) have a negative relationship.
B) move in the same direction.
C) are always equal.
D) have a positive relationship.
E) are unrelated

Answer: A

133) The relationship between two variables that move in opposite directions is shown graphically by a line that is
A) relatively flat.
B) positively sloped.
C) negatively sloped.
D) curved.
E) relatively steep.

Answer: C

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Use the figure below to answer the following questions.

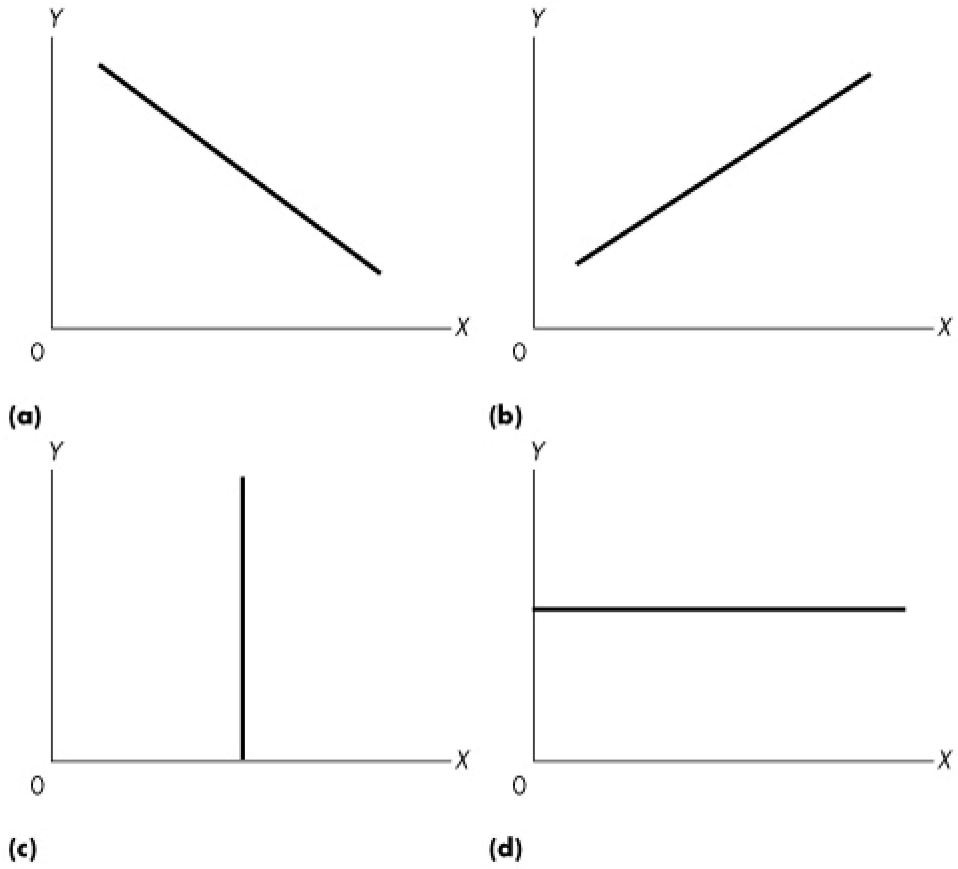

Figure 1A.2.4

134) Refer to Figure 1A.2.4. If economic theory predicts that higher levels of the rate of interest (x) lead to lower levels of sales of houses (y), which graph represents this economic relationship?
A) (a) B) (b) C) (c) D) (d) E) (a) or (d)
Answer: A

135) Refer to Figure 1A.2.4. If theory predicts that a rise in the wage rate (x) leads to a rise in the amount of labour supplied in the economy (y), which graph represents this relationship?
A) (a) B) (b) C) (c) D) (d) E) (a) or (c)
Answer: B

136) Refer to Figure 1A.2.4. Which of the graphs shows a positive relationship between x and y?
A) (a)
B) (b)
C) (c)
D) (d)
E) both (b) and (d)
Answer: B

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137) Refer to Figure 1A.2.4. Which one of the graphs shows a negative relationship between x and y?
A) (a)
B) (b)
C) (c)
D) (d)
E) both (a) and (d)

Answer: A

138) Refer to Figure 1A.2.4. Suppose theory predicted that for low levels of quantity produced (x) a firm's profits (y) were low, for medium levels of output their profits were high, and for high levels of output their profits were low again. Which one of the graphs would represent this relationship?
A) (a)
B) (b)
C) (c)
D) (d)
E) none of the graphs

Answer: E

Use the figure below to answer the following questions.

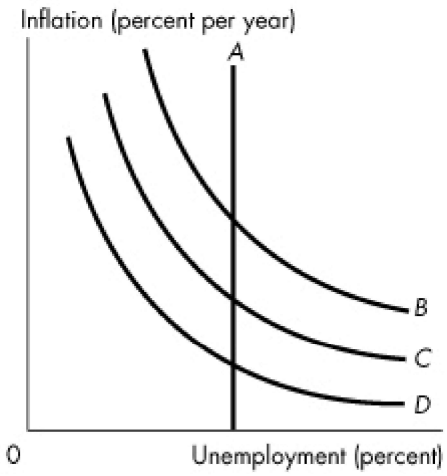

Figure 1A.2.5

139) Which curve or curves in Figure 1A.2.5 shows a positive relationship between unemployment and inflation?
A) *A*
B) *A* and *B*
C) *A* and *C*
D) *B*, *C*, and *D*
E) none of the curves.

Answer: E

140) Which curve or curves in Figure 1A.2.5 shows no relationship between unemployment and inflation?
A) *A* B) *B*, *C*, and *D* C) *B* and *D* D) *A* and *C* E) *A* and *B*

Answer: A

141) Which curve or curves in Figure 1A.2.5 shows a negative relationship between unemployment and inflation?
A) *A* B) *B* and *C* C) *A* and *D* D) *B*, *C*, and *D* E) *A* and *B*

Answer: D

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Use the table below to answer the following question.

Table 1A.2.1

Year	x	y
2019	6.2	143
2020	5.7	156
2021	5.3	162

142) The data in Table 1A.2.1 shows that
A) there is no relationship between x and y.
B) x and y have a negative relationship.
C) there is first a positive and then a negative relationship between x and y.
D) x and y have a positive relationship.
E) there is first a negative and then a positive relationship between x and y.

Answer: B

Use the figure below to answer the following question.

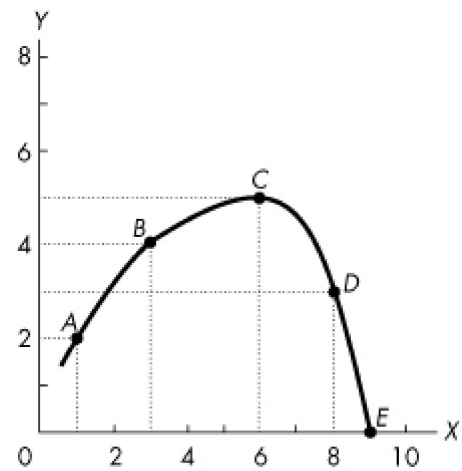

Figure 1A.2.6

143) Refer to Figure 1A.2.6. Which one of the following statements is true?
A) y reaches a maximum at point C.
B) x and y are unrelated.
C) x and y are positively related at all points between A and D.
D) y reaches a minimum at point C.
E) x and y are negatively related at all points between points B and D.

Answer: A

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Use the table below to answer the following question.

Table 1A.2.2

y	4	6	8	10	12
z	1	2	3	4	5

144) Refer to Table 1A.2.2. What type of relationship exists between *y* and *z*?
A) positive
B) negative
C) inverse
D) No consistent relationship exists.
E) first a positive relationship, then a negative one

Answer: A

Use the table below to answer the following question.

Table 1A.2.3

w	2	4	6	8	10
u	15	12	9	6	3

145) Refer to Table 1A.2.3. What type of relationship exists between *w* and *u*?
A) direct
B) negative
C) positive
D) No consistent relationship exists.
E) first a positive relationship, then a negative one

Answer: B

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Use the figure below to answer the following question.

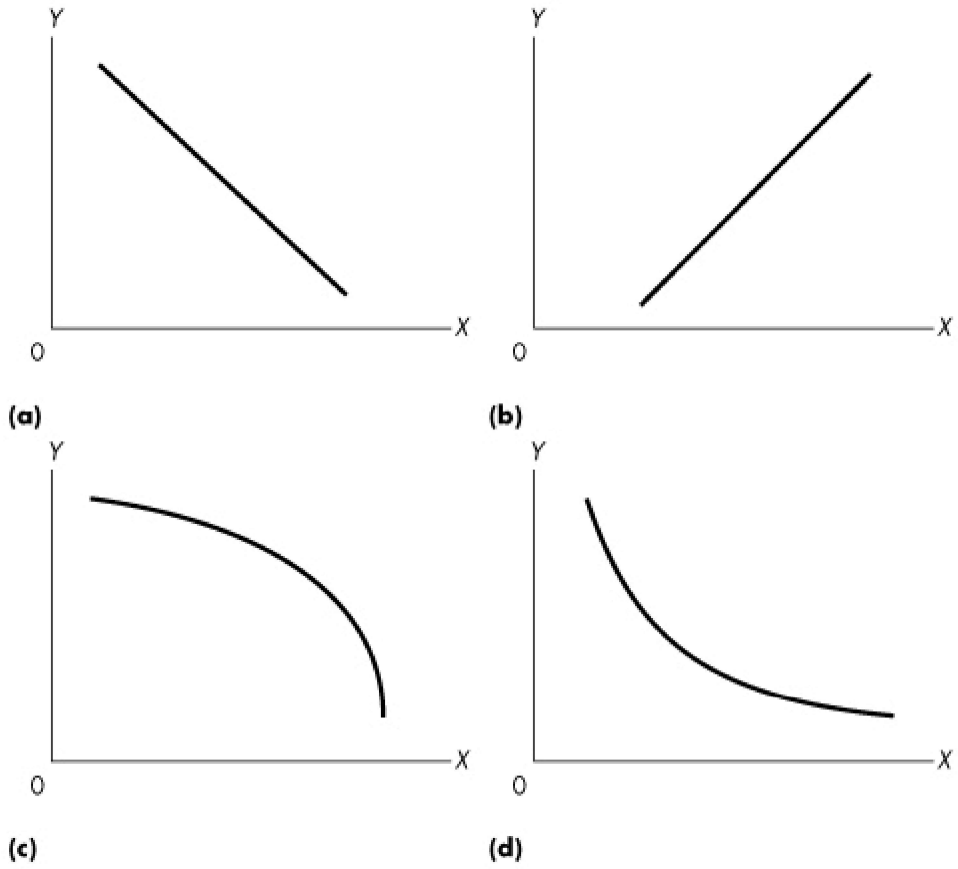

Figure 1A.2.7

146) Refer to Figure 1A.2.7. Consider the values for x and y given in the following table:

x	2	4	6	8	10
y	12	8	5	3	2

Which one of the graphs in Figure 1A.2.7 represents the relationship between x and y?
A) (a) B) (b) C) (c) D) (d) E) (a) and (b)

Answer: D

147) The change in the value of the variable measured on the y– axis divided by the change in the value of the variable measured on the x–axis is
A) equal to the slope.
B) a maximum or minimum.
C) decreasing.
D) increasing.
E) constant.

Answer: A

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148) The slope of a horizontal line is
A) initially positive and then negative.
B) positive.
C) zero.
D) infinite.
E) negative.

Answer: C

149) The slope of a straight line
A) is the same at every point.
B) increases as the variable on the x–axis increases if the slope is positive.
C) depends on where you measure the slope.
D) is the same at every point only if the line is horizontal.
E) decreases as the variable on the x–axis increases if the slope is negative.

Answer: A

Use the figure below to answer the following questions.

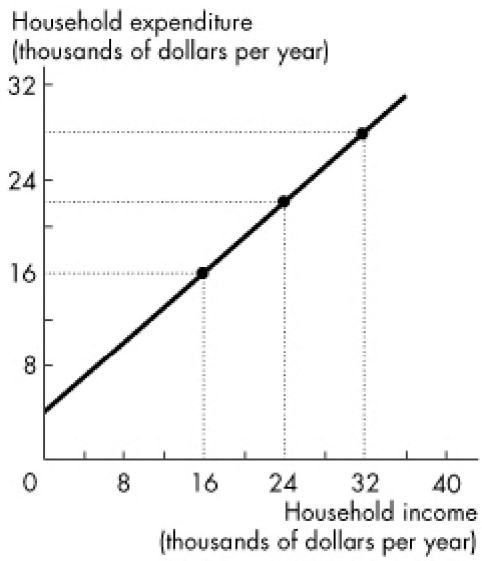

Figure 1A.3.1

150) In Figure 1A.3.1, if household income increases by $1 000, household expenditure will
A) increase by $1,000.
B) remain unchanged.
C) decrease by $1,333.
D) increase by $1,333.
E) increase by $750.

Answer: E

151) The slope of the line in Figure 1A.3.1 is
A) 1.50. B) 1.25. C) 0.50. D) 0.75. E) 1.00

Answer: D

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Use the figure below to answer the following question.

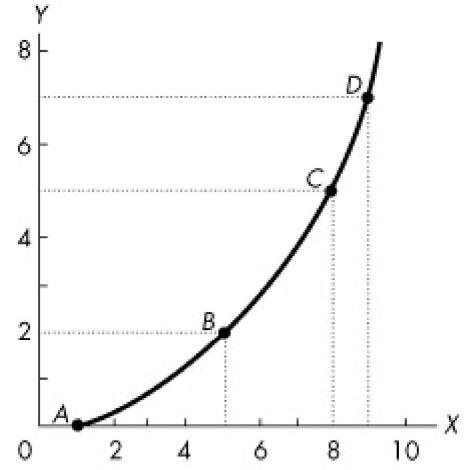

Figure 1A.3.2

152) Refer to Figure 1A.3.2. The slope across the arc between *A* and *B* is
A) 2/3. B) 1. C) 3. D) 2. E) 1/2.
Answer: E

Use the figure below to answer the following questions.

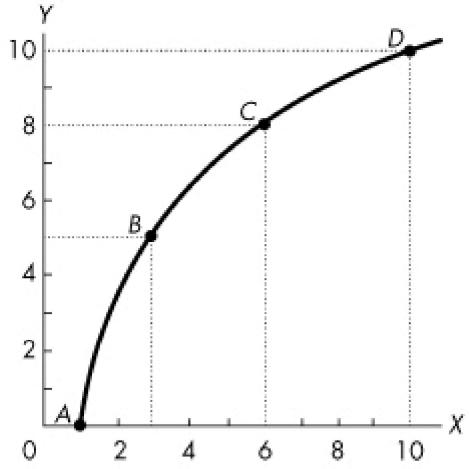

Figure 1A.3.3

153) Figure 1A.3.3 illustrates two variables, *x* and *y*, which are
A) positively related, with a decreasing slope as *x* increases.
B) negatively related, with an increasing slope as *x* increases.
C) positively related, with slope first increasing then decreasing.
D) negatively related, with a decreasing slope as *x* increases.
E) positively related, with an increasing slope as *x* increases.
Answer: A

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154) In Figure 1A.3.3, the slope across arc *AB* is
A) 5/2. B) 1. C) 5/3. D) 1/2. E) 3/2.
Answer: A

155) In Figure 1A.3.3 the relationship between x and y as x increases is
A) positive with slope first increasing then decreasing.
B) negative with increasing slope.
C) negative with decreasing slope.
D) positive with decreasing slope.
E) positive with increasing slope.
Answer: D

156) What is the slope across the arc between *B* and *C* in Figure 1A.3.3?
A) 1/2. B) 3 C) 2/3 D) 1 E) 2
Answer: D

Use the figure below to answer the following questions.

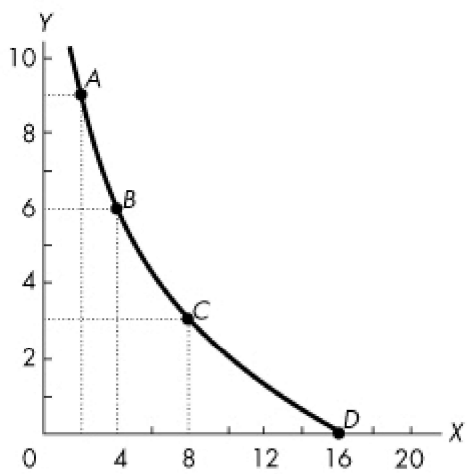

Figure 1A.3.4

157) Figure 1A.3.4 illustrates two variables, x and y, which are
A) negatively related, with slope becoming closer to 0 as x increases from 2 to 16.
B) positively related, with the slope unchanging as x increases from 2 to 16.
C) negatively related, with slope becoming farther from 0 as x increases from 2 to 16.
D) positively related, with slope becoming closer to 0 as x increases from 2 to 16.
E) positively related, with slope becoming farther from 0 as x increases from 2 to 16.
Answer: A

158) In Figure 1A.3.4, the slope across arc *AB* is
A) –3. B) 2/3. C) –1. D) –9/4. E) –3/2.
Answer: E

159) In Figure 1A.3.4, the slope across arc *BC* is
A) –3/4. B) –3/2. C) –2. D) –4/3. E) –2/3.
Answer: A

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160) Refer to Figure 1A.3.4. In Figure 1A.3.4, the slope at point *B*

A) lies between –3/4 and –3/2.
B) lies between –2/3 and –1.
C) lies between 1 and 3/2.
D) lies between –2/3 and –4/3.
E) is greater than 3/2.

Answer: A

Use the figure below to answer the following questions.

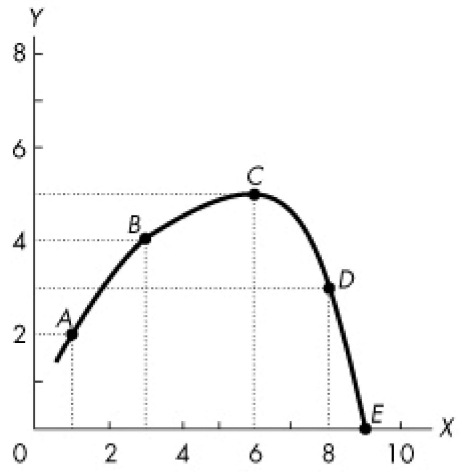

Figure 1A.3.5

161) Refer to Figure 1A.3.5. Which one of the following statements is true?

A) The slope is greater between points *B* and *C* than between points *A* and *B*.
B) The slope at *C* is 0.
C) The slope at *C* is 1.
D) The slope at *C* is negative.
E) The slope is less between points *A* and *B* than between points *B* and *C*.

Answer: B

162) Refer to Figure 1A.3.5. In Figure 1A.3.5, the slope across arc *BC* is

A) 1/2. B) 2. C) 1. D) 5/6. E) 1/3.

Answer: E

163) Refer to Figure 1A.3.5. In Figure 1A.3.5, the slope across arc *CD* is

A) –1/2. B) –5/8. C) 1/2. D) –1. E) 1.

Answer: D

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Use the table below to answer the following question.

Table 1A.3.1

y	4	6	8	10	12
z	1	2	3	4	5

164) Refer to Table 1A.3.1. Assuming *y* is plotted on the vertical axis, the slope of the line is
A) –2 when *x* is between 4 and 5.
B) –2 when *x* is between 1 and 3, and then +2 when *x* is between 4 and 5.
C) –2 when *x* is between 1 and 3.
D) constant at +2.
E) constant at –2.

Answer: D

Use the table below to answer the following questions.

Table 1A.3.2

w	2	4	6	8	10
u	15	12	9	6	3

165) In Table 1A.3.2, suppose that *w* is measured along the *x*–axis. The slope of the line relating *w* and *u* is
A) negative with a constant slope.
B) positive with a constant slope.
C) positive with a decreasing slope.
D) negative with a decreasing slope.
E) positive with an increasing slope.

Answer: A

166) Refer to Table 1A.3.2. Suppose that *w* is measured along the *x*–axis. The slope of the line relating *w* and *u* is
A) –2/3. B) –3. C) +3. D) –3/2. E) +3/2.

Answer: D

Use the table below to answer the following questions.

Table 1A.3.3

x	0	1	2	3	4	5	6	7	8	9
y	10	8	6	4	2	0	2	4	6	8

167) Refer to Table 1A.3.3. If we were to draw a graph of this relationship, when would the slope be positive?
A) only if *x* equals 5
B) only if *x* is greater than 5
C) never
D) only if *x* is less than 5
E) We do not have enough information to tell.

Answer: B

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168) Refer to Table 1A.3.3. When x equals 5, the slope is
A) 0. B) 5. C) +2. D) –2. E) infinite.
Answer: A

169) Refer to Table 1A.3.3. When x equals 5,
A) y is at a maximum.
B) the slope is negative.
C) the slope is first positive and then becomes negative.
D) the slope is positive.
E) y is at a minimum.
Answer: E

170) At all points along a straight line, slope is
A) zero. B) infinity. C) negative. D) positive. E) constant.
Answer: E

Use the figure below to answer the following question.

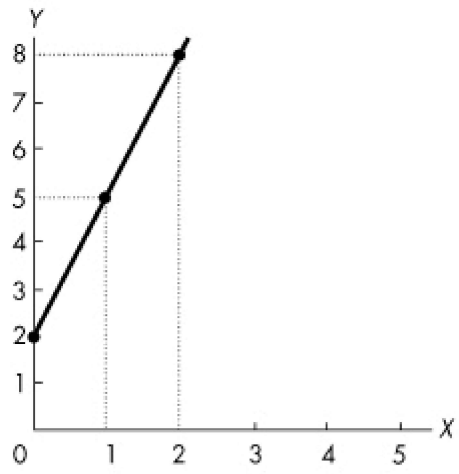

Figure 1A.3.6

171) What is the slope of the line in Figure 1A.3.6?
A) 1/2. B) –3 C) 3 D) 1/3 E) 2
Answer: C

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Use the figure below to answer the following question.

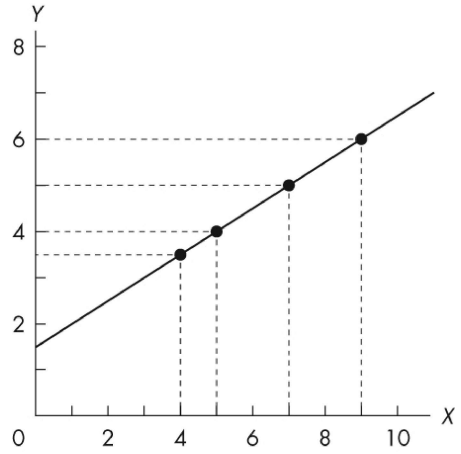

Figure 1A.3.7

172) The slope of the line in Figure 1A.3.7 is
A) 2.
B) –1.
C) 1/2.
D) 1.
E) dependent on where you measure it.
Answer: C

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Use the figure below to answer the following question.

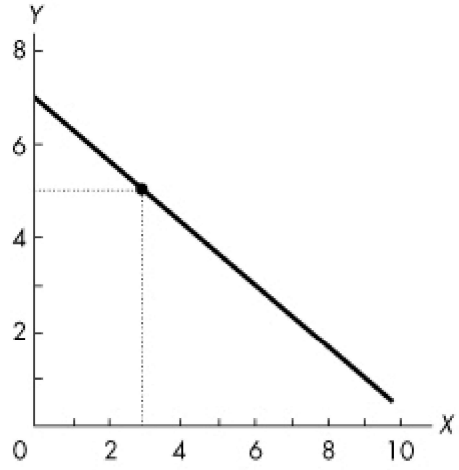

Figure 1A.3.8

173) The slope of the line in Figure 1A.3.8 is
A) –2/3.
B) –3/2.
C) 2/3.
D) 3/2.
E) none of the above.

Answer: A

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Use the figure below to answer the following questions.

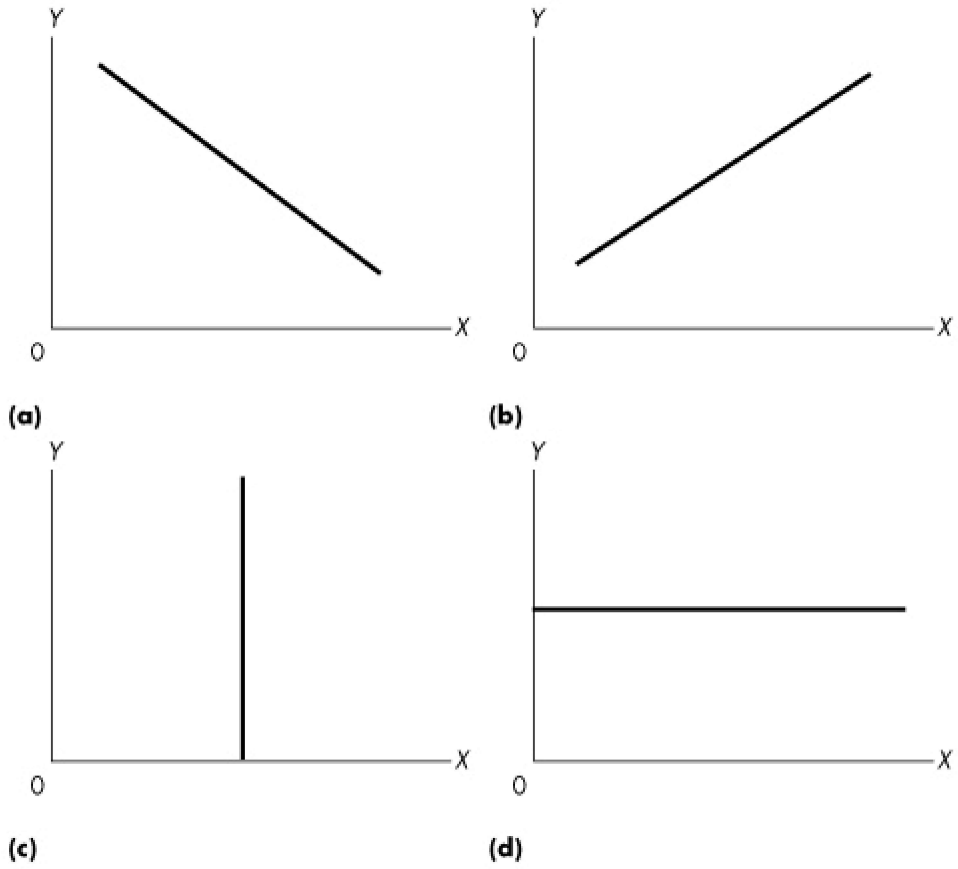

Figure 1A.3.9

174) Refer to Figure 1A.3.9. Which one of the graphs shows a line with a zero slope?
A) (a)
B) (b)
C) (c)
D) (d)
E) (a), (b), and (c)
Answer: D

175) Refer to Figure 1A.3.9. Which one of the graphs shows a line with an infinite slope?
A) (a) B) (b) C) (c) D) (d) E) (b) and (c)
Answer: C

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Use the figure below to answer the following question.

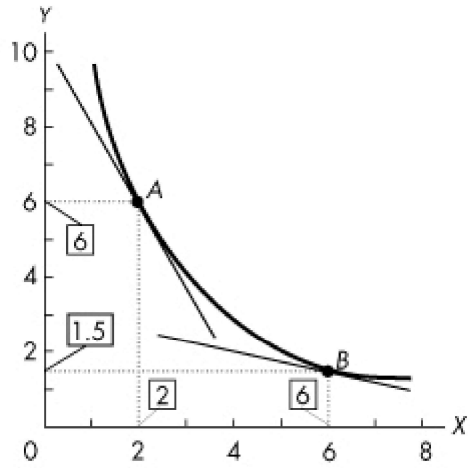

Figure 1A.3.10

176) Refer to Figure 1A.3.10. The figure shows a relationship between two variables, x and y. The slope at point A is
A) 0.25. B) –4. C) –0.25. D) 2. E) –2.

Answer: E

Use the figure below to answer the following question.

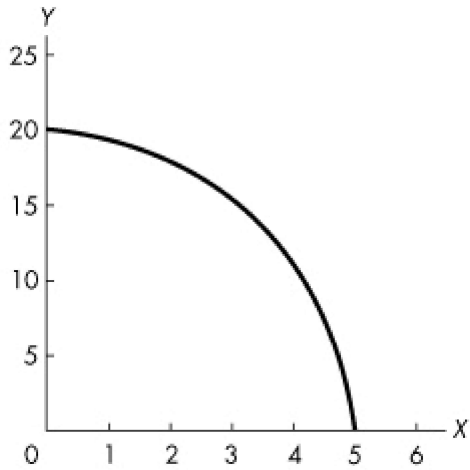

Figure 1A.3.11

177) Refer to Figure 1A.3.11. The graph shows a _____ relationship. The absolute value of the slope of the relationship _____ as the value of x increases.
A) negative; decreases
B) negative; increases
C) negative; does not change
D) positive; increases
E) positive; decreases

Answer: B

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178) To graph a relationship among three variables we
A) hold one variable constant and graph the relationship between the other two variables.
B) must be able to allow all three variables to vary simultaneously in one graph.
C) must be able to draw in three dimensions.
D) hold two variables constant to graph the third variable.
E) graph each of the three variables using a separate set of axes.

Answer: A

Use the table below to answer the following questions.

Table 1A.4.1

x	120	100	80	140	120	100	160	140	120
y	10	12	14	10	12	14	10	12	14
z	4	4	4	5	5	5	6	6	6

179) Given the data in Table 1A.4.1, holding z constant, the graph of x and y
A) reaches a minimum.
B) reaches a maximum.
C) is a positively sloped line.
D) does not have a constant slope.
E) is a negatively sloped line.

Answer: E

180) Given the data in Table 1A.4.1, holding y constant, the graph of x and z
A) reaches a minimum.
B) shows that x and z are not related.
C) is a negatively sloped line.
D) reaches a maximum.
E) is a positively sloped line.

Answer: E

181) Consider the data in Table 1A.4.1. Suppose z increases from 4 to 5. What will happen to the graph of the relationship between x and y?
A) It will become positively sloped.
B) It will shift to the right.
C) It will shift to the left.
D) both A and C
E) both B and C

Answer: B

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Use the figure below to answer the following question.

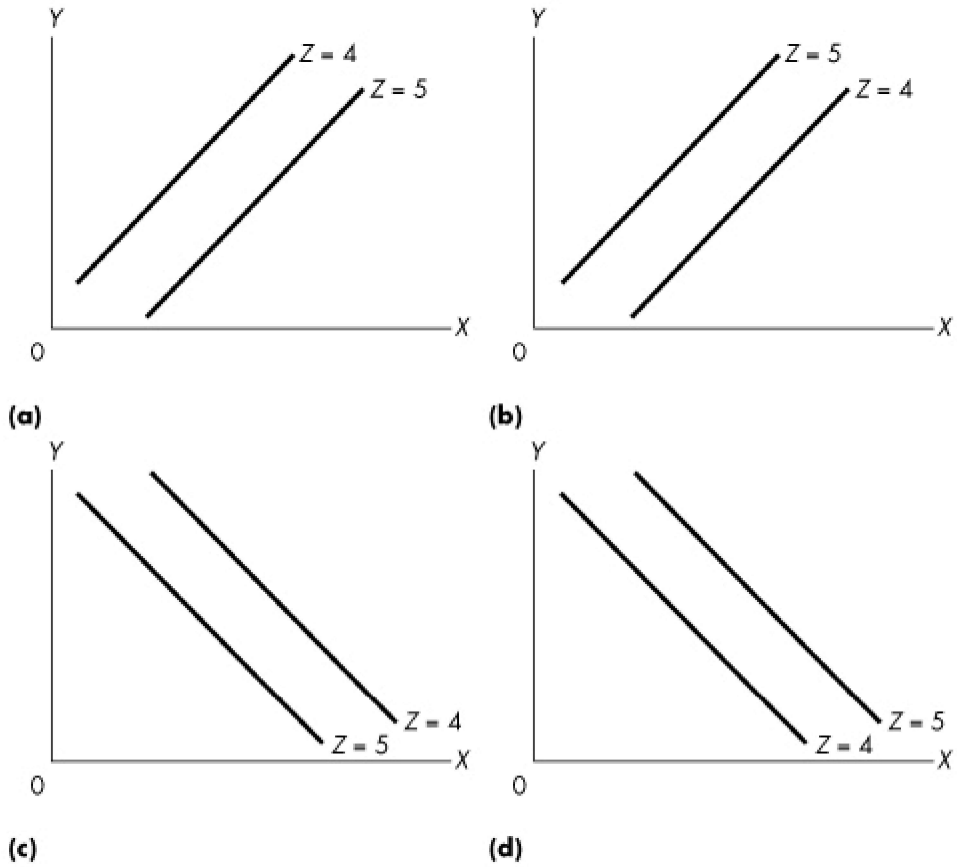

Figure 1A.4.1

182) Given the data in the following table, which one of the graphs in Figure 1A.4.1 correctly represents the relationship among x, y, and z?

x	120	100	80	140	120	100	160	140	120
y	10	12	14	10	12	14	10	12	14
z	4	4	4	5	5	5	6	6	6

A) (a) B) (b) C) (c) D) (d) E) (b) and (c)

Answer: D

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Use the figure below to answer the following question.

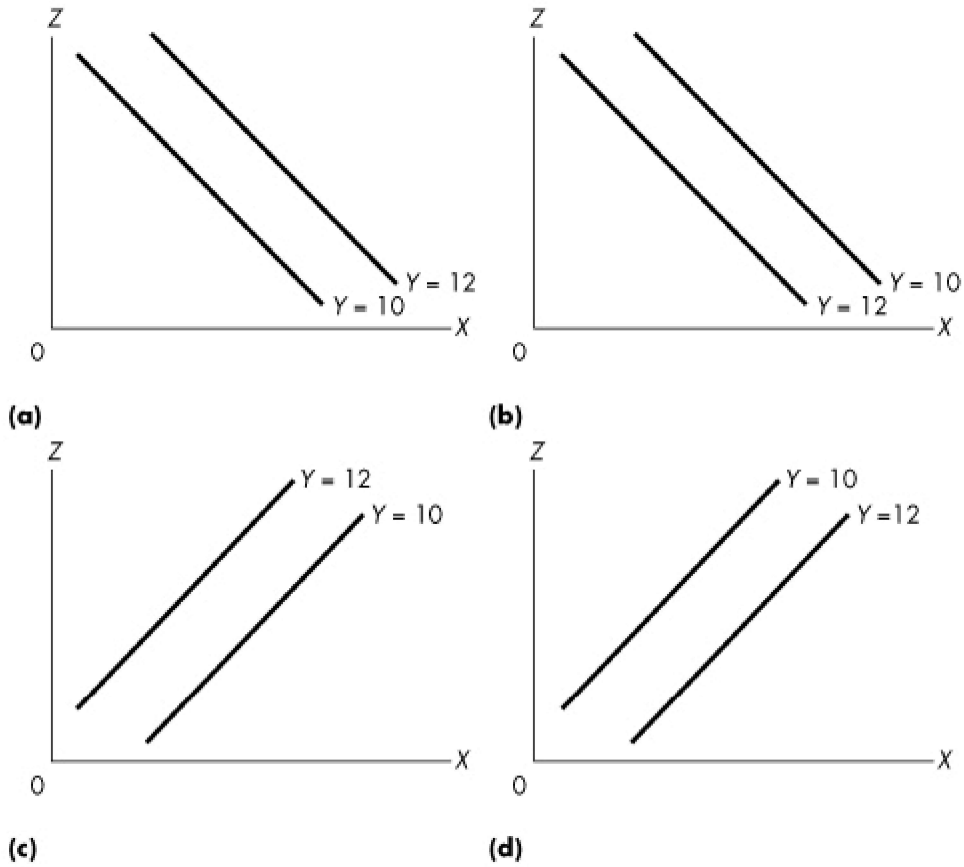

Figure 1A.4.2

183) Given the data in the following table, which one of the graphs in Figure 1A.4.2 correctly represents the relationship among x, y, and z?

x	120	100	80	140	120	100	160	140	120
y	10	12	14	10	12	14	10	12	14
z	4	4	4	5	5	5	6	6	6

A) (a) B) (b) C) (c) D) (d) E) (a) and (d)

Answer: C

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Use the table below to answer the following questions.

Table 1A.4.2

Family income (dollars per week)	Price of strawberries (dollars per box)	Number of boxes purchased per week
300	1.00	5
300	1.25	3
300	1.50	2
400	1.00	7
400	1.25	5
400	1.50	4

184) Table 1A.4.2 shows that
A) the number of boxes of strawberries purchased is negatively related to income, holding the price of strawberries constant.
B) the number of boxes of strawberries purchased is negatively related to the price of strawberries, holding income constant.
C) there is no relationship between the price of strawberries and the number of boxes purchased.
D) the price of strawberries is negatively related to family income, holding purchases of strawberries constant.
E) there is no relationship between family income and the number of boxes of strawberries purchased.

Answer: B

185) Given the data in Table 1A.4.2, holding income constant, the graph relating the price of strawberries, measured on the y–axis and the purchases of strawberries, measured on the x–axis
A) is a positively sloped line.
B) is a vertical line.
C) is a negatively sloped line.
D) is a horizontal line.
E) reaches a minimum.

Answer: C

186) Given the data in Table 1A.4.2, suppose family income decreases from $400 to $300 per week. Then the graph relating the price of strawberries, measured on the y–axis and the number of boxes of strawberries purchased, measured on the x–axis will
A) become negatively sloped.
B) shift rightward.
C) no longer exist.
D) shift leftward.
E) become positively sloped.

Answer: D

187) Given the data in Table 1A.4.2, holding price constant, the graph of the purchases of strawberries, measured on the x–axis and family income, measured on the y–axis is a
A) horizontal line.
B) vertical line.
C) positively sloped line.
D) negatively sloped line.
E) positively or negatively sloped line, depending on the price that is held constant.

Answer: C

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Use the figure below to answer the following questions.

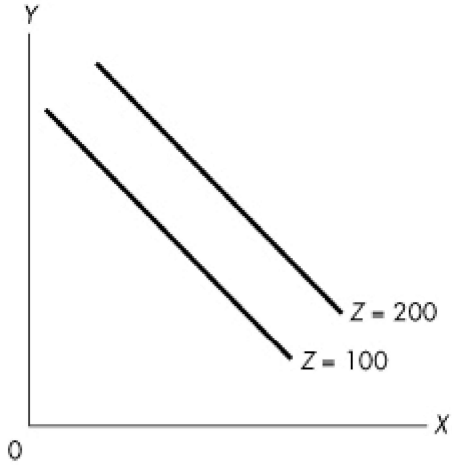

Figure 1A.4.3

188) In Figure 1A.4.3, x is
A) greater than z.
B) negatively related to both y and z.
C) positively related to y and negatively related to z.
D) positively related to both y and z.
E) negatively related to y and positively related to z.

Answer: E

189) In Figure 1A.4.3, a decrease in the value of z results in, *ceteris paribus*,
A) no change in the value of y.
B) an increase in the value of y.
C) a decrease in the value of x.
D) no change in the value of x.
E) an increase in the value of x.

Answer: C

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Use the figure below to answer the following question.

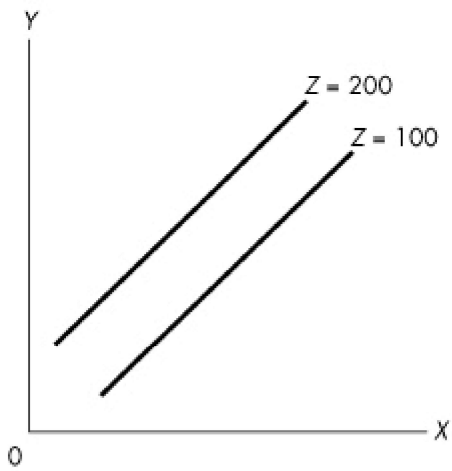

Figure 1A.4.4

190) Complete the following sentence. In Figure 1A.4.4, z is
A) negatively related to x and positively related to y.
B) related to y but not related to x.
C) positively related to x and negatively related to y.
D) negatively related to both x and y.
E) positively related to both x and y.

Answer: A

191) Consider the following information on cola sales by number of cases for a typical university residence floor:

Price (dollars per case)

Temp. (°C)	10.00	12.50	15.00	17.50
15	50	40	30	20
20	60	50	40	30
25	70	60	50	40
30	80	70	60	50
35	90	80	70	60

Cola sales and cola prices are
A) not affected by the temperature.
B) unrelated.
C) inversely related.
D) positively related.
E) negatively related at low temperatures, but positively related at high temperatures.

Answer: C

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192) Consider the following information on cola sales by number of cases for a typical university residence floor:

	Price (dollars per case)			
Temp. (°C)	10.00	12.50	15.00	17.50
15	50	40	30	20
20	60	50	40	30
25	70	60	50	40
30	80	70	60	50
35	90	80	70	60

Cola sales and temperature are

A) not affected by the price.
B) unrelated.
C) inversely related.
D) positively related.
E) negatively related at low prices, but positively related at high prices.

Answer: D

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Use the figure below to answer the following questions.

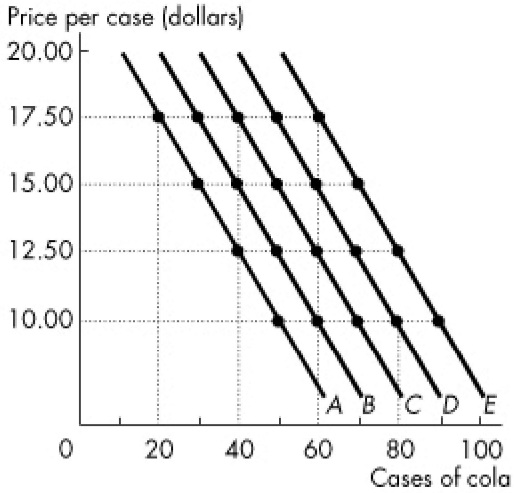

Figure 1A.4.5

193) Consider the following information on cola sales by number of cases for a typical university residence floor:

	Price (dollars per case)			
Temp. (°C)	10.00	12.50	15.00	17.50
15	50	40	30	20
20	60	50	40	30
25	70	60	50	40
30	80	70	60	50
35	90	80	70	60

Refer to Figure 1A.4.5. Which line shows the relationship of cola sales and its price when the temperature is 30°C?

A) *A* B) *B* C) *C* D) *D* E) *E*

Answer: D

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194) Consider the following information on cola sales by number of cases for a typical university residence floor:

	Price (dollars per case)			
Temp. (°C)	10.00	12.50	15.00	17.50
15	50	40	30	20
20	60	50	40	30
25	70	60	50	40
30	80	70	60	50
35	90	80	70	60

Refer to Figure 1A.4.5. Which line shows the relationship of cola sales and the temperature when the price of a case is $15.00?

A) *A*
B) *B*
C) *C*
D) *D*
E) none of the above.

Answer: E

195) Consider the following information on cola sales by number of cases for a typical university residence floor:

	Price (dollars per case)			
Temp. (°C)	10.00	12.50	15.00	17.50
15	50	40	30	20
20	60	50	40	30
25	70	60	50	40
30	80	70	60	50
35	90	80	70	60

Refer to Figure 1A.4.5. Which one of the following represents what happens when the temperature rises from 20°C to 25°C?

A) The curve shifts from *C* to *B*.
B) The curve shifts from *A* to *B*.
C) The curve shifts along line *C*.
D) The curve shifts from *B* to *C*.
E) The curve shifts along line *B*.

Answer: D

196) The Latin term *ceteris paribus* means

A) "If all other relevant things remain the same."
B) "The whole is not the sum of the parts."
C) "Compositions are fallacious."
D) "Fallacies are composed."
E) "Innocent until proven guilty."

Answer: A

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Use the table below to answer the following question.

Table 1A.4.3
Ice Cream Consumption (litres per day)

Price (dollars per scoop)	0 degrees	10 degrees	20 degrees	30 degrees
2.00	12	18	25	50
2.50	10	12	18	37
3.00	7	10	13	27
3.50	5	7	10	20
4.00	3	5	7	14

197) Refer to Table 1A.4.3. The table shows some data on the quantity of ice cream consumed at different prices and in different weather conditions. To draw a graph of the relationship between the quantity of the ice cream consumed and the price of ice cream, we must
A) hold the price constant at any of the five levels shown.
B) hold the temperature constant at any of the four levels shown.
C) pick the temperature that prevailed when the price was $2.00.
D) increase the temperature as the price rises.
E) decrease the temperature as the price rises.

Answer: B

Use the figure below to answer the following question.

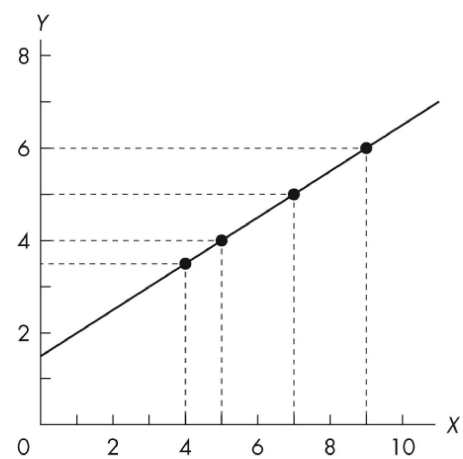

Figure 1A.5.1

198) The equation of the line in Figure 1A.5.1 is
A) $y = -3 + 2x$.
B) $y = 1.5 + 0.5x$.
C) $y = 1.5 - 0.5x$.
D) $y = 1.5 + 2x$.
E) dependent on where you measure it.

Answer: B

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Use the figure below to answer the following question.

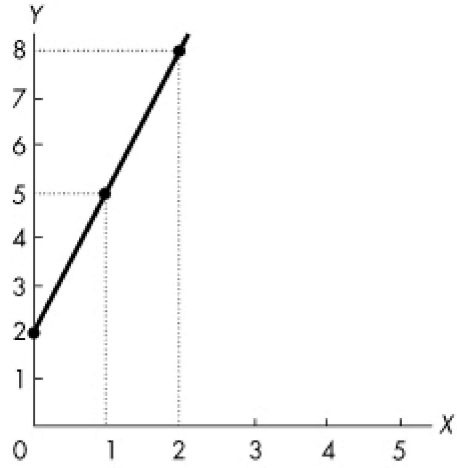

Figure 1A.5.2

199) If the line in Figure 1A.5.2 were to continue down to the x–axis, what would the value of x be when y is zero?
A) –3/2. B) 0 C) 2 D) –2/3 E) 2/3

Answer: D

200) If the equation of a straight line is $y = 6 + 3x$, then the slope is
A) 3 and the y–axis intercept is 6.
B) 3 and the y–axis intercept is –2.
C) 3 and the y–axis intercept is –6.
D) –3 and the y–axis intercept is –2.
E) –3 and the y–axis intercept is 6.

Answer: A

201) If the equation of a straight line is $y = 8 - 2x$, then the slope is
A) –2 and the x–axis intercept is 8.
B) –2 and the x–axis intercept is 4.
C) –2 and the x–axis intercept is –4.
D) 2 and the x–axis intercept is 4.
E) 2 and the x–axis intercept is –4.

Answer: B

202) The equation of a line is $y = 4 + 2x$. What is the y–axis intercept of this line?
A) –2 B) 0 C) –1/2 D) 1/4 E) 4

Answer: E

203) The equation of a line is $y = 4 + 2x$. What is the x–axis intercept of this line?
A) 0 B) –2 C) 1/4 D) 4 E) –1/2

Answer: B

204) The equation of a line is $y = 4 + 2x$. What is the slope of this line?
A) 1/2 B) 0 C) 2 D) 1/4 E) 4

Answer: C

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Use the figure below to answer the following question.

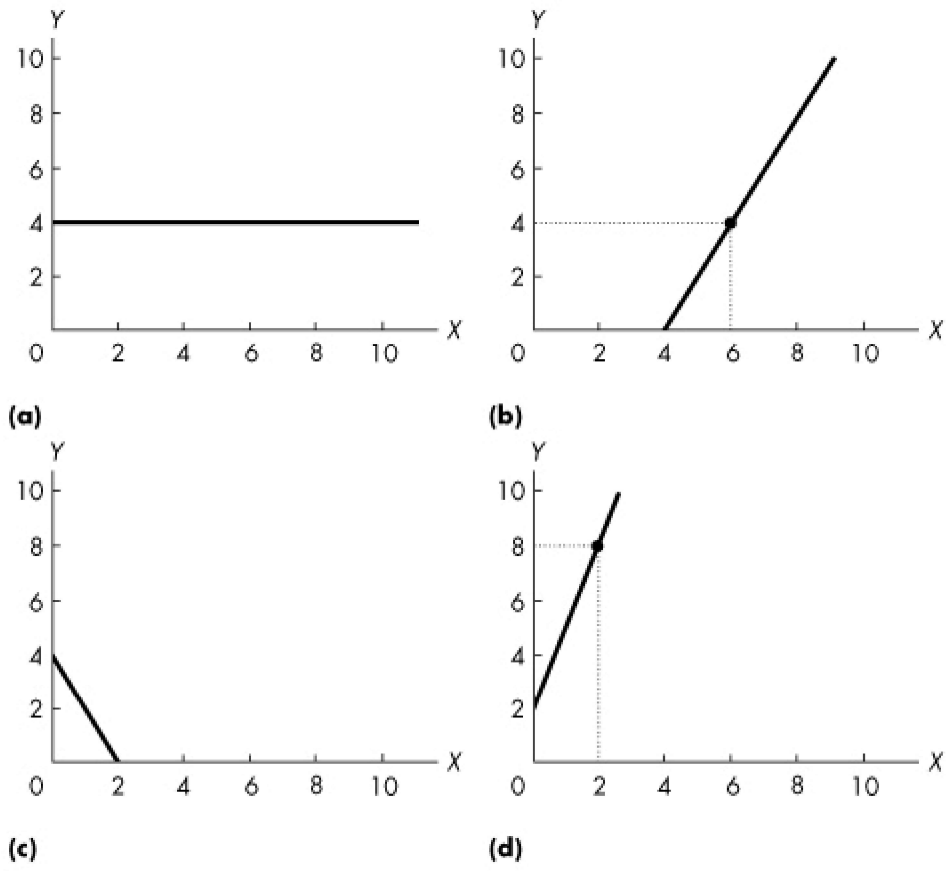

Figure 1A.5.3

205) The equation of a line is $y = 4 + 2x$. Which one of the graphs in Figure 1A.5.3 represents this line?

A) (a)
B) (b)
C) (c)
D) (d)
E) none of the graphs

Answer: E

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Use the figure below to answer the following question.

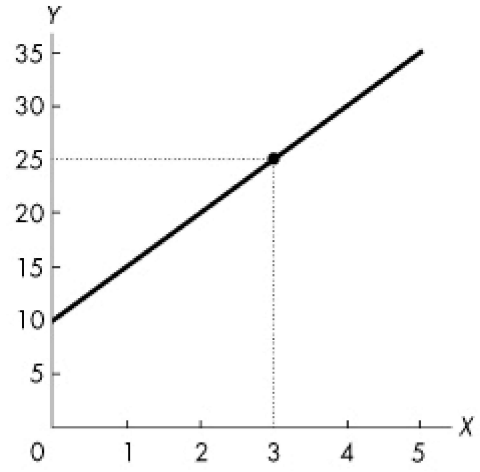

Figure 1A.5.4

206) Refer to Figure 1A.5.4. The graph shows the relationship between two variables, x and y. This relationship is described by the equation

A) $y = -5x + 10$. B) $x = 10 + 5y$. C) $y = 10x + 5$. D) $y = 5x^2 + 10$. E) $y = 5x + 10$.

Answer: E

Use the figure below to answer the following question.

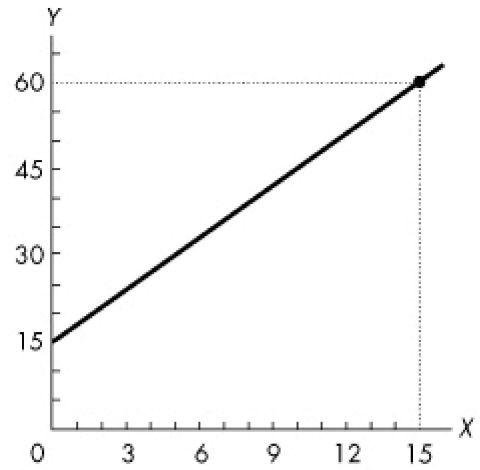

Figure 1A.5.5

207) Refer to Figure 1A.5.5. The graph shows the relationship between two variables, x and y. Which of the following equations describes this relationship?

A) $y = 3x + 15$ B) $y = 15x + 3$ C) $y = -3x + 15$ D) $y = -3x^2 + 15$ E) $x = 15y + 3$

Answer: A

208) Which of the following equations describes a straight line with a y–axis intercept of –2 and a slope of –5?

A) $y = -5x$ B) $y = -5 - 2x$ C) $y = -2$ D) $y = -2 - 5x$ E) $x = -2 - 5y$

Answer: D

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1) C
2) D
3) B
4) A
5) A
6) B
7) B
8) E
9) D
10) C
11) B
12) D
13) A
14) A
15) D
16) B
17) B
18) A
19) C
20) E
21) D
22) D
23) E
24) C
25) B
26) D
27) E
28) B
29) A
30) C
31) C
32) C
33) C
34) E
35) C
36) B
37) C
38) E
39) E
40) D
41) E
42) A
43) C
44) D
45) C
46) C
47) A
48) D
49) E
50) B

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51) C
52) A
53) E
54) A
55) E
56) D
57) C
58) A
59) B
60) D
61) A
62) D
63) E
64) E
65) C
66) B
67) E
68) E
69) B
70) D
71) D
72) E
73) E
74) D
75) C
76) C
77) A
78) C
79) C
80) D
81) A
82) C
83) A
84) E
85) B
86) D
87) A
88) E
89) D
90) D
91) A
92) D
93) B
94) A
95) D
96) E
97) B
98) E
99) C
100) A

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101) D
102) B
103) D
104) A
105) B
106) C
107) A
108) D
109) B
110) E
111) E
112) D
113) E
114) D
115) C
116) D
117) D
118) C
119) B
120) A
121) B
122) D
123) C
124) E
125) B
126) E
127) A
128) B
129) D
130) B
131) A
132) A
133) C
134) A
135) B
136) B
137) A
138) E
139) E
140) A
141) D
142) B
143) A
144) A
145) B
146) D
147) A
148) C
149) A
150) E

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151) D
152) E
153) A
154) A
155) D
156) D
157) A
158) E
159) A
160) A
161) B
162) E
163) D
164) D
165) A
166) D
167) B
168) A
169) E
170) E
171) C
172) C
173) A
174) D
175) C
176) E
177) B
178) A
179) E
180) E
181) B
182) D
183) C
184) B
185) C
186) D
187) C
188) E
189) C
190) A
191) C
192) D
193) D
194) E
195) D
196) A
197) B
198) B
199) D
200) A

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201) B
202) E
203) B
204) C
205) E
206) E
207) A
208) D

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