Principles of Macroeconomics 8th edition Frank Test Bank

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Principles of Macroeconomics 8th Edition by Frank CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

1) Economics is best defined as the study of

1) _____

A) inflation, interest rates, and the stock market.
B) supply and demand.
C) how people make choices in the face of scarcity and the implications of those choices for society as a whole.
D) the financial concerns of businesses and individuals.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Explain and apply the Scarcity Principle, which says that having more of a
Topic : Economics: Studying Choice in a World of Scarcity
Accessibility : Screen Reader Compatible

2) Economics is best defined as the study of

2) _____

A) the financial concerns of businesses and individuals.
B) the role of government in limiting the choices people make.
C) choice in the face of limited resources.
D) whether we will have enough resources in the future.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Explain and apply the Scarcity Principle, which says that having more of a
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3) Economists recognize that because people have limited resources

3) _____

A) government intervention is necessary.
B) they have to make trade-offs.
C) they will never be happy.
D) our future is bleak.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Explain and apply the Scarcity Principle, which says that having more of a
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4) The Scarcity Principle states that

4) _____

A) people don't have enough money to buy what they want.
B) society will eventually run out of resources.
C) with limited resources, having more of one thing means having less of another.
D) some countries have fewer resources than others.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
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5) An implication of scarcity is that

5) _____

A) people will never be happy.
B) making trade-offs becomes unnecessary as wealth increases.
C) some people will always be poor.
D) people must make trade-offs.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
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6) If all the world's resources were to magically increase one hundredfold, then

6) _____

A) people would still have to make trade-offs.
B) economics would no longer be relevant.
C) scarcity would disappear.
D) trade-offs would become unnecessary.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Explain and apply the Scarcity Principle, which says that having more of a
Topic : Economics: Studying Choice in a World of Scarcity
Bloom's : Understand
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

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7) The Scarcity Principle applies to

7) _____

A) poor people primarily.
B) consumers primarily.
C) firms primarily.
D) everyone.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Explain and apply the Scarcity Principle, which says that having more of a
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Accessibility : Screen Reader Compatible

8) Forest lives in complete isolation in Montana. He is self-sufficient and feeds himself through hunting, fishing, and farming. Which of the following statements about Forest is true?

8) _____

A) Forest has unlimited resources.
B) Forest is not required to make trade-offs because he is self-sufficient.
C) Forest has to make trade-offs.
D) Forest doesn't have to consider costs and benefits.

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Difficulty : 01 Easy
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Bloom's : Understand
Accessibility : Screen Reader Compatible

9) The Scarcity Principle applies to

9) _____

A) all decisions.
B) only market decisions, e.g., buying a car.
C) only non-market decisions, e.g., watching a sunset.
D) only the poor.

Question Details
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Bloom's : Remember
Difficulty : 01 Easy
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10) Chris has a one-hour break between classes every Wednesday. Chris can either stay at the library and study or go to the gym and work out. The decision Chris must make is

10) _____

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A) not an economic problem because neither activity costs money.
B) not an economic problem because it's an hour that Chris has no matter what he does.
C) an economic problem because the tuition Chris pays covers the cost of both the gym and the library.
D) an economic problem because Chris has only one hour, and engaging in one activity means giving up the other.

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AACSB : Reflective Thinking
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Learning Objective : 01-01 Explain and apply the Scarcity Principle, which says that having more of a
Topic : Economics: Studying Choice in a World of Scarcity
Bloom's : Understand
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

11) Jackie wants to go to the football game this weekend, but she has a paper due on Monday. It will take her the whole weekend to write the paper. Jackie decides to stay home and work on the paper. According to the Scarcity Principle, the reason Jackie doesn't go to the game is that

11) _____

A) Jackie prefers schoolwork to football games.
B) writing the paper is easier than going to the game.
C) Jackie can't go the game and finish the paper.
D) going to the game won't be fun.

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Bloom's : Understand
Difficulty : 02 Medium
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12) Whether studying the output of the U.S. economy or how many classes a student will take, a unifying concept is that

12) _____

A) wants are limited and resources are unlimited, so trade-offs are unnecessary.
B) wants are unlimited and resources are scarce, so trade-offs have to be made.
C) wants are limited and resources are unlimited, so trade-offs have to be made.
D) both wants and resources are unlimited, so trade-offs are unnecessary.

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Bloom's : Understand
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

13) The Cost-Benefit Principle indicates that an action should be taken if

13) _____

A) its total benefits exceed its total costs.
B) its average benefits exceed its average costs.
C) its net benefit (benefit minus cost) is zero.
D) its extra benefit is greater than or equal to its extra cost.

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Question Details
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Bloom's : Remember
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Topic : Economics: Studying Choice in a World of Scarcity
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Accessibility : Screen Reader Compatible

14) If a person takes an action if, and only if, the extra benefits from taking that action are at least as great as the extra costs, then that person is

14) _____

A) not following the Cost-Benefit Principle.
B) following the Scarcity Principle.
C) following the Cost-Benefit Principle.
D) not rational.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Topic : Economics: Studying Choice in a World of Scarcity
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Accessibility : Screen Reader Compatible

15) Choosing to study for an exam until the extra benefit (e.g., improved score) equals the extra cost (e.g., the value of forgone activities) is

15) _____

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A) not an economic choice.
B) an application of the Cost-Benefit Principle.
C) an application of the Scarcity Principle.
D) not rational because it ignores the importance of total benefits and total costs.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Topic : Economics: Studying Choice in a World of Scarcity
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Accessibility : Screen Reader Compatible

16) The Scarcity Principle tells us _____, and the Cost-Benefit Principle tells us _____.

16) _____

A) that choices must be made; how to make good choices
B) that good choices eliminate scarcity; how to make good choices
C) how to make choices; that choices must be made
D) how to make good choices; that choices involve costs and benefits

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

17) According to the Cost-Benefit Principle, you should go see the latest Fast and Furious movie with your friends this weekend if

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17) _____

A) the extra benefits of seeing the movie are greater than the extra costs of seeing the movie.
B) you really like action movies.
C) you can afford to go to the movies.
D) the average benefit you get from going to the movies is greater than the average cost of a ticket.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

18) A rational person

18) _____

A) makes choices based on total benefits and total costs.
B) makes choices based on added benefits and added costs.
C) undertakes activities until the net benefits become less than zero.
D) considers the financial benefits and financial costs of making a choice.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
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Accessibility : Screen Reader Compatible

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19) Suppose that the extra cost to Ava of a third glass of soda is zero because she's at a restaurant that gives free refills. According to the Cost-Benefit Principle Ava should

19) _____

A) drink a third glass of soda.
B) drink a third glass of soda if the extra benefit of doing so is positive.
C) drink a third glass of soda if her total benefit from drinking soda is positive.
D) not drink a third glass of soda.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

20) Janie must choose to either mow the lawn or wash clothes. If she mows the lawn, she will earn $30, and if she washes clothes, she will earn $45. She dislikes both tasks equally and they both take the same amount of time. Janie will therefore choose to _____ because it generates a _____ economic surplus.

20) _____

A) mow the lawn; bigger
B) wash clothes; bigger
C) mow the law; smaller
D) wash clothes; smaller

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

21) Janie must choose to either mow the lawn or wash clothes. If she mows the lawn, she will earn $24, and if she washes clothes, she will earn $28. She dislikes both tasks equally and they both take the same amount of time. Janie will therefore choose _____ because _____.

21) _____

A) not to wash clothes; it generates a smaller economic surplus
B) not to mow the lawn; it generates a smaller economic surplus
C) not to wash clothes; it generates a bigger economic surplus
D) not to mow the lawn; it generates a bigger economic surplus

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

22) Dean should play golf instead of preparing for tomorrow's exam in economics if

22) _____

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A) he is irrational.
B) the benefit of golfing is greater than the benefit of studying.
C) the economic surplus from playing golf is greater than the economic surplus from studying.
D) Dean can play golf for free.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

23) Lauren was accepted at three different graduate schools, and she must choose one. Elite U costs $50,000 per year and did not offer Lauren any financial aid. Lauren values attending Elite U at $60,000 per year. State College costs $30,000 per year and offered Lauren an annual $10,000 scholarship. Lauren values attending State College at $40,000 per year. NoName U costs $20,000 per year and offered Lauren a full $20,000 annual scholarship. Lauren values attending NoName at $15,000 per year. Lauren's opportunity cost of attending Elite U is

23) _____

A) $70,000.
B) $50,000.
C) $20,000.
D) $15,000.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

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24) Lauren was accepted at three different graduate schools, and she must choose one. Elite U costs $50,000 per year and did not offer Lauren any financial aid. Lauren values attending Elite U at $60,000 per year. State College costs $30,000 per year and offered Lauren an annual $10,000 scholarship. Lauren values attending State College at $40,000 per year. NoName U costs $20,000 per year and offered Lauren a full $20,000 annual scholarship. Lauren values attending NoName at $15,000 per year. Lauren's opportunity cost of attending State College is

24) _____

A) $35,000.
B) $30,000.
C) $20,000.
D) $15,000.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

25) Lauren was accepted at three different graduate schools, and she must choose one. Elite U costs $45,000 per year and did not offer Lauren any financial aid. Lauren values attending Elite U at $80,000 per year. State College costs $30,000 per year and offered Lauren an annual $10,000 scholarship. Lauren values attending State College at $45,000 per year. NoName U costs $25,000 per year and offered Lauren a full $25,000 annual scholarship. Lauren values attending NoName at $10,000 per year. Lauren's opportunity cost of attending NoName U is

25) _____

Principles of Macroeconomics 8th edition Frank Test Bank

A) $35,000.
B) $30,000.
C) $20,000.
D) $25,000.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

26) Lauren was accepted at three different graduate schools, and she must choose one. Elite U costs $50,000 per year and did not offer Lauren any financial aid. Lauren values attending Elite U at $60,000 per year. State College costs $30,000 per year and offered Lauren an annual $10,000 scholarship. Lauren values attending State College at $40,000 per year. NoName U costs $20,000 per year and offered Lauren a full $20,000 annual scholarship. Lauren values attending NoName at $15,000 per year. Lauren's opportunity cost of attending NoName U is

26) _____

A) $60,000.
B) $30,000.
C) $20,000.
D) $15,000.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

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27) Lauren was accepted at three different graduate schools and must choose one. Elite U costs $50,000 per year and did not offer Lauren any financial aid. Lauren values attending Elite U at $60,000 per year. State College costs $30,000 per year, and offered Lauren an annual $10,000 scholarship. Lauren values attending State College at $40,000 per year. NoName U costs $20,000 per year, and offered Lauren a full $20,000 annual scholarship. Laruren values attending NoName at $15,000 per year. Lauren maximizes her economic surplus by attending

27) _____

A) Elite U.
B) State College.
C) NoName U because she has a full scholarship there.
D) NoName U because the annual cost is only $20,000.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

28) Lauren was accepted at three different graduate schools, and she must choose one. Elite U costs $50,000 per year and did not offer Lauren any financial aid. Lauren values attending Elite U at $60,000 per year. State College costs $30,000 per year and offered Lauren an annual $10,000 scholarship. Lauren values attending State College at $40,000 per year. NoName U costs $20,000 per year and offered Lauren a full $20,000 annual scholarship. Lauren values attending NoName at $15,000 per year. What is Lauren's economic surplus from attending State College instead of her next best alternative?

28) _____

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A) $40,000
B) $20,000
C) $10,000
D) $5,000

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

29) Jen spends her afternoon at the beach, paying $1 to rent a beach umbrella and $11 for food and drinks rather than spending an equal amount of money to go to a movie. Her opportunity cost of going to the beach is

29) _____

A) the $12 she spent on the umbrella, food, and drinks.
B) only $0 because she would have spent $12 to go to the movie.
C) the value she places on seeing the movie.
D) the value she places on seeing the movie plus the $12 she spent on the umbrella, food, and drinks.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Screen Reader Compatible

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30) Jen spends her afternoon at the beach, paying $1 to rent a beach umbrella and $11 for food and drinks rather than spending an equal amount of money to go to a movie. Her opportunity cost of going to the beach is

30) _____

A) the value she places on seeing the movie.
B) the value she places on going to the beach.
C) the value she places on seeing the movie minus $12.
D) the value she places on going to the beach minus $12.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

31) All else equal, relative to a person who earns minimum wage, a person who earns $30 per hour has

31) _____

A) a higher opportunity cost of working an additional hour.
B) a higher opportunity cost of taking the day off work.
C) a lower opportunity cost of driving farther to work.
D) the same opportunity cost of spending time on leisure activities.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
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32) The opportunity cost of an activity includes the value of

32) _____

A) all of the alternatives that must be forgone.
B) the next-best alternative that must be forgone.
C) the least-best alternative that must be forgone.
D) the chosen activity minus the value of the next-best alternative.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

33) Kendall is thinking about going to the movies tonight. A movie ticket costs $15, and she'll have to cancel a $20 dog-sitting job that she would have been willing to do for free. Kendall's opportunity cost of going to the movies is

33) _____

A) $5.
B) $15.
C) $20.
D) $35.

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Question Details
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Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Screen Reader Compatible

34) Kendall is thinking about going to the movies tonight. A movie ticket costs $15, and she'll have to cancel a $20 dog-sitting job that she would have been willing to do for free. Kendall's opportunity cost of going to the movies is

34) _____

A) $35.
B) $15.
C) $5.
D) $20.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
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35) The economic surplus of an action is

35) _____

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A) the benefit gained by taking an action.
B) the difference between the explicit and implicit costs of taking an action.
C) the difference between the benefit and the cost of taking an action.
D) the money a person has left over after taking an action.

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Accessibility : Screen Reader Compatible

36) You are trying to decide whether to purchase a Harry Potter book online or borrow it from the library. There is no charge for borrowing a book from the library, but going to the library takes more time than ordering a book online. Regardless of how you get the book, its benefit to you is the same. If the cost of buying the book online is $13, then you should

36) _____

A) borrow the book from the library because you can get it from the library for free.
B) borrow the book from the library if the cost of doing so (in terms of the extra time it takes) is less than $13.
C) borrow the book from the library if the cost of doing so (in terms of the extra time it takes) is greater than $13.
D) buy the book online because it takes less time.

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37) Alex received a four-year scholarship to State U that covered tuition and fees, room and board, and books and supplies. If Alex becomes a full-time student, then

37) _____

A) attending State U for four years is costless for Alex.
B) Alex has no incentive to study hard while at State U.
C) the opportunity cost of attending State U includes the money Alex could have earned working for four years.
D) the opportunity cost of attending State U includes the sum of the benefits Alex would have had from attending each of the other schools to which Alex was admitted.

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AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Screen Reader Compatible

38) Suppose Monique is willing to pay up to $15,000 for a used Ford pick-up truck. If she buys one for $12,000, her economic _____ would be _____.

38) _____

A) benefit; $12,000
B) cost; $15,000
C) surplus; $3,000
D) surplus; $12,000

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AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Screen Reader Compatible

39) Suppose Monique is willing to pay up to $16,000 for a used Ford pick-up truck. If she buys one for $12,500, her economic _____ would be _____.

39) _____

A) surplus; $12,500
B) surplus; $16,000
C) surplus; $28,500
D) surplus; $3,500

Question Details
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Difficulty : 02 Medium
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Bloom's : Apply
Accessibility : Screen Reader Compatible

40) If individuals are rational, they should choose actions that yield the

40) _____

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A) largest total benefits.
B) smallest total costs.
C) smallest economic surplus.
D) largest economic surplus.

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Bloom's : Understand
Difficulty : 02 Medium
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41) Suppose the most you would be willing to pay for a plane ticket home is $250. If you buy one for $175, then your economic surplus is

41) _____

A) $250.
B) $175.
C) $75.
D) $0.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Screen Reader Compatible

42) Suppose the most you would be willing to pay for a plane ticket home is $300. If you buy one for $240, then your economic surplus is

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42) _____

A) a plane ticket home.
B) $60.
C) $240.
D) $540.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Screen Reader Compatible

43) The Cost-Benefit Principle

43) _____

A) fully captures how people choose between alternatives.
B) provides an abstract model of how people should choose between alternatives.
C) describes how people behave once they have enough education.
D) provides little insight into how people actually chose between alternatives.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

44) Economists believe the Cost-Benefit Principle is

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44) _____

A) a simple but useful model of how people should make choices.
B) a comprehensive description of all the factors that influence people's choices.
C) an interesting intellectual exercise with little applicability to the real world.
D) of little use to those who wish to learn how to make better decisions.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

45) The cost-benefit model used by economists is

45) _____

A) unrealistic because it is too detailed and specific to apply to most situations.
B) unrealistic because everyone can think of times when he or she violated the principle.
C) useful because everyone follows it all of the time.
D) useful because most people follow it most of the time.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

46) Economists use abstract models because

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46) _____

A) every economic situation is unique, so it is impossible to make generalizations.
B) every economic situation is essentially the same, so specific details are unnecessary.
C) they are useful for describing general patterns of behavior.
D) computers have allowed economists to develop abstract models.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

47) The fact that most people make some decisions based on intuition rather than calculation is

47) _____

A) irrational, because intuition is usually wrong.
B) consistent with the cost-benefit model because calculating costs and benefits is irrational.
C) consistent with the cost-benefit model because most people intuitively weigh costs and benefits.
D) inconsistent with the cost-benefit model, but still rational.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Accessibility : Screen Reader Compatible

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48) Moe has a big exam tomorrow. He considered studying this evening but decided to hang out with Curly instead. If neither activity involves any explicit costs, and Moe always chooses rationally, it must be true that

48) _____

A) the opportunity cost of studying is greater than the value Moe gets from spending time with Curly.
B) the opportunity cost of studying is less than the value Moe gets from spending time with Curly.
C) Moe gets more benefit from spending time with Curly than from studying.
D) Moe gets less benefit from spending time with Curly than from studying.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Explain and apply the Cost-Benefit Principle, which says that an action sh
Topic : Applying the Cost-Benefit Principle
Difficulty : 03 Hard
AACSB : Analytical Thinking
Bloom's : Analyze
Accessibility : Screen Reader Compatible

49) If one fails to account for implicit costs in decision making, then applying the cost-benefit rule will be flawed because

49) _____

A) the benefits will be overstated.
B) the costs will be understated.
C) the benefits will be understated.
D) the costs will be overstated.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

50) Your classmates from the University of Chicago are planning to go to Miami for spring break, and you are undecided about whether you should go with them. The round-trip airfare is $600, but you have a frequent-flyer coupon worth $500 that you could use to pay part of the airfare. All other costs for the vacation are exactly $900. The most you would be willing to pay for the trip is $1,400. Your only alternative use for your frequent-flyer coupon is for your trip to Atlanta two weeks after the break to attend your sister's graduation, which your parents are forcing you to attend. The Chicago-Atlanta round-trip airfare is $450. If you do not use the frequent-flyer coupon to fly to Miami, should you go to Miami?

50) _____

A) Yes, your benefit is more than your cost.
B) No, your benefit is less than your cost.
C) Yes, your benefit is equal to your cost.
D) No, because there are no benefits in the trip.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 03 Hard
AACSB : Analytical Thinking
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Bloom's : Evaluate
Accessibility : Screen Reader Compatible

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51) Your classmates from the University of Chicago are planning to go to Miami for spring break, and you are undecided about whether you should go with them. The round-trip airfare is $600, but you have a frequent-flyer coupon worth $500 that you could use to pay part of the airfare. All other costs for the vacation are exactly $900. The most you would be willing to pay for the trip is $1,400. Your only alternative use for your frequent-flyer coupon is for your trip to Atlanta two weeks after the break to attend your sister's graduation, which your parents are forcing you to attend. The Chicago-Atlanta round-trip airfare is $450. What is the opportunity cost of using the coupon for the Miami trip?

51) _____

A) $100
B) $450
C) $500
D) $550

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

52) Your classmates from the University of Chicago are planning to go to Miami for spring break, and you are undecided about whether you should go with them. The round-trip airfare is $600, but you have a frequent-flyer coupon worth $500 that you could use to pay part of the airfare. All other costs for the vacation are exactly $900. The most you would be willing to pay for the trip is $1,400. Your only alternative use for your frequent-flyer coupon is for your trip to Atlanta two weeks after the break to attend your sister's graduation, which your parents are forcing you to attend. The Chicago-Atlanta round-trip airfare is $450. Should you use the frequent flyer coupon to go to Miami?

52) _____

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A) Yes, your benefit is more than your cost.
B) No, your benefit is less than your cost.
C) Yes, your benefit is equal to your cost.
D) No, because there are no benefits in the trip.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 03 Hard
AACSB : Analytical Thinking
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Bloom's : Evaluate
Accessibility : Screen Reader Compatible

53) Your classmates from the University of Chicago are planning to go to Miami for spring break, and you are undecided about whether you should go with them. The round-trip airfare is $600, but you have a frequent-flyer coupon worth $500 that you could use to pay part of the airfare. All other costs for the vacation are exactly $900. The most you would be willing to pay for the trip is $1,400. Your only alternative use for your frequent-flyer coupon is for your trip to Atlanta two weeks after the break to attend your sister's graduation, which your parents are forcing you to attend. The Chicago-Atlanta round-trip airfare is $450. If the Chicago-Atlanta round-trip air fare were $350, should you use the coupon to go to Miami?

53) _____

A) No, your economic surplus would be −$50.
B) No, your economic surplus would be −$100.
C) Yes, your economic surplus would be $50.
D) Yes, your economic surplus would be $400.

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Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

54) Sam earns $25,000 per year (after taxes), and Sam's spouse, Ryan, earns $35,000 (after taxes). They have two pre-school-aged children. Childcare for their children costs $12,000 per year. Given that Ryan doesn't want to stay home with the kids, regardless of what Sam does, Sam should stay home with the kids if, and only if, the value of Sam spending more time with the kids is greater than

54) _____

A) $37,000 per year.
B) $25,000 per year.
C) $13,000 per year.
D) $12,000 per year.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

55) You paid $35 for a ticket (which is nonrefundable) to see SPAM, a local rock band, in concert on Saturday. Assume that $35 is the most you would have been willing to pay for a ticket. Your boss called, and she is looking for someone to cover a shift on Saturday at the same time as the concert. You would have to work 4 hours and she would pay you $11/hr. The cost to you of working is $2/hr. Should you go to the concert instead of working Saturday?

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55) _____

A) Yes, the benefit of going to the concert is more than the cost.
B) No, the benefit of going to the concert is less than the cost.
C) Yes, the benefit of going to the concert is equal to the cost.
D) No, because there are no benefits of going to the concert.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 03 Hard
AACSB : Analytical Thinking
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Bloom's : Evaluate
Accessibility : Screen Reader Compatible

56) You paid $35 for a ticket (which is nonrefundable) to see SPAM, a local rock band, in concert on Saturday. Assume that $35 is the most you would have been willing to pay for a ticket. Your boss called, and she is looking for someone to cover a shift on Saturday at the same time as the concert. You would have to work 4 hours and she would pay you $11/hr. The cost to you of working is $2/hr. What is the opportunity cost of going to the concert?

56) _____

A) $1
B) $9
C) $35
D) $36

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

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57) You paid $35 for a ticket (which is nonrefundable) to see SPAM, a local rock band, in concert on Saturday. Assume that $35 is the most you would have been willing to pay for a ticket. Your boss called, and she is looking for someone to cover a shift on Saturday at the same time as the concert. You would have to work 4 hours and she would pay you $11/hr. The cost to you of working is $2/hr. What is your opportunity cost of going to work on Saturday?

57) _____

A) $0
B) $9
C) $35
D) $36

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

58) You paid $35 for a ticket (which is nonrefundable) to see SPAM, a local rock band, in concert on Saturday. Assume that $35 is the most you would have been willing to pay for a ticket. Your boss called, and she is looking for someone to cover a shift on Saturday at the same time as the concert. You would have to work 4 hours and she would pay you $11/hr. The cost to you of working is $2/hr. Your economic surplus from going to work instead of seeing SPAM on Saturday is

58) _____

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A) $0.
B) $1.
C) $35.
D) $36.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

59) Matt has decided to purchase his textbooks for the semester. His options are to purchase the books online with next-day delivery at a cost of $175, or to drive to campus tomorrow to buy the books at the university bookstore at a cost of $170. Last week he drove to campus to buy a concert ticket because they offered 25 percent off the regular price of $16. The benefit to Matt of buying his books at the university bookstore instead of online is

59) _____

A) $5.
B) $9.
C) $170.
D) $175.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

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60) Matt has decided to purchase his textbooks for the semester. His options are to purchase the books online with next-day delivery at a cost of $175, or to drive to campus tomorrow to buy the books at the university bookstore at a cost of $170. Last week he drove to campus to buy a concert ticket because they offered 25 percent off the regular price of $16. The benefit to Matt of driving to campus to buy the concert ticket last week was

60) _____

A) $2.
B) $4.
C) $9.
D) $16.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

61) Matt has decided to purchase his textbooks for the semester. His options are to purchase the books online with next-day delivery at a cost of $175, or to drive to campus tomorrow to buy the books at the university bookstore at a cost of $170. Last week he drove to campus to buy a concert ticket because they offered 25 percent off the regular price of $16. Given that driving to campus to buy the concert ticket was rational for Matt, Matt should

61) _____

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A) not drive to campus to buy the books because the $5 he would save is only two percent of the cost of the books, and that is much less than the 25 percent he saved on the concert ticket.

B) drive to campus to buy the books because the books are cheaper at the bookstore than online.

C) drive to campus to buy the books because the $5 he would save is more than he saved by driving to campus to buy the concert ticket.

D) not drive to campus to buy the books because the cost of gas and his time must certainly be more than the $5 he would save.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 03 Hard
AACSB : Analytical Thinking
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Bloom's : Evaluate
Accessibility : Screen Reader Compatible

62) Matt has decided to purchase his textbooks for the semester. His options are to purchase the books online with next-day delivery at a cost of $175, or to drive to campus tomorrow to buy the books at the university bookstore at a cost of $170. Last week he drove to campus to buy a concert ticket because they offered 25 percent off the regular price of $16. Assume the minimum that Matt would be willing to accept to drive to campus is equal to the $4 he saved on the concert ticket. What would his economic surplus be if he bought his textbooks at the university bookstore rather than online?

62) _____

A) $5
B) $1
C) $50
D) $20

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Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

63) The marginal benefit of an activity is the

63) _____

A) same as the total benefit of an activity.
B) total benefit of an activity divided by the level of the activity.
C) extra benefit associated with an extra unit of the activity.
D) total benefit associated with an extra unit of the activity.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

64) Suppose the total benefit of watching 1 baseball game is 100, the total benefit of watching 2 games is 120, and the total benefit of watching 3 games is 125. In this case, the marginal benefit of watching the 3rd game is

64) _____

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A) 125.
B) 5.
C) 41.67.
D) 375.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

65) Suppose the total benefit of watching 1 baseball game is 100, the total benefit of watching 2 games is 175, and the total benefit of watching 3 games is 225. In this case, the marginal benefit of watching the 2nd game is

65) _____

A) 87.5.
B) 175.
C) 75.
D) 50.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

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66) The extra benefit that results from carrying out one additional unit of an activity is the _____ of the activity.

66) _____

A) marginal benefit
B) total benefit
C) average benefit
D) economic benefit

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

67) The marginal cost of an activity is the

67) _____

A) change in the total cost of the activity that results from carrying out an additional unit of the activity.
B) total cost of the activity divided by the change in the level of the activity.
C) total cost of the activity divided by the level of the activity.
D) change in the level of the activity divided by the change in the cost of the activity.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

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68) The extra cost that results from carrying out one additional unit of an activity is the _____ of the activity.

68) _____

A) marginal benefit
B) marginal cost
C) reservation cost
D) opportunity cost

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

69) Dividing the total cost of undertaking *n* units of an activity by *n* reveals the

69) _____

A) average benefit.
B) marginal cost.
C) units per cost.
D) average cost.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

70) For the fall semester, you had to pay a nonrefundable fee of $600 for your meal plan, which gives you up to 150 meals. If you eat all of the meals, your average cost per meal is

70) _____

A) $6.00.
B) $5.00.
C) $4.00.
D) $0.25.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

71) For the fall semester, you had to pay a nonrefundable fee of $750 for your meal plan, which gives you up to 150 meals. If you eat 120 meals, your average cost per meal is

71) _____

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A) $6.25.
B) $2.50.
C) $1.60.
D) $0.16.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

72) For the fall semester, you had to pay a nonrefundable fee of $600 for your meal plan, which gives you up to 150 meals. If you only eat 1 meal, your average cost for a meal is

72) _____

A) $600.
B) $150.
C) $4.
D) $596.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

73) For the fall semester, you had to pay a nonrefundable fee of $600 for your meal plan, which gives you up to 150 meals. If you eat 100 meals, your marginal cost of the 100th meal is

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73) _____

A) $6.00.
B) $4.00.
C) $0.25.
D) $0.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

74) The average benefit of n units of an activity is the

74) _____

A) total benefit of n units divided by n.
B) n divided by the total benefit of n units.
C) n times the total benefit of n units.
D) extra benefit from carrying out one additional unit of the activity.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

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75) You save $10 on gas every week because you take the bus to school. You have class 5 days a week. What is your average benefit per day of taking the bus to school?

75) _____

A) $10
B) $5
C) $2
D) $0

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

76) Your scholarship depends on your maintaining a 3.5 cumulative GPA. Your GPA for last semester was 3.6, which brought your cumulative GPA down. What must be true?

76) _____

A) Last semester's grades were higher than your overall GPA.
B) Last semester's grades were lower than your overall GPA.
C) If this semester's grades are the same as last semester's, your overall GPA will stay the same.
D) If this semester's grades are the same as last semester's, you might lose your scholarship.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : 03 Hard
AACSB : Analytical Thinking
Bloom's : Analyze
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

77) Refer to the accompanying table. The average cost of 4 units of this activity is

Units of Activity	Total Cost	Total Benefit
0	$ 0	$ 0
1	30	100
2	40	160
3	60	190
4	100	210
5	150	220
6	210	225

77) _____

A) $20.
B) $25.
C) $30.
D) $40.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

78) Refer to the accompanying table. The marginal cost of the 3rd unit of this activity is

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Units of Activity	Total Cost	Total Benefit
0	$ 0	$ 0
1	30	100
2	40	160
3	60	190
4	100	210
5	150	220
6	210	225

78) _____

A) $30
B) $25
C) $20
D) $10

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

79) Refer to the accompanying table. The average benefit of 2 units of activity is

Units of Activity	Total Cost	Total Benefit
0	$ 0	$ 0
1	30	100
2	40	160
3	60	190
4	100	210
5	150	220
6	210	225

79) _____

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A) $80.
B) $60.
C) $40.
D) $20.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

80) Refer to the accompanying table. The marginal benefit of the 5th unit of activity is

Units of Activity	Total Cost	Total Benefit
0	$ 0	$ 0
1	30	100
2	40	160
3	60	190
4	100	210
5	150	220
6	210	225

80) _____

A) $50.
B) $44.
C) $10.
D) $5.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

81) Refer to the accompanying table. According to the Cost-Benefit Principle, how many units of this activity should be carried out?

Units of Activity	Total Cost	Total Benefit
0	$ 0	$ 0
1	30	100
2	40	160
3	60	190
4	100	210
5	150	220
6	210	225

81) _____

A) 1
B) 3
C) 4
D) 6

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

82) Refer to the accompanying table. The average cost of 5 units of activity is

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Units of Activity	Total Cost	Total Benefit
0	$ 0	$ 0
1	2	12
2	6	22
3	12	30
4	20	36
5	30	40
6	42	42
7	56	43

82) _____

A) $4.
B) $6.
C) $8.
D) $10.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

83) Refer to the accompanying table. The marginal cost of the 4th unit of activity is

Units of Activity	Total Cost	Total Benefit
0	$ 0	$ 0
1	2	12
2	6	22
3	12	30
4	20	36
5	30	40
6	42	42
7	56	43

83) _____

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A) $5.
B) $6.
C) $8.
D) $10.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

84) Refer to the accompanying table. The average benefit of 4 units of activity is

Units of Activity	Total Cost	Total Benefit
0	$ 0	$ 0
1	2	12
2	6	22
3	12	30
4	20	36
5	30	40
6	42	42
7	56	43

84) _____

A) $4.
B) $5.
C) $9.
D) $10.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

85) Refer to the accompanying table. The marginal benefit of the 6th unit of activity is

Units of Activity	Total Cost	Total Benefit
0	$ 0	$ 0
1	2	12
2	6	22
3	12	30
4	20	36
5	30	40
6	42	42
7	56	43

85) _____

A) $1.
B) $2.
C) $4.
D) $7.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

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86) Refer to the accompanying table. According to the Cost-Benefit Principle, how many units of this activity should be carried out?

Units of Activity	Total Cost	Total Benefit
0	$ 0	$ 0
1	2	12
2	6	22
3	12	30
4	20	36
5	30	40
6	42	42
7	56	43

86) _____

A) 2
B) 3
C) 4
D) 5

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

87) The accompanying table shows how total donations, average donations, total labor costs, and average labor costs vary depending on the number of employees State U hires for its fundraising activities:

Number of Employees	Total Donations	Average Donations	Total Labor Costs	Average Labor Costs
1	$ 30,000			$ 8,000
2	42,426		$ 17,000	
3		$ 17,321	27,000	

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4	60,000			9,500
5		13,416	50,000	

The total value of donations raised by three employees is

87) _____

A) $43,899.
B) $45,000.
C) $48,911.
D) $51,963.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

88) The accompanying table shows how total donations, average donations, total labor costs, and average labor costs vary depending on the number of employees State U hires for its fundraising activities:

Number of Employees	Total Donations	Average Donations	Total Labor Costs	Average Labor Costs
1	$ 30,000			$ 8,000
2	42,426		$ 17,000	
3		$ 17,321	27,000	
4	60,000			9,500
5		13,416	50,000	

The total labor cost with 4 employees is

88) _____

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A) $21,500.
B) $22,000.
C) $38,000.
D) $43,121.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

89) The accompanying table shows how total donations, average donations, total labor costs, and average labor costs vary depending on the number of employees State U hires for its fundraising activities:

Number of Employees	Total Donations	Average Donations	Total Labor Costs	Average Labor Costs
1	$ 30,000			$ 8,000
2	42,426		$ 17,000	
3		$ 17,321	27,000	
4	60,000			9,500
5		13,416	50,000	

The president of State U decides to hire fundraising employees as long as their average benefit exceeds their average cost. This results in _____ employees being hired and a net benefit (total donations minus total labor costs) of _____.

89) _____

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A) 5; $17,080
B) 5; $67,080
C) 4; $60,000
D) 4; $22,000

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

90) The accompanying table shows how total donations, average donations, total labor costs, and average labor costs vary depending on the number of employees State U hires for its fundraising activities:

Number of Employees	Total Donations	Average Donations	Total Labor Costs	Average Labor Costs
1	$ 30,000			$ 8,000
2	42,426		$ 17,000	
3		$ 17,321	27,000	
4	60,000			9,500
5		13,416	50,000	

The marginal benefit (in terms of extra donations) of the 2nd employee is

90) _____

A) $42,426.
B) $21,213.
C) $12,426.
D) $11,337.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

91) The accompanying table shows how total donations, average donations, total labor costs, and average labor costs vary depending on the number of employees State U hires for its fundraising activities:

Number of Employees	Total Donations	Average Donations	Total Labor Costs	Average Labor Costs
1	$ 30,000			$ 8,000
2	42,426		$ 17,000	
3		$ 17,321	27,000	
4	60,000			9,500
5		13,416	50,000	

The marginal cost of the 4th employee is

91) _____

A) $9,500.
B) $10,750.
C) $11,000.
D) $13,000.

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Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

92) The accompanying table shows how total donations, average donations, total labor costs, and average labor costs vary depending on the number of employees State U hires for its fundraising activities:

Number of Employees	Total Donations	Average Donations	Total Labor Costs	Average Labor Costs
1	$ 30,000			$ 8,000
2	42,426		$ 17,000	
3		$ 17,321	27,000	
4	60,000			9,500
5		13,416	50,000	

The Chair of the Economics Department at State U says that fundraising employees should be hired as long as their marginal benefit exceeds their marginal cost. If the University follows this advice, then _____ employee(s) will hired, and the net benefit (total donations minus total labor costs) will be _____.

92) _____

A) 1; $22,000
B) 2; $25,426
C) 3; $25,426
D) 2; $3,476

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Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

93) The accompanying table shows how total donations, average donations, total labor costs, and average labor costs vary depending on the number of employees State U hires for its fundraising activities:

Number of Employees	Total Donations	Average Donations	Total Labor Costs	Average Labor Costs
1	$ 30,000			$ 8,000
2	42,426		$ 17,000	
3		$ 17,321	27,000	
4	60,000			9,500
5		13,416	50,000	

The net benefit of hiring fundraisers is largest when _____ employees are hired.

93) _____

A) 4
B) 3
C) 2
D) 1

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Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

94) Ginger bought a phone that came with a $10 rebate. Ginger should fill out and mail in the rebate form if

94) _____

A) the opportunity cost of the time and trouble of sending in the rebate form is less than $10.
B) the opportunity cost of the time and trouble of sending in the rebate form is more than $10.
C) she would have bought the phone without the rebate, and so sending in the rebate form involves no opportunity cost.
D) Ginger's surplus from purchasing the phone was less than $10.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

95) Tony notes that an electronics store is offering a flat $20 off all prices in the store. Tony reasons that if he wants to buy something with a price of $50, then it is a good offer, but if he wants to buy something with a price of $500, then it is not a good offer. This is an example of

95) _____

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A) inconsistent reasoning; saving $20 is saving $20.
B) the proper application of the Cost-Benefit Principle.
C) rational choice because saving 40 percent is better than saving 4 percent.
D) inconsistent reasoning because prices are sunk costs.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

96) Suppose a retail store was offering 10 percent off list prices on all goods. The benefit of the 10 percent savings is

96) _____

A) unrelated to the list price of the good.
B) negatively related to the list price of the good.
C) positively related to the list price of the good.
D) zero since costs and benefits shouldn't be measured proportionally.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

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97) A firm pays Alexa $40 per hour to assemble personal computers. Each day, Alexa can assemble 4 computers if she works 1 hour, 7 computers if she works 2 hours, 9 computers if she works 3 hours, and 10 computers if she works 4 hours. Alexa cannot work more than 4 hours day. Each computer consists of a motherboard, a hard drive, a case, a monitor, a keyboard, and a mouse. The total cost of these parts is $600 per computer. What is the marginal cost of producing the computers that Alexa can assemble during her 3rd hour of work?

97) _____

A) $5,400
B) $5,520
C) $1,200
D) $1,240

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

98) A firm pays Alexa $40 per hour to assemble personal computers. Each day, Alexa can assemble 4 computers if she works 1 hour, 7 computers if she works 2 hours, 9 computers if she works 3 hours, and 10 computers if she works 4 hours. Alexa cannot work more than 4 hours day. Each computer consists of a motherboard, a hard drive, a case, a monitor, a keyboard, and a mouse. The total cost of these parts is $600 per computer. What is the marginal cost of producing the computers that Alexa can assemble during her 2nd hour of work?

98) _____

A) $1,800
B) $1,840
C) $4,200
D) $4,280

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Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

99) A firm pays Alexa $40 per hour to assemble personal computers. Each day, Alexa can assemble 4 computers if she works 1 hour, 7 computers if she works 2 hours, 9 computers if she works 3 hours, and 10 computers if she works 4 hours. Alexa cannot work more than 4 hours day. Each computer consists of a motherboard, a hard drive, a case, a monitor, a keyboard, and a mouse. The total cost of these parts is $600 per computer. If the firm sells each computer for $625, then how many hours a day should the firm employ Alexa to maximize its net benefit from her employment?

99) _____

A) 1 hour
B) 2 hours
C) 3 hours
D) 4 hours

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

Principles of Macroeconomics 8th edition Frank Test Bank

100) A firm pays Alexa $40 per hour to assemble personal computers. Each day, Alexa can assemble 4 computers if she works 1 hour, 7 computers if she works 2 hours, 9 computers if she works 3 hours, and 10 computers if she works 4 hours. Alexa cannot work more than 4 hours day. Each computer consists of a motherboard, a hard drive, a case, a monitor, a keyboard, and a mouse. The total cost of these parts is $600 per computer. If the firm sells each computer for $650, then how many hours a day should the firm employ Alexa to maximize its net benefit from her employment?

100) _____

A) 1 hour
B) 2 hours
C) 3 hours
D) 4 hours

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

101) If Sasha works for 6 hours she can rent out 9 apartments, and if she works for 7 hours she can rent out 12 apartments. The marginal benefit of Sasha's 7th hour of work equals

101) _____

A) 12 apartments.
B) 9 apartments.
C) 3 apartments.
D) 1 apartment.

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Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

102) If Sasha works for 5 hours she can rent out 8 apartments, and if she works for 6 hours she can rent out 9 apartments. The average benefit from 5 hours of work equals

102) _____

A) 1.6 apartments.
B) 5 apartments.
C) 3 apartments.
D) 0.63 of an apartment.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

103) The accompanying table shows the relationship between the speed of a computer's CPU and its benefits and costs. Assume that all other features of the computer are the same (that is, CPU speed is the only source of variation), and only the CPU speeds listed in the table are available for purchase.

CPU GHz	Total Benefit	Marginal Benefit	Total Cost	Marginal Costs
2.0	$ 1,000		$ 900	

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2.5	$ 1,400			$ 100
3.0		$ 300	$ 1,200	
3.5	$ 1,900		$ 1,500	
4.0	$ 2,000			$ 400

The marginal benefit of upgrading from a 2.0GHz computer to a 2.5GHz computer is

103) _____

A) $1,400.
B) $1,000.
C) $400.
D) $100.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

104) The accompanying table shows the relationship between the speed of a computer's CPU and its benefits and costs. Assume that all other features of the computer are the same (that is, CPU speed is the only source of variation), and only the CPU speeds listed in the table are available for purchase.

CPU GHz	Total Benefit	Marginal Benefit	Total Cost	Marginal Costs
2.0	$ 1,000		$ 900	
2.5	$ 1,400			$ 100
3.0		$ 300	$ 1,200	
3.5	$ 1,900		$ 1,500	

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4.0	$ 2,000			$ 400

The total benefit of a 3.0GHz computer is

104) _____

A) $300.
B) $900.
C) $1,700.
D) $1,650.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

105) The accompanying table shows the relationship between the speed of a computer's CPU and its benefits and costs. Assume that all other features of the computer are the same (that is, CPU speed is the only source of variation), and only the CPU speeds listed in the table are available for purchase.

CPU GHz	Total Benefit	Marginal Benefit	Total Cost	Marginal Costs
2.0	$ 1,000		$ 900	
2.5	$ 1,400			$ 100
3.0		$ 300	$ 1,200	
3.5	$ 1,900		$ 1,500	
4.0	$ 2,000			$ 400

The total cost of a 2.5GHz computer is

105) _____

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A) $1,000.
B) $900.
C) $200.
D) $100.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

106) The accompanying table shows the relationship between the speed of a computer's CPU and its benefits and costs. Assume that all other features of the computer are the same (that is, CPU speed is the only source of variation), and only the CPU speeds listed in the table are available for purchase.

CPU GHz	Total Benefit	Marginal Benefit	Total Cost	Marginal Costs
2.0	$ 1,000		$ 900	
2.5	$ 1,400			$ 100
3.0		$ 300	$ 1,200	
3.5	$ 1,900		$ 1,500	
4.0	$ 2,000			$ 400

The marginal cost of upgrading from a 2.5GHz to 3.0GHz computer is

106) _____

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A) $400.
B) $300.
C) $200.
D) $100.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

107) The accompanying table shows the relationship between the speed of a computer's CPU and its benefits and costs. Assume that all other features of the computer are the same (that is, CPU speed is the only source of variation), and only the CPU speeds listed in the table are available for purchase.

CPU GHz	Total Benefit	Marginal Benefit	Total Cost	Marginal Costs
2.0	$ 1,000		$ 900	
2.5	$ 1,400			$ 100
3.0		$ 300	$ 1,200	
3.5	$ 1,900		$ 1,500	
4.0	$ 2,000			$ 400

Application of the Cost-Benefit Principle would lead one to purchase a _____ computer.

107) _____

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A) 2.0GHz
B) 2.5GHz
C) 3.0GHz
D) 4.0GHz

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

108) The accompanying table shows the relationship between the speed of a computer's CPU and its benefits and costs. Assume that all other features of the computer are the same (that is, CPU speed is the only source of variation), and only the CPU speeds listed in the table are available for purchase.

CPU GHz	Total Benefit	Marginal Benefit	Total Cost	Marginal Costs
2.0	$ 1,000		$ 900	
2.5	$ 1,400			$ 100
3.0		$ 300	$ 1,200	
3.5	$ 1,900		$ 1,500	
4.0	$ 2,000			$ 400

Choosing a 3.5GHz computer would be irrational because

108) _____

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A) its marginal benefit is less than its marginal cost.
B) its marginal benefit is equal to its marginal cost.
C) it is impossible to tell the difference compared to a 3.0GHz computer.
D) its marginal benefit is greater than its marginal cost.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

109) Jack has a ticket to see Post Malone for which he paid $30 yesterday. He takes an unpaid day off from work to get ready for the concert. When he arrives at the concert, five different people offer him $70 for his ticket. Jack decides to keep his ticket. At the time he makes this decision, his opportunity cost of seeing Post Malone is

109) _____

A) $30 plus his forgone earnings.
B) $40.
C) $70.
D) $70 plus his forgone earnings.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

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110) Jody has purchased a nonrefundable $75 ticket to attend a Miley Cyrus concert on Friday night. Subsequently, she is asked to go to out dinner at no expense to her. If she uses cost-benefit analysis to choose between going to the concert and going out to dinner, the opportunity cost of going out to dinner should include

110) _____

A) only the entertainment value of the concert.
B) the cost of the ticket plus the entertainment value of the concert.
C) only the cost of concert ticket.
D) neither the cost of the ticket nor the entertainment value of the concert.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

111) You won a free ticket to see the latest superhero movie this Friday night (which you can costlessly resell for its face value of $15). Your favorite band is also performing on Friday and is your only alternative activity. Friday is your last chance to see either the movie or the band. Tickets to see your favorite band cost $30, and on any given day, you would be willing to pay as much as $50 for a ticket. Based on this information, what is your opportunity cost of going to see the movie on Friday?

111) _____

A) $0
B) $30
C) $35
D) $50

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Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

112) You want to buy a TV that regularly costs $250. You can either buy the TV from a nearby store or from a store that's downtown. Relative to going to the nearby store, driving downtown involves additional time and gas. The downtown store, however, has a 10 percent off sale this week. Last week you drove downtown to save $20 on some concert tickets, a 15 percent savings. Should you drive downtown to buy the TV?

112) _____

A) Yes, because you will save 10 percent, which is better than nothing.
B) No, because you will save more than $20.
C) Yes, because you will save more than $20.
D) No, because you will only save 10 percent, which is less than 15 percent.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 03 Hard
AACSB : Analytical Thinking
Bloom's : Analyze
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

113) The accompanying table shows the relationship between the number of times you get your car washed each month and your total monthly benefit from car washes. Each car wash costs $15.

Number of Car Washes Per Month	Total Monthly Benefit from Car Washes

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0	$ 0
1	20
2	36
3	48
4	56
5	60

What's the average benefit of 4 car washes per month?

113) _____

A) $14
B) $12
C) $8
D) $4

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

114) The accompanying table shows the relationship between the number of times you get your car washed each month and your total monthly benefit from car washes. Each car wash costs $15.

Number of Car Washes Per Month	Total Monthly Benefit from Car Washes
0	$ 0
1	20
2	36
3	48
4	56
5	60

What is the marginal cost of the 5th car wash each month?

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114) _____

A) $15
B) $14
C) $12
D) $4

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

115) The accompanying table shows the relationship between the number of times you get your car washed each month and your total monthly benefit from car washes. Each car wash costs $15.

Number of Car Washes Per Month	Total Monthly Benefit from Car Washes
0	$ 0
1	20
2	36
3	48
4	56
5	60

What is the marginal benefit of the 3rd car wash each month?

115) _____

A) $4
B) $12
C) $16
D) $48

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Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

116) The accompanying table shows the relationship between the number of times you get your car washed each month and your total monthly benefit from car washes. Each car wash costs $15.

Number of Car Washes Per Month	Total Monthly Benefit from Car Washes
0	$ 0
1	20
2	36
3	48
4	56
5	60

How many times a month should you get your car washed?

116) _____

A) 1
B) 2
C) 3
D) 4

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

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117) Ushi owns an apple farm and plans to spend 4 hours today picking apples. The number of apples he can pick per hour depends on the total number of hours he spends working in either the east orchard or the west orchard in the manner shown in the accompanying table:

Hours in East Orchard	Number of Apples Per Hour	Hours in West Orchard	Number of Apples Per Hour
1	40	1	10
2	32	2	10
3	25	3	10
4	20	4	10

If Ushi spends 2 hours picking apples in the east orchard and 2 hours picking apples in the west orchard, how many apples in total will Ushi be able to pick today?

117) _____

A) 21
B) 42
C) 84
D) 92

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

118) Ushi owns an apple farm and plans to spend 4 hours today picking apples. The number of apples he can pick per hour depends on the total number of hours he spends working in either the east orchard or the west orchard in the manner shown in the accompanying table:

Hours in East Orchard	Number of Apples Per Hour	Hours in West Orchard	Number of Apples Per Hour
1	40	1	10

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2	32	2	10
3	25	3	10
4	20	4	10

What is the opportunity cost to Ushi of spending an additional hour picking apples in the East orchard?

118) _____

A) 10 apples
B) 20 apples
C) 30 apples
D) 40 apples

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

119) Ushi owns an apple farm and plans to spend 4 hours today picking apples. The number of apples he can pick per hour depends on the total number of hours he spends working in either the east orchard or the west orchard in the manner shown in the accompanying table below.

Hours in East Orchard	Number of Apples Per Hour	Hours in West Orchard	Number of Apples Per Hour
1	40	1	10
2	32	2	10
3	25	3	10
4	20	4	10

What is the marginal benefit to Ushi of the 2nd hour he spends picking in the east orchard?

119) _____

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A) 8 apples
B) 24 apples
C) 32 apples
D) 64 apples

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

120) Ushi owns an apple farm and plans to spend 4 hours today picking apples. The number of apples he can pick per hour depends on the total number of hours he spends working in either the east orchard or the west orchard in the manner shown in the accompanying table:

Hours in East Orchard	Number of Apples Per Hour	Hours in West Orchard	Number of Apples Per Hour
1	40	1	10
2	32	2	10
3	25	3	10
4	20	4	10

How should Ushi divide his time between the east and the west orchard?

120) _____

A) He should spend all 4 hours in the east orchard.
B) He should spend 3 hours in the east orchard and 1 hour in the west orchard.
C) He should spend 2 hours in east orchard and 2 hours in the west orchard.
D) He should spend 1 hour in the east orchard and 3 hours in the west orchard.

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Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

121) Positive economic principles are those that

121) _____

A) are always correct.
B) are influenced by political ideology.
C) indicate how people should behave.
D) predict how people will behave.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Normative Economics Versus Positive Economics
Accessibility : Screen Reader Compatible

122) One thing that distinguishes normative economic principles from positive economic principles is that

122) _____

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A) normative principles are pessimistic and positive principles are optimistic.
B) normative principles reflect social norms, and positive principles reflect universal truths.
C) normative principles tell us how people should behave, and positive principles tell us how people will behave.
D) normative principles tell us how people will behave, and positive principles tell us how people should behave.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Normative Economics Versus Positive Economics
Accessibility : Screen Reader Compatible

123) Normative economic principles are concerned with how people _____ make decisions while positive economic principles are concerned with how people _____ make decisions.

123) _____

A) do; should
B) should; do
C) in power; in ordinary life
D) in ordinary life; in power

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Normative Economics Versus Positive Economics
Accessibility : Screen Reader Compatible

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124) An editorial in the paper argues that a person only should be allowed to attend school if the marginal cost of educating that person is less than the marginal benefit of educating that person. The writer's reasoning is an application of

124) _____

A) positive economics.
B) negative economics.
C) normative economics.
D) economic naturalism.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Normative Economics Versus Positive Economics
Accessibility : Screen Reader Compatible

125) The Incentive Principle states that a person

125) _____

A) is more likely to take an action if its cost increases.
B) is more likely to take an action if its benefit increases.
C) should take an action if its cost increases.
D) should take an action if its benefit increases.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Normative Economics Versus Positive Economics
Accessibility : Screen Reader Compatible

126) The Incentive Principle is an example of

126) _____

A) an economic decision-making pitfall.
B) overestimating the benefits of an action.
C) a positive economic principle.
D) a normative economic principle.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Normative Economics Versus Positive Economics
Accessibility : Screen Reader Compatible

127) According to the Incentive Principle, people will be less likely to smoke if the government

127) _____

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A) increases taxes on smoking-cessation devices such as nicotine patches.
B) increases taxes on cigarettes, effectively raising the price.
C) subsidizes hospitals treating lung disease.
D) invests more money in cancer research.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Normative Economics Versus Positive Economics
Accessibility : Screen Reader Compatible

128) According to the Incentive Principle

128) _____

A) it is irrational to perform volunteer services.
B) people will always take the highest-paying job they are offered.
C) benefits are more important than costs in making a decision.
D) people tend to do more of something when its benefits are greater.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Normative Economics Versus Positive Economics
Accessibility : Screen Reader Compatible

129) Microeconomics differs from macroeconomics in that microeconomics focuses on

129) _____

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A) the performance of the entire economy.
B) issues such as inflation, unemployment, and economic growth.
C) the choices made by individuals and the implications of those choices.
D) government policies designed improve the performance of the national economy.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

130) Macroeconomics differs from microeconomics in that macroeconomics focuses on

130) _____

A) individual choices and group behavior in individual markets.
B) the performance of national economies and ways to improve that performance.
C) production in specific markets.
D) prices in specific markets.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

131) The study of individual choice and its implications for the behavior of prices and quantities in individual markets is

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131) _____

A) microeconomics.
B) a normative economic principle.
C) the Scarcity Principle.
D) macroeconomics.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

132) Which branch of economics is most likely to study differences in countries' growth rates?

132) _____

A) Microeconomics
B) Normative economics
C) Macroeconomics
D) Experimental economics

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Bloom's : Understand
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

133) Which of the following would *not* be studied in microeconomics?

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133) _____

A) How individual firms decide how much to produce
B) Whether to study or watch TV tonight
C) How an early freeze in California will affect the price of fruit
D) Whether the federal budget should be balanced

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

134) Which of the following would *not* be studied in macroeconomics?

134) _____

A) The causes of the Great Depression
B) The growth rate of the U.S. economy
C) How a sharp increase in gasoline prices is likely to affect SUV sales
D) The impact of government spending on the economy

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

135) By convention, there are two major divisions of economics, called

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135) _____

A) marginal benefit and marginal cost.
B) reservation price and opportunity cost.
C) microeconomics and macroeconomics.
D) rational economics and irrational economics.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

136) A study that deals with the salaries of university professors would be considered

136) _____

A) macroeconomics.
B) microeconomics.
C) economic naturalism.
D) real economics.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

137) A study that deals with interest rates and bond prices would be considered

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137) _____

A) rational economics.
B) microeconomics.
C) macroeconomics.
D) normative economics.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

138) In deciding how many guitars to buy for his shop before the Christmas season, Miguel is making a(n) _____ decision.

138) _____

A) microeconomic
B) macroeconomic
C) normative
D) irrational

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

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139) A study of the impact of various government policies on economic growth would be considered

139) _____

A) microeconomics.
B) macroeconomics.
C) government economics.
D) marginal economics.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

140) The field of economics that would be most concerned with a recent fall in interest rates is

140) _____

A) microeconomics.
B) macroeconomics.
C) economic naturalism.
D) marginal economics.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economics: Micro and Macro
Accessibility : Screen Reader Compatible

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141) An economic naturalist is someone who

141) _____

A) uses economic arguments to protect the environment.
B) has an innate talent for using economic concepts.
C) applies economic insights to understand everyday life.
D) studies the process of natural selection in a cost-benefit framework.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economic Naturalism
Accessibility : Screen Reader Compatible

142) With ATMs, it is possible to retrieve cash from the bank at any time. One hundred years ago, one could only get cash from the bank during business hours, say, 9 a.m. to 3 p.m. The present availability of 24-hour service has arisen because

142) _____

A) flexibility was not valued 100 years ago.
B) it was impossible to provide 24-hour service 100 years ago.
C) the cost of providing 24-hour service is much lower today.
D) government forced banks to become more convenient.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economic Naturalism
Accessibility : Screen Reader Compatible

143) The number of U.S. households with access to the Internet has grown rapidly. Compared to 50 years ago, one would predict that when considering a major purchase, people today will gather

143) _____

A) less information because the Internet has lowered the cost of gathering information.
B) less information because the Internet has increased the benefit of gathering information.
C) more information because the Internet has lowered the cost of gathering information.
D) more information because the Internet has increased the cost of gathering information.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economic Naturalism
Accessibility : Screen Reader Compatible

144) Every time you go to the grocery store, you try to wait in the shortest line. But the lines always seem to be roughly the same length. Why?

144) _____

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A) Random chance equalizes the length of the lines.
B) Other people are trying to choose the shortest line too.
C) The cashiers work at the same speed.
D) The cashiers do not have an incentive to work faster.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economic Naturalism
Accessibility : Screen Reader Compatible

145) Suppose there are two parallel highways between two cities with approximately equal traffic. What would you expect to happen if the state began charging tolls to drive on one of those highways?

145) _____

A) More drivers would drive on the non-toll road, making the toll road less congested.
B) More drivers would drive on the toll road making the non-toll road less congested.
C) Traffic would remain evenly divided between the two roads as drivers continuously sought the less-congested route.
D) Traffic would decrease on both roads.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economic Naturalism
Accessibility : Screen Reader Compatible

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146) During times of high unemployment, colleges often observe an increase in enrollment even if tuition remains unchanged. Why?

146) _____

A) Students go to college even when the net benefit is negative.
B) The opportunity cost of attending college is lower when unemployment is high.
C) The opportunity cost of attending college is higher when unemployment is high.
D) The benefit of attending college is lower because college graduates are less likely to find jobs.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economic Naturalism
Accessibility : Screen Reader Compatible

147) The last time gas prices increased drastically, sales of large sport utility vehicles (SUVs) fell. Why?

147) _____

A) Higher gas prices lowered the benefit of driving an SUV.
B) Higher gas prices increased the benefit of driving an SUV.
C) Higher gas prices increased the cost of driving a SUV.
D) Higher gas prices lowered the cost of driving a SUV.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economic Naturalism
Accessibility : Screen Reader Compatible

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148) Due to the fact that Curly used his frequent flyer miles to fly to visit Moe, Curly told Moe that it didn't cost him anything to visit. Is Curly correct?

148) _____

A) Yes, because Curly's frequent flyer miles made the trip free.
B) Yes, because Curly could stay at Moe's house for free.
C) No, because Curly could have used his frequent flyer miles to go somewhere else instead.
D) No, because Curly had to pay for earlier trips in order to earn the frequent flyer miles.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economic Naturalism
Accessibility : Screen Reader Compatible

149) Enrique can either drive to work, which takes half an hour and uses $1.50 worth of gas, or take the bus, which takes an hour and costs $1. How should Enrique get to work?

149) _____

A) Enrique should take the bus because it costs $0.50 less than driving.
B) Enrique should drive because it saves half an hour relative to taking the bus.
C) Enrique should drive if saving half an hour is worth $0.50 or more.
D) Enrique should take the bus if saving half an hour is worth $0.50 or more.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : 03 Hard
AACSB : Analytical Thinking
Bloom's : Analyze
Learning Objective : 01-04 Explain and apply the Incentive Principle, which says that if you want to
Topic : Economic Naturalism
Accessibility : Screen Reader Compatible

150) You have two options for how to spend the afternoon. You can either go see a movie with your roommate or work as a tutor for the Math Department. From experience, you know that going to see a movie gives you $20 worth of enjoyment, and with your student discount, a movie ticket only costs $12. If you spend the afternoon working as a math tutor, you will get paid $45. On a typical day, you wouldn't be willing to spend the afternoon working as a math tutor for less than $35. What is your opportunity cost of seeing a movie this afternoon?

150) _____

A) $8
B) $12
C) $22
D) $57

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

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151) You have two options for how to spend the afternoon. You can either go see a movie with your roommate or work as a tutor for the Math Department. From experience, you know that going to see a movie gives you $20 worth of enjoyment, and with your student discount, a movie ticket only costs $12. If you spend the afternoon working as a math tutor, you will get paid $45. On a typical day, you wouldn't be willing to spend the afternoon working as a math tutor for less than $35. What is your economic surplus from working as a math tutor instead of going to the movies?

151) _____

A) $8
B) $2
C) $12
D) $10

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Accessibility : Screen Reader Compatible

152) You have two options for how to spend the afternoon. You can either go see a movie with your roommate or work as a tutor for the Math Department. From experience, you know that going to see a movie gives you $20 worth of enjoyment, and with your student discount, a movie ticket only costs $12. If you spend the afternoon working as a math tutor, you will get paid $45. On a typical day, you wouldn't be willing to spend the afternoon working as a math tutor for less than $35. Should you go see a movie or work as a math tutor?

152) _____

A) You should work as a math tutor.
B) You should go to the movies.
C) You should do neither.
D) Both options are equally good.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : 03 Hard
AACSB : Analytical Thinking
Learning Objective : 01-03 Discuss three important pitfalls that occur when applying the Cost-Benefit
Topic : Three Important Decision Pitfalls
Bloom's : Evaluate
Accessibility : Screen Reader Compatible

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Principles of Macroeconomics 8th Edition by Frank CH01

Answer Key

Test name: CH01

1) C
2) C
3) B
4) C
5) D
6) A
7) D
8) C
9) A
10) D
11) C
12) B
13) D
14) C
15) B
16) A
17) A
18) B
19) B
20) B
21) B
22) C
23) A
24) A
25) A
26) C

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27) B
28) D
29) C
30) A
31) B
32) B
33) D
34) A
35) C
36) B
37) C
38) C
39) D
40) D
41) C
42) B
43) B
44) A
45) D
46) C
47) C
48) C
49) B
50) B
51) B
52) B
53) C
54) C
55) B
56) D

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57) C
58) B
59) A
60) B
61) C
62) B
63) C
64) B
65) C
66) A
67) A
68) B
69) D
70) C
71) A
72) A
73) D
74) A
75) C
76) B
77) B
78) C
79) A
80) C
81) B
82) B
83) C
84) C
85) B
86) B

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87) D
88) C
89) A
90) C
91) C
92) B
93) C
94) A
95) A
96) C
97) D
98) B
99) C
100) D
101) C
102) A
103) C
104) C
105) A
106) C
107) C
108) A
109) C
110) A
111) C
112) C
113) A
114) A
115) B
116) B

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117) C
118) A
119) B
120) B
121) D
122) C
123) B
124) C
125) B
126) C
127) B
128) D
129) C
130) B
131) A
132) C
133) D
134) C
135) C
136) B
137) C
138) A
139) B
140) B
141) C
142) C
143) C
144) B
145) A
146) B

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147) C
148) C
149) C
150) C
151) B
152) A

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