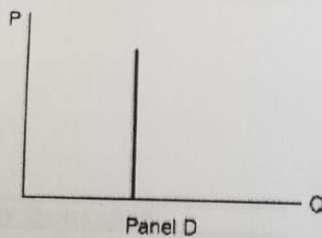
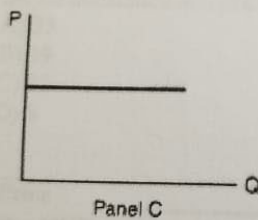
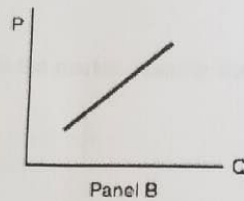
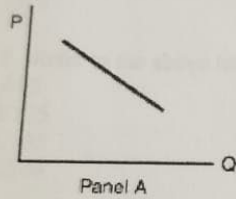


1. Juanita decides to hire some additional workers for her vinyl siding factory. The equilibrium wage is \$14 per hour. Efficiency wage theory suggests that it is reasonable for Juanita to offer
- A. \$14 per hour.
  - B. less than \$14 per hour, since some people would be willing to work for less.
  - C. less than \$14 an hour to prevent shirking.
  - D. more than \$14 per hour, so as to attract a better pool of applicants.

2. If the marginal cost from an activity exceeds the marginal benefit, then an individual should:
- a. Increase the level of the activity
  - b. Stop engaging in this activity
  - c. Not change the level of this activity
  - d. None of them

3. Define the "market of cool" and the "Sprite Case" to connect to the customers.



4. Refer to the above figure. Which panel demonstrates the law of supply?
- A) Panel A.
  - B) Panel B.
  - C) Panel C.
  - D) Panel D.

Price Per DVD	Quantity Demanded			
	Buyer 1	Buyer 2	Buyer 3	Buyer 4
\$20	0	0	1	0
18	0	1	3	0
16	1	2	5	1
14	2	4	7	3
12	3	6	9	6
10	4	8	11	10
8	5	11	13	15

5. Draw the Demand Graphs for Buyer 2 to 4 and for the **total demand** on the same graph.

6. Refer to the above table. What is the market quantity demanded of DVDs at a price of \$18?  
 A) 6  
 B) 9  
 C) 12  
 D) 4

7. Refer to the above table. What is the market quantity demanded at a price of \$8?  
 A) 5  
 B) 15  
 C) 35  
 D) 44

8. Refer to the above table. Suppose Buyer 1 leaves the market. What is the new market quantity of DVDs demanded at a price of \$10?  
 A) 33  
 B) 19  
 C) 22  
 D) 8

Price Per DVD	Quantity Demanded			
	Buyer 1	Buyer 2	Buyer 3	Buyer 4
\$20	0	0	1	0
18	0	1	3	0
16	1	2	5	1
14	2	4	7	3
12	3	6	9	6
10	4	8	11	10
8	5	11	13	15

9. Refer to the above table. Draw the Demand Graphs for Buyer 1 to 4 and for the total demand on the same graph.

10. Refer to the above table. What is the market quantity demanded of DVDs at a price of \$10?

- A) 6
- B) 9
- C) 12
- D) 33

11. Refer to the above table. What is the market quantity demanded at a price of \$8?

- A) 5
- B) 15
- C) 35
- D) 44

12. Refer to the above table. Suppose Buyer 1 leaves the market. What is the new market quantity of DVDs demanded at a price of \$10?

- A) 29
- B) 25
- C) 22
- D) 8

13. If the price of oil drop, producers of oil will

- A) increase the quantity of oil supplied.
- B) supply less oil.
- C) leave the amount of oil supplied unchanged.
- D) None of them

	Supplier 1	Supplier 2	Supplier 3
Price	Quantity Supplied (thousands)	Quantity Supplied (thousands)	Quantity Supplied (thousands)
8	11	7	20
7	8	6	15
6	5	5	10
5	2	4	5

14. Refer to the above table. The market quantity supplied when the price is \$6 is

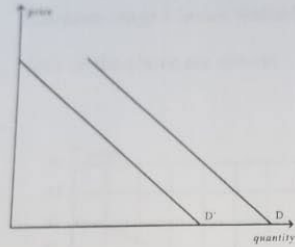
- A) 0
- B) 5
- C) 10
- D) 20

15. Refer to the above table. The market quantity supplied when the price is \$7 is

- A) 0
- B) 20
- C) 29
- D) 38

16. Define the "price ceiling" and give an example.

17. What is the "price floor"?

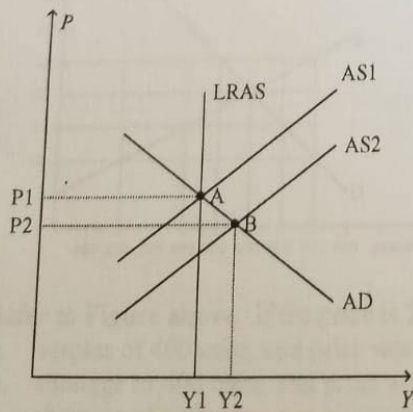


18. Refer to Figure above. The shift from D to D' is called

- a. an increase in quantity demanded.
- b. an increase in demand.
- c. a decrease in demand.
- d. a decrease in quantity demanded.

19. Refer to the figure below. The shift from S1 to S2 is called:

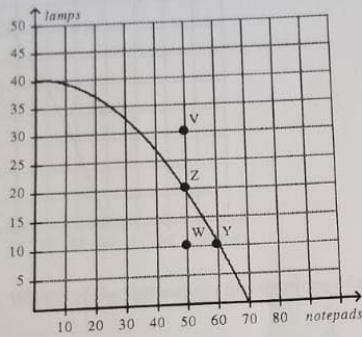
- a. Increase in aggregate supply
- b. Decrease in aggregate supply
- c. Unchanged aggregate supply
- d. None of them



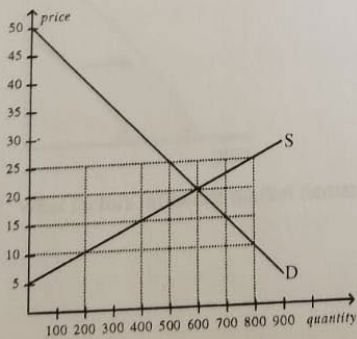
20. Define the market demand, demand schedule, demand curve and explain the law of demand.

21. The opportunity cost of using your own time to run an IT company that you own is equal to:

- Zero since you, as the owner, receive profits and are not paid on an hourly basis
- The income that you could have received in your next best alternative employment
- Minimum wage x hours worked
- None of the above are correct

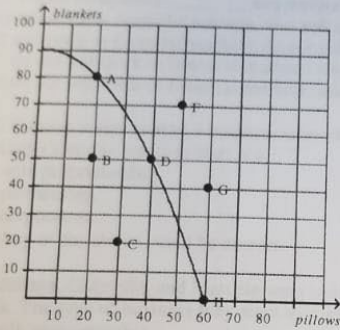


22. Refer to Figure above. If this economy devotes all of its resources to the production of notepads, then it will produce
- 0 notepads and 40 lamps.
  - 70 notepads and 0 lamps.
  - 35 notepads and 20 lamps.
  - 70 notepads and 40 lamps.

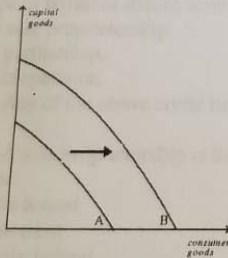


23. Refer to Figure above. If the price is \$10, then there would be a
- surplus of 400 units, and price would rise.
  - shortage of 400 units, and price would rise.
  - shortage of 600 units, and price would rise.
  - surplus of 600 units, and price would rise.

24. Refer to Figure above. In this market, equilibrium price and quantity, respectively, are
- \$20 and 600 units.
  - \$15 and 400 units.
  - \$25 and 500 units.
  - \$25 and 800 units.
25. New cars are normal goods. What will happen to the equilibrium price of new cars if the price of gasoline rises, the price of steel falls, public transportation becomes cheaper and more comfortable, auto-workers accept lower wages, and automobile insurance becomes more expensive?
- Price will fall.
  - Price will rise.
  - Price will stay exactly the same.
  - The price change will be ambiguous.



26. Refer to above. Which of the following combinations of points are not attainable for this economy?
- A, D, H
  - F, G
  - A, B, C, D, H
  - B, C



27. What factors influence market demand? Please describe all of them.
28. Refer to above. Which of the following would most likely have caused the production possibilities frontier to shift outward from A to B?
- A decrease in unemployment
  - A technological advance in the consumer goods industries
  - An increase in the availability of capital-producing resources
  - None of them

29. What factors influence market supply? Please describe all of them.

30. What are the products & services for HP and CISCO? Define their CEO's and their strategies to build a successful company. Which one is your favorite CEO and why?

31. Public companies \_\_\_\_\_ and private companies \_\_\_\_\_.

- A) sell stock in financial markets; also sell stock in financial markets
- B) sell stock in financial markets; do not sell stock in financial markets
- C) do not sell stock in financial markets; also do not sell stock in financial markets
- D) do not sell stock in financial markets; sell stock in financial markets

32. Damian wants to start a business where he is the only owner and the company does not issue stock. The type of business Damian wants to start is a

- A) sole proprietorship.
- B) partnership.
- C) corporation.
- D) Any of the above could be correct.

33. Juliana, Gabrielle, and Marcela want to start a business they are the only owners and the company does not issue stock. The type of business they want to start is a

- A) sole proprietorship.
- B) partnership.
- C) corporation.
- D) Any of the above could be correct.

34. Arturo wants to start a business where he is the chief executive officer and the company does issue stock. The type of business Arturo wants to start is a

- A) sole proprietorship.
- B) partnership.
- C) corporation.
- D) Any of the above could be correct.

35. A sole proprietorship is the type of business that has \_\_\_\_\_ government rules and regulations affecting it.

- A) no
- B) the fewest
- C) the most
- D) only federal

36. As a form of business, a sole proprietorship

- A) has limited liability.
- B) has more than one owner.
- C) cannot issue stock.
- D) has the most government rules and regulations affecting it.

37. How do a partnership and a corporation differ?

- A) Partnerships have unlimited liability while corporations have limited liability.
- B) Corporations can issue stocks and bonds, while partnerships cannot.
- C) Corporations face more taxes than do partnerships.
- D) All of these are differences between the two types of businesses.

38. Assume you and your best friend set up a partnership and your lawyer tells you that as the owners, you could each stand to lose your personal wealth if the business goes bankrupt. This means a partnership

- A) faces limited liability.
- B) faces unlimited liability.
- C) has little chance of succeeding.
- D) is not a good type of business to set up.

39) A \_\_\_\_\_ is owned by its stockholders.

- A) sole proprietorship
- B) corporation
- C) partnership
- D) All of the above are correct.