

Unit 1. Basic economic concepts

Quiz

1. Masha is thinking about going to the movies tonight to see G-Force. A ticket costs 300 rubles and she will have to cancel her tutoring job that pays 500 rubles. The cost of seeing the movie is:

- A. 300 rub.
- B. 500 rub.
- C. 800 rub.
- D. 800 rub. minus the benefit of seeing the movie.
- E. Indeterminate.

2. On one of the first days of the school year, Sasha finds he has one hour of time in the evening to allocate. He can do one of two things. He can watch TV for one hour or he can open his economics textbook and read for an hour. The benefit of watching TV is 30; the benefit of reading about economics is 20. The cost of watching TV is _____ and the cost of reading his economics textbook is _____.

- A. 20; 30
- B. 0; 0
- C. 30; 20
- D. 20; 0
- E. indeterminate; indeterminate

3. Continuing with the information in question 2, if Sasha applies the cost-benefit principle (the action should be taken if the extra benefits from it are at least as great as the extra costs) accurately, he will:

- A. Read his textbook.
- B. Watch TV.
- C. Flip a coin because the net benefits are the same.
- D. It is not possible to make a choice using this principle.

4. Continuing with the information in question 2, suppose that instead of the first day of the semester, it is the night before the APT test. One could reasonably predict that:

- A. The benefit of watching TV will rise.
- B. The benefit of reading about economics will fall.
- C. The cost of watching TV will rise.
- D. The cost of reading economics will rise.
- E. He will continue to make the same choice.

5. If Masha can perform a task using fewer resources than Dasha, we say that Masha:

- A. Has a comparative advantage in this task.
- B. Has an absolute advantage in this task.
- C. Has increasing opportunity costs in this task.
- D. Has a comparative disadvantage in this task.
- E. Has an absolute disadvantage in this task.

6. If Masha can perform a task at a lower opportunity cost than Dasha, we say that Masha:

- A. Has a comparative advantage in this task.
- B. Has an absolute advantage in this task.
- C. Has increasing opportunity costs in this task.
- D. Has a comparative disadvantage in this task.
- E. Has an absolute disadvantage in this task.

Use the following information for problems 7, 8, and 9: Vasya can photocopy 10 pages from a book or type 2 pages of handwritten text in 10 minutes. Petya can photocopy 40 pages from a book or type 3 pages of handwritten text in 10 minutes. Suppose also that both tasks are equally enjoyable to both of them.

7. Given the information above, Vasya has:

- A. an absolute advantage in photocopying and a comparative advantage in photocopying.
- B. an absolute advantage in typing and a comparative advantage in typing.
- C. no absolute advantage in either task but a comparative advantage in photocopying.
- D. no absolute advantage in either task but a comparative advantage in typing.
- E. absolute advantage in neither task nor a comparative advantage in either task.

8. Given the information above, if Petya and Vasya follow the Principle of Comparative Advantage:

- A. Petya will do all the typing and Vasya will do all the photocopying.
- B. Petya will do all the photocopying and Vasya will do all the typing.
- C. Vasya will photocopy 5 pages and type 1 page, and Petya will photocopy 20 pages and type 2 pages.
- D. Petya will photocopy 5 pages and type 1 page, and Vasya will photocopy 20 pages and type 2 pages.
- E. They will not know what to do since not enough information is provided.

9. Given the information above, if Vasya takes a course and learns how to type 3 pages in 10 minutes and can still photocopy 10 pages in 10 minutes, then

- A. Petya will do all the typing and Vasya will do all of the photocopying.
- B. Petya will do all the photocopying and Vasya will do all the typing.
- C. Vasya will photocopy 5 pages and type 1 page, and Petya will photocopy 20 pages and type 2 pages.
- D. Petya will photocopy 5 pages and type 1 page, and Vasya will photocopy 20 pages and type 2 pages.
- E. They will not know what to do since not enough information is provided.

10. Which of the following will NOT cause a production possibilities frontier (curve) to shift outward?

- A. An increase in a country's productivity.
- B. An increase in a country's resources.
- C. An improvement in a country's technology.
- D. Specialization in the production of one good.
- E. All of the above will cause a PPF to shift outward.