ALBERTA ECON 101 · FULL COURSE · 50 QUESTIONS

Full Course — Practice Test

This practice test was made by AI and there may be mistakes. If a question or answer looks wrong, use the Flag a mistake button to let Brett know so he can fix it.

1 **Scarcity means that**

- A Wants exceed limited resources
- B Resources are unlimited
- C All goods are free
- D Wants are fully satisfied

Understand It with Pulse | Flag a mistake

2 **The opportunity cost of a choice is**

- A The money price paid
- B Every alternative given up
- C The best alternative given up
- D The time spent deciding

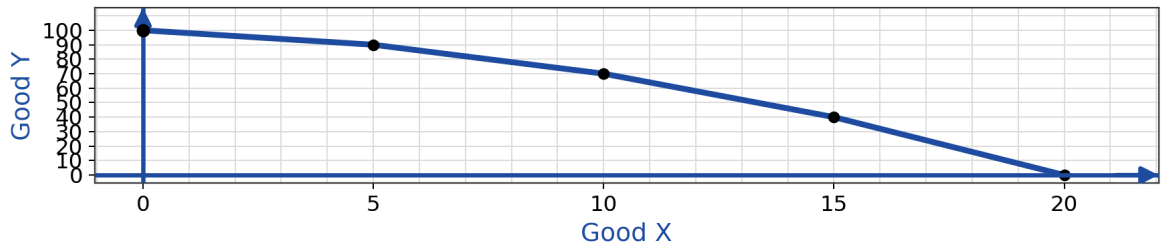
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3 **A production possibilities frontier is bowed out from the origin because**

- **A** Resources are unlimited
- **B** Opportunity cost increases
- **C** Prices keep rising
- **D** Output is inefficient

Understand It with Pulse | Flag a mistake

4 **The graph shows a production possibilities frontier. The maximum output of good Y when output of good X is 10 is**



- **A** 90
- **B** 70
- **C** 40
- **D** 100

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5 **Which event shifts the production possibilities frontier outward**

A An improvement in technology

B A rise in unemployment

C Choosing more consumer goods

D A fall in available resources

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6 **A producer has an absolute advantage when it can**

A Produce only one good

B Trade without any cost

C Produce more with the same resources

D Produce at lower opportunity cost

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7 **Ana can make 8 chairs or 4 tables in one day Her opportunity cost of one table is**

A 0.5 chair

B 2 chairs

C 4 chairs

D 8 chairs

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8 **Specialization based on comparative advantage allows countries to**

A Eliminate scarcity

B Avoid all trade offs

C End opportunity cost

D Consume beyond their own PPF

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9 **The law of demand states that, other things equal, as price rises**

- **A** Quantity demanded rises
- **B** Quantity demanded falls
- **C** Demand shifts right
- **D** Income must fall

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10 **A movement along the demand curve is caused by a change in**

- **A** The price of the good itself
- **B** Consumer income
- **C** Prices of related goods
- **D** Consumer tastes

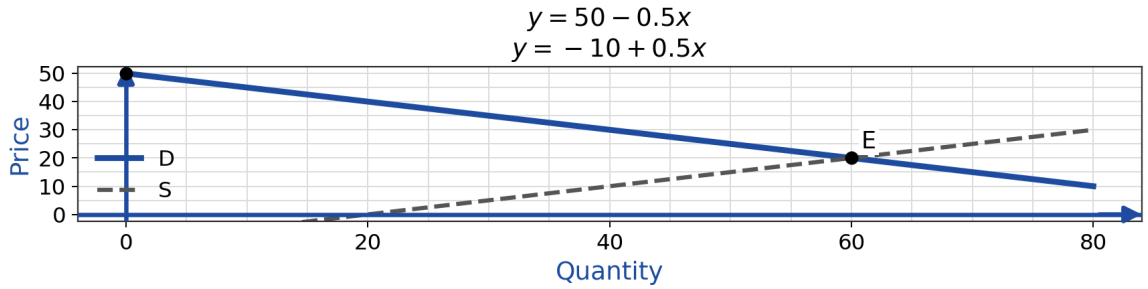
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11 **Which event increases the supply of a good**

- **A** A higher price of the good
- **B** Higher input prices
- **C** Fewer sellers in the market
- **D** Lower input prices

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12 **The graph shows demand D and supply S. The equilibrium price is**



- **A** 10 dollars
- **B** 20 dollars
- **C** 30 dollars
- **D** 40 dollars

Understand It with Pulse | Flag a mistake

13 **At a price below equilibrium, the market has**

- A A shortage
- B A surplus
- C Exact equilibrium
- D No trades at all

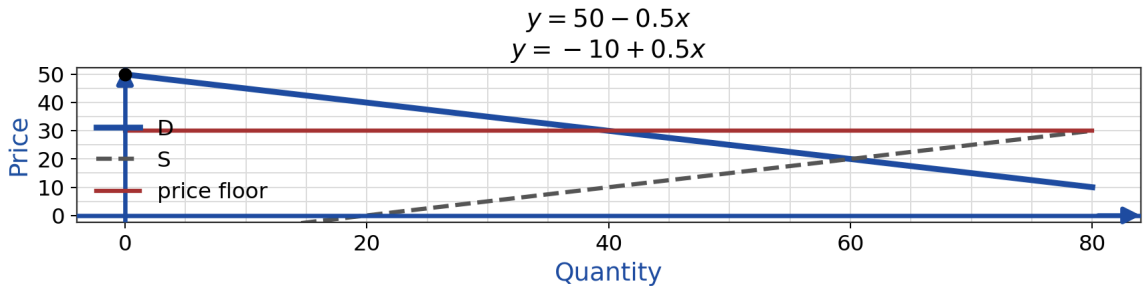
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14 **A price ceiling set above the equilibrium price is**

- A Creating a large shortage
- B Creating a large surplus
- C Lowering the market price
- D Without effect on the market

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15 **The graph shows demand, supply, and a price floor. The surplus at the floor is**



A 0

B 20

C 40

D 60

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16 **Price rises by 10 percent and quantity demanded falls by 30 percent The price elasticity of demand is**

A 0.33

B 20

C 3

D 40

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17 **If price elasticity of demand is 0.4, demand is**

A Inelastic

B Elastic

C Unit elastic

D Perfectly elastic

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18 **If demand is elastic, a rise in price will cause total revenue to**

A Increase

B Not change

C Double

D Fall

Understand It with Pulse | Flag a mistake

19 **A good with a negative income elasticity of demand is**

A A normal good

B An inferior good

C A luxury good

D A substitute good

Understand It with Pulse | Flag a mistake

20 **A positive cross price elasticity indicates two goods are**

A Complements

B Unrelated

C Substitutes

D Inferior goods

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21 **Demand is more elastic when**

A The good is a necessity

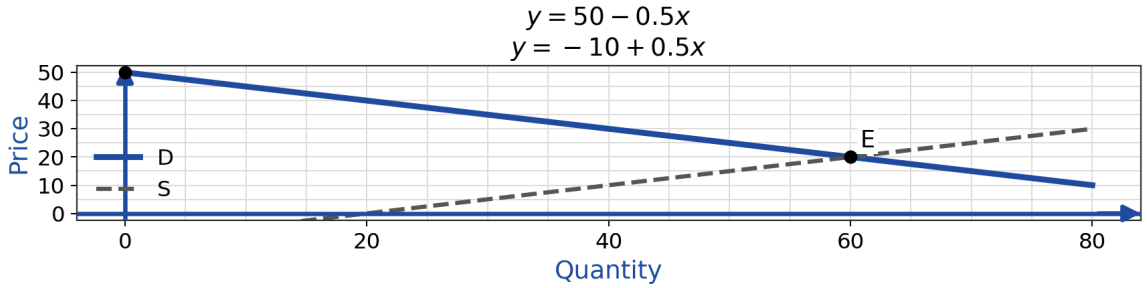
B Few substitutes exist

C Little time to adjust

D Many close substitutes exist

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22 **The graph shows demand and supply with equilibrium E. Consumer surplus is**



A 600 dollars

B 900 dollars

C 1200 dollars

D 1800 dollars

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23 **A seller would accept 20 dollars but receives 32 dollars Producer surplus is**

- A 52 dollars
- B 12 dollars
- C 20 dollars
- D 32 dollars

Understand It with Pulse | Flag a mistake

24 **In a competitive market with no externalities, equilibrium**

- A Maximizes producer surplus only
- B Maximizes consumer surplus only
- C Maximizes total surplus
- D Eliminates all surplus

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25 **A tax on a good creates deadweight loss mainly because it**

A Only lowers producer surplus

B Only lowers consumer surplus

C Raises the quantity traded

D Prevents some beneficial trades

Understand It with Pulse | Flag a mistake

26 **Marginal utility is the**

A Added satisfaction from one more unit

B Total satisfaction from all units

C Satisfaction per dollar spent

D Price a buyer will pay

Understand It with Pulse | Flag a mistake

27 **Utility is maximized when**

A $\frac{MU_x}{P_x} < \frac{MUy}{Py}$

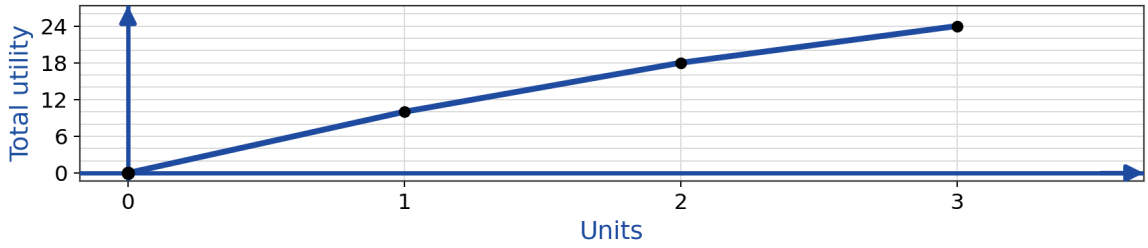
B $\frac{MU_x}{P_x} > \frac{MUy}{Py}$

C $\frac{MU_x}{P_x} = \frac{MUy}{Py}$

D $MU_x = MUy$

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28 **The graph shows total utility against units consumed. The marginal utility of the third unit is**



A 24

B 6

C 8

D 18

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29 **Which of the following is a fixed cost for a bakery**

A Flour used each day

B Hourly wages of bakers

C Electricity for the ovens

D Monthly rent for the shop

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30 **Total cost rises from 200 dollars to 230 dollars when output rises by one unit. Marginal cost is**

A 30 dollars

B 200 dollars

C 230 dollars

D 430 dollars

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31 **In the long run, a firm can**

A Change its labour only

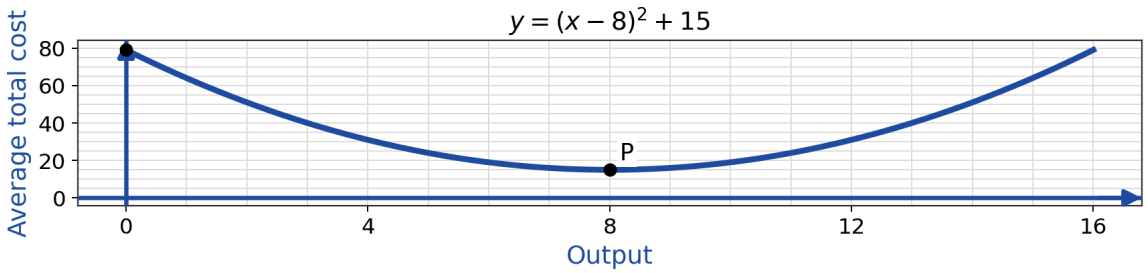
B Change all of its inputs

C Never change plant size

D Change no inputs at all

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32 **The graph shows average total cost against output. The output at which average total cost is lowest is**



A 4

B 8

C 12

D 16

Understand It with Pulse | Flag a mistake

33 **A perfectly competitive firm is a price taker because it**

A Sets the market price

B Sells a unique product

C Faces no competitors

D Cannot influence market price

Understand It with Pulse | Flag a mistake

34 **Price is 30 dollars, ATC is 25 dollars, quantity is 200 Economic profit is**

A 1000 dollars

B 500 dollars

C 5 dollars

D 6000 dollars

Understand It with Pulse | Flag a mistake

35 **In the short run, a competitive firm should shut down if price is**

A Above ATC

B Below minimum AVC

C Equal to MC

D Equal to ATC

Understand It with Pulse | Flag a mistake

36 **In long run equilibrium, a competitive firm earns**

- A Large positive profit
- B A loss on every unit
- C Zero economic profit
- D Profit set by government

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37 **A monopoly maximizes profit by producing where**

- A MR = MC
- B P = MC
- C MR = P
- D MC = ATC

Understand It with Pulse | Flag a mistake

38 **Compared with perfect competition, a single price monopoly usually**

A Produces more output

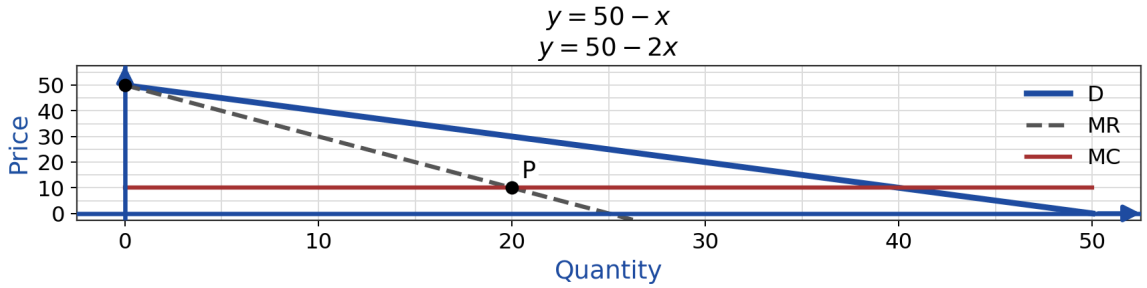
B Charges a lower price

C Is fully efficient

D Restricts output and raises price

Understand It with Pulse | Flag a mistake

39 **The graph shows demand, marginal revenue, and marginal cost for a monopoly. The monopoly price is**



A 10 dollars

B 20 dollars

C 30 dollars

D 40 dollars

Understand It with Pulse | Flag a mistake

40 **Monopolistic competition differs from perfect competition because firms**

A Have no competitors

B Sell identical products

C Sell differentiated products

D Always earn large profits

Understand It with Pulse | Flag a mistake

41 **An oligopoly is a market with**

A One single firm

B Many tiny firms

C Free entry for all

D A few interdependent firms

Understand It with Pulse | Flag a mistake

42 **In a prisoners dilemma, the non cooperative outcome is often**

A Worse for both players

B Best for both players

C Impossible to reach

D Set by a regulator

Understand It with Pulse | Flag a mistake

43 **When production creates a negative externality, the market tends to produce**

A Too little of the good

B The efficient amount

C Too much of the good

D None of the good

Understand It with Pulse | Flag a mistake

44 **When consumption creates a positive externality, the market tends to provide**

A Too much of the good

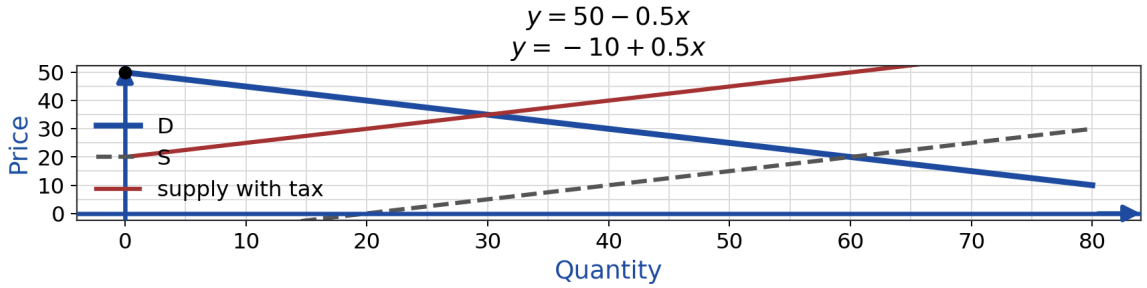
B Too little of the good

C The efficient amount

D Only to wealthy buyers

Understand It with Pulse | Flag a mistake

45 **The graph shows demand, supply, and supply with a tax. The equilibrium quantity with the tax is**



A 20

B 30

C 40

D 60

Understand It with Pulse

Flag a mistake

46

A government can reduce a negative externality by

A Taxing the polluting activity

B Subsidizing the polluting activity

C Raising output of the good

D Removing all price signals

Understand It with Pulse | Flag a mistake

47

Consumers bear a larger share of a tax when demand is

A More elastic than supply

B More inelastic than supply

C Perfectly elastic

D Shifting to the right

Understand It with Pulse | Flag a mistake

48 **If marginal utility per dollar is higher for good X than for good Y, a consumer should**

A Buy only good Y

B Buy less of good X

C Stop buying both goods

D Buy more X and less Y

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49 **Output rises from 90 to 120 when an extra worker is hired. The marginal product is**

A 90

B 210

C 30

D 120

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50 **In the long run, a monopolistically competitive firm earns**

A Zero economic profit

B Large monopoly profit

C Profit set by rivals

D A guaranteed loss

Understand It with Pulse | Flag a mistake

ANSWER KEY

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

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