

**Practice for Chapter two  
Fall 2017**

- 1) The attainable production points on a production possibilities curve are
  - A) the horizontal and vertical intercepts.
  - B) the points along the production possibilities frontier.
  - C) the points outside the area enclosed by the production possibilities frontier.
  - D) the points along and inside the production possibility frontier.
  
- 2) The points outside the production possibilities frontier are
  - A) efficient.
  - B) attainable.
  - C) inefficient.
  - D) unattainable.
  
- 3) The Great Depression of the 1930s, with a large number of workers and factories unemployed, would be represented in a production possibilities frontier graph by
  - A) a point inside the frontier.
  - B) a point outside the frontier.
  - C) a point on the frontier.
  - D) an intercept on either the vertical or the horizontal axis.

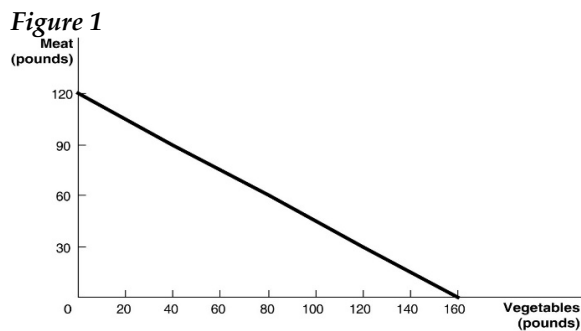


Figure 1 above shows the production possibilities frontier for country A, a nation that produces two goods, meat and vegetables.

- 4) *Refer to Figure 1.* What is the opportunity cost of one pound of vegetables?
  - A)  $\frac{3}{4}$  pound of meat
  - B) 1.2 pounds of meat
  - C)  $1\frac{1}{3}$  pounds of meat
  - D) 12 pounds of meat
  
- 5) *Refer to Figure 1.* What is the opportunity cost of one pound of meat?
  - A)  $\frac{3}{4}$  pound of vegetables
  - B)  $1\frac{1}{3}$  pounds of vegetables
  - C) 1.6 pounds of vegetables
  - D) 16 pounds of vegetables
  
- 6) Increasing opportunity cost is represented by a \_\_\_\_\_ production possibilities frontier.
  - A) linear
  - B) bowed in
  - C) bowed out
  - D) vertical

7) Without an increase in the supplies of factors of production, how can a nation achieve economic growth?

- A) by producing more high-value goods and fewer low-value goods
- B) through technological advancement which enables more output with the same quantity of resources
- C) by lowering the prices of factors of production
- D) by increasing the prices of factors of production

**Table 1**

	<b>Serena</b>	<b>Haley</b>
Bracelets	8	9
Necklaces	16	12

Table 1 shows the output per week of two jewelers, Serena and Haley. They can either devote their time to making bracelets or making necklaces.

8) *Refer to Table 1.* Which of the following statements is true?

- A) Haley has an absolute advantage in making both products.
- B) Serena has an absolute advantage in making both products.
- C) Haley has an absolute advantage in making bracelets and Serena in making necklaces.
- D) Haley has an absolute advantage in making necklaces and Serena in making bracelets.

9) *Refer to Table 1.* What is Haley's opportunity cost of making a bracelet?

- A) 3/4 of a bracelet
- B) 3 bracelets
- C) 4/3 necklaces
- D) 2 necklaces

10) *Refer to Table 1.* What is Haley's opportunity cost of making a necklace?

- A) 3/4 of a bracelet
- B) 3 bracelets
- C) 4/3 necklaces
- D) 2 necklaces

11) *Refer to Table 1.* What is Serena's opportunity cost of making a bracelet?

- A) 2 necklaces
- B) 1/2 of a bracelet
- C) 1/2 of a necklace
- D) 3/4 of a bracelet

12) *Refer to Table 1.* What is Serena's opportunity cost of making a necklace?

- A) 2 necklaces
- B) 1/2 of a bracelet
- C) 1/2 of a necklace
- D) 3/4 of a bracelet

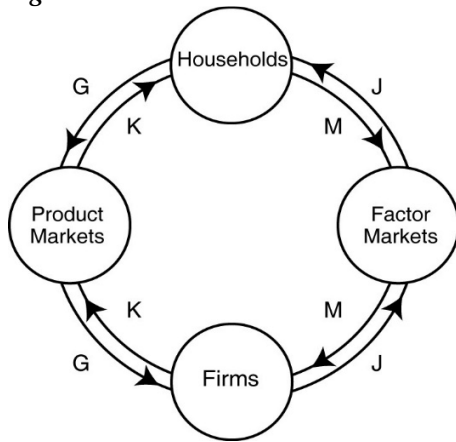
13) *Refer to Table 1.* Which of the following statements is true?

- A) Haley has a comparative advantage in making both products.
- B) Serena has a comparative advantage in making both products.
- C) Haley has a comparative advantage in making bracelets and Serena in making necklaces.
- D) Haley has a comparative advantage in making necklaces and Serena in making bracelets.

14) Households \_\_\_\_\_ final goods and services in the \_\_\_\_\_ market.

- A) purchase; factor
- B) purchase; product
- C) sell; factor
- D) sell; product

Figure 2



15) Refer to Figure 2. Which two arrows in the diagram depict the following transaction: Apple sells 20 computers at the Best Buy store.

- A) J and M
- B) J and G
- C) K and M
- D) K and G

**True or False**

- 1, The basis for trade is comparative advantage, not absolute advantage.
- 2, If a country produces only two goods, it is possible to have a comparative advantage in the production of both those goods.
- 3, In a two-good, two country world, if one country has an absolute advantage in the production of both goods, it cannot benefit by trading with the other country.
- 4, It is possible to have a comparative advantage in producing a good or service without having an absolute advantage.
- 5, In a free market there are significant restrictions on how a good or service can be produced or sold.