INSTRUCTIONS

Please put your name at the top of this page and make sure your copy of the exam has all the pages (check with the total number of pages on the top of this page).

For multiple choice items, choose only one answer. If you believe that there is more than one correct answer, then choose the best answer only. Report the selected choices (indicate a, b, c, or d) on the answer sheet on the last page.

If you have any clarification questions about problems on the exam, please raise your hand so that I can come and help you individually without disturbing other students.

1. Economics is the study of:
   a. Scarcity
   b. Utility
   c. Unlimited wants
   d. Money

2. All of the following are economic resources except:
   a. Land
   b. Labor
   c. Capital
   d. Money

3. A market with just one seller but many buyers is called:
   a. Perfect competition
   b. Monopoly
   c. Monopolistic competition
   d. Oligopoly

4. The reward of capital is:
   a. Rent
   b. Interest
   c. Wages
   d. Money

5. The following statement best describes the role of entrepreneurs:
   a. Entrepreneurs are organizers who organize economic resources such as money, interest and time in order to produce goods and services, and earn profits in the process.
   b. Entrepreneurs are organizers who organize economic resources such as land, labor and capital in order to produce goods and services, and earn wages in the process.
   c. Entrepreneurs are organizers who organize economic resources such as land, labor and capital in order to produce goods and services, and earn profits in the process.
   d. Entrepreneurs are organizers who organize economic resources such as money, interest and time in order to produce goods and services, and earn wages in the process.
6. The economic system in the United States roughly resembles:
   a. The free market economy
   b. Communism
   c. Command economy
   d. Socialism

7. The straight line drawn in Figure-1 has:
   a. A positive slope
   b. A negative slope
   c. A slope equal to zero
   d. A slope equal to infinity

   ![Figure-1](image)

8. Consider the data in Table-1.

<table>
<thead>
<tr>
<th>Height (in inches)</th>
<th>Weight (in pounds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>150</td>
</tr>
<tr>
<td>64</td>
<td>170</td>
</tr>
<tr>
<td>68</td>
<td>185</td>
</tr>
<tr>
<td>72</td>
<td>190</td>
</tr>
</tbody>
</table>

Now refer to Figures 2, 3, 4 and 5. Which one of these four figures corresponds to the data in Table-1?
   a. Figure-2
   b. Figure-3
   c. Figure-4
   d. Figure-5

   ![Figure-2](image) ![Figure-3](image)
9. The Latin phrase *ceteris paribus* means:
   a. Let the buyer beware
   b. Irrefutable presumption
   c. According to value
   d. All other things remaining constant

10. Following statement is not true:
   a. *Ceteris paribus*, an increase in price of a good causes a decrease in its quantity demanded and a decrease in price of a good causes an increase in its quantity demanded.
   b. Complements are goods that need to be used together.
   c. Population of buyers is a demand shifter.
   d. A change in price with other factors held constant causes a shift in the demand curve.

11. A typical demand curve is
   a. negatively sloped
   b. positively sloped
   c. vertical
   d. horizontal

12. The following two goods are close substitutes:
   a. Paper and pencil
   b. Pen and pencil
   c. Pencil and eraser
   d. Eraser and paper

13. Following is not an example of a supply shifter:
   a. Number of sellers
   b. Technology
   c. Income of buyers
   d. Prices of inputs used in production
14. Consider the data shown in Table-2. Now look at Figures 6, 7, 8 and 9. Which of these four figures corresponds to the data in Table-2?
   a. Figure-6
   b. Figure-7
   c. Figure-8
   d. Figure-9

   Table-2
   \[
   \begin{array}{cc}
   P & Qs \\
   4 & 20 \\
   3 & 15 \\
   2 & 10 \\
   1 & 5 \\
   \end{array}
   \]

15. The following statement is true:
   a. The U.S. economic system is closer to the ideal of market economy as opposed to that of a centrally planned system.
   b. Although individual resources are scarce, government resources are always unlimited because the government can print as much money as it wants.
   c. All economic consumers engage in rational consumption behavior at all times.
   d. Money is the most important of the four economic resources.

16. Scarcity exists because human wants are:
   a. tiny relative to means available to satisfy them
   b. virtually unlimited
   c. immoral
   d. controlled by proper education
17. The following is not an assumption of perfect competition:
   a. No barriers to entry
   b. Large number of sellers
   c. Homogeneous product
   d. Buyers exercise significant control over price

18. The lesser it rains in Florida in a given year, the less productive is the yield of orange trees that year in Florida. Thus,
   a. Amount of rain and yield of orange trees are positively related in Florida.
   b. Amount of rain and yield of orange trees are negatively related in Florida.
   c. We have insufficient information here to be able to tell whether there is a positive relationship or a negative relationship between amount of rain and yield of orange trees in Florida.
   d. None of the above. The statement in this question makes it clear that there is no relationship between amount of rain and yield of orange trees in Florida.

19. During the last four weeks, Tom has observed the following relationship between his time spent on studies and his score in the weekly Physics quiz (see Table-3):

   Table-3
<table>
<thead>
<tr>
<th>Study time (hours per week)</th>
<th>Physics quiz score</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>

   Based on the data in Table-3, it appears that for Tom:
   a. There is a negative relationship between study time and Physics quiz score.
   b. There is a positive relationship between study time and Physics quiz score.
   c. There is neither a negative nor a positive relationship between study time and Physics quiz score.
   d. None of the above. We have insufficient information here to be able to tell whether there is a positive relationship or a negative relationship between study time and Physics quiz score.

20. Cindy, a 50 year old bank worker, has observed that the more salt she has in her food, the higher is her blood pressure. Based on this information it seems that:
   a. The amount of salt intake is the independent variable and blood pressure is the dependent variable.
   b. Blood pressure is the independent variable and the amount of salt intake is the dependent variable.
   c. Blood pressure and amount of salt intake are both dependent variables.
   d. Blood pressure and amount of salt intake are both independent variables.

21. Mr. Smith is a college History professor. He has fifteen students in his freshman class, seven of whom are boys while the remaining are girls. Five of the fifteen students are History majors, six are Biology majors, and the remaining four are majoring in Chemistry. All of the students are nineteen years old.

   Given the above information, the following is true for Professor Smith’s class:
   a. Gender is constant while student age is variable.
   b. Student age is constant while gender is variable.
   c. Student major subject is constant while gender is variable.
   d. Gender is constant while student major subject is variable.
22. In an economic context, the word *interest* refers to:
   a. The penalty that needs to be paid when credit card payments become overdue.
   b. The amount over and above a principal mortgage loan that has to be paid.
   c. The personal attention that leading politicians in the Congress give to economic matters.
   d. None of the above

23. Following are the three questions that Economics tries to answer:
   a. What to produce? How to produce? For whom to produce?
   b. What to produce? When to produce? For whom to produce?
   c. Why to produce? How to produce? For whom to produce?
   d. Why to produce? How to produce? When to produce?

24. The following statement is true:
   a. Positive economics is concerned with *what is* (i.e. statements of fact) while normative economics is concerned with *what should be* (i.e. subjective issues, opinions etc.).
   b. Normative economics is concerned with *what is* (i.e. statements of fact) while positive economics is concerned with *what should be* (i.e. subjective issues, opinions etc.).
   c. Neither of the above statements is true.
   d. Depending on the circumstances, both a and b can be true.

25. The branch of economics that looks at the economy as an aggregate is called:
   a. Microeconomics
   b. Macroeconomics
   c. Econometrics
   d. International Economics

26. Consider the data in tables 4 and 5 below.

<table>
<thead>
<tr>
<th>Table-4</th>
<th>Table-5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monthly Expenditure (in dollars)</strong></td>
<td><strong>Monthly Expenditure (in dollars)</strong></td>
</tr>
<tr>
<td>Rent</td>
<td>500</td>
</tr>
<tr>
<td>Food</td>
<td>300</td>
</tr>
<tr>
<td>Utilities</td>
<td>100</td>
</tr>
<tr>
<td>Telephone</td>
<td>100</td>
</tr>
<tr>
<td>Entertainment</td>
<td>300</td>
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<tr>
<td>Books</td>
<td>200</td>
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<tr>
<td>Clothes</td>
<td>100</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2000</strong></td>
</tr>
</tbody>
</table>

Given the information in tables 4 and 5, the pie chart in Figure-10 below corresponds to the data in:
   a. Table-4
   b. Table-5
   c. Both tables 4 and 5
   d. Neither table-4 nor table-5
27. Refer to the graph in Figure-11. Between 1933 and 1945 (both years inclusive) the unemployment rate was minimum in:
   a. 1937
   b. 1938
   c. 1944
   d. 1945
28. Refer to the graph in Figure-11. The unemployment rate in 1938 was roughly
   a. 5 percent
   b. 14 percent
   c. 19 percent
   d. 25 percent

29. Refer to the graph in Figure-11. Between 1940 and 1942, the unemployment rate:
   a. Dropped from 15% to 5%
   b. Increased from 5% to 15%
   c. Remained constant at 5%
   d. Remained constant at 15%

30. In an oligopoly,
   a. there is only one seller
   b. there are two sellers
   c. there are a few sellers
   d. there is a very large number of sellers

31. These two goods are complements:
   a. Cocaine and undercover police officers
   b. Grape juice and grapefruit juice
   c. Pepsi Cola and Coca Cola
   d. CD players and CDs

32. These two goods are not substitutes:
   a. Computer hardware and computer software
   b. Bottled water and un-bottled water
   c. Pencil and pen
   d. Vanilla ice-cream and strawberry ice-cream

33. These two goods are complements:
   a. Cell phone and cell phone battery
   b. Leather shoes and ice-cream
   c. Coffee and tea
   d. Cigarettes and cigars

34. Following statement in not true:
   a. Ceteris paribus, an increase in price of a good causes a decrease in its quantity demanded and a
decrease in price of a good causes an increase in its quantity demanded.
   b. Complements are goods that need to be used together.
   c. An inferior good is a good the quantity demanded for which falls with an increase in the income of
   buyers.
   d. A change in price with other factors held constant causes a shift in the demand curve.

35. In Figure-12 below, the movement from D1 to D2 is called
   a. A decrease in demand.
   b. An increase in demand.
   c. A decrease in quantity demanded.
   d. An increase in quantity demanded.
36. The demand curve shows the relationship between
   a. Income and the corresponding quantity demanded
   b. Two substitutes
   c. Price of a good and the corresponding quantity demanded
   d. Population and the corresponding quantity demanded
<p>| | | | |</p>
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