Test Bank for Foundations of Economics 5th Edition by Gillespie

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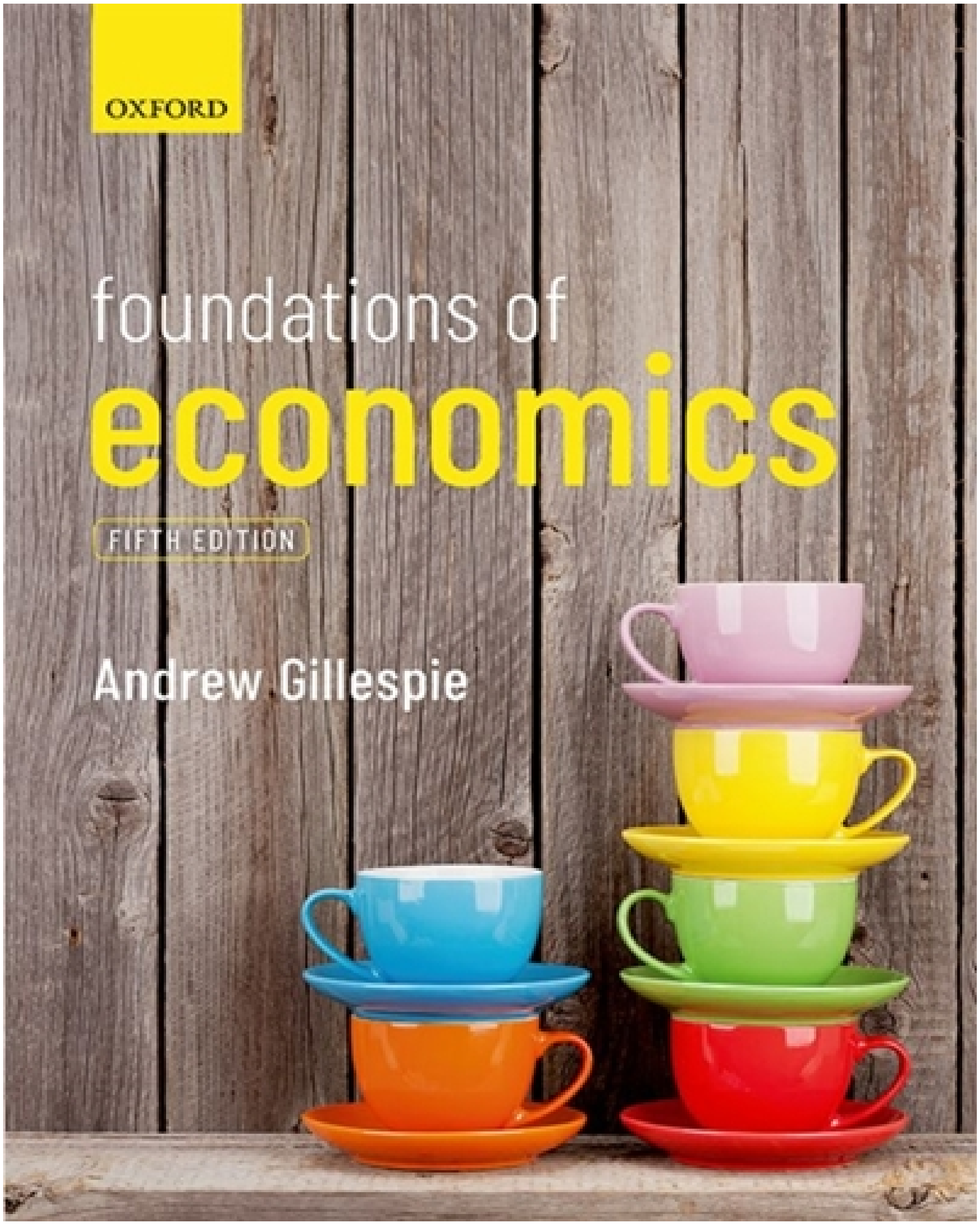

Test Bank

Type: multiple choice question
Title: Chapter 02 – Question 01
01) The Production Possibility Frontier shows:
a. What customers want to buy.
Feedback: The Production Possibility Frontier shows the maximum combinations of products an economy can produce with its available resources. It shows what can be produced rather than demand.
Page reference: 27
b. What a firm can produce.
Feedback: The Production Possibility Frontier shows the maximum combinations of products an economy can produce with its available resources. It shows what all firms combined can produce, not one business.
Page reference: 27
***c.** The maximum combinations of products an economy can produce with its available resources.
Feedback: The Production Possibility Frontier shows the maximum combinations of products an economy can produce with its available resources**.**
Page reference: 27
d. The minimum outputs of products that can be produced at any moment.
Feedback: The Production Possibility Frontier shows the maximum combinations of products an economy can produce with its available resources**.**
Page reference: 27

Type: multiple choice question
Title: Chapter 02 - Question 02
02) The maximum an economy is able to produce of a product does **not** depend on:
a. The skills of the labour force
Feedback: The maximum an economy can produce of a product does not depend on the demand; it depends on the supply. The demand determines whether it can be bought not whether it can be made.
Page reference: 27
***b.** The demand
Feedback: The maximum an economy can produce of a product does not depend on the demand; it depends on the supply. The demand determines whether it can be bought, not whether it can be made.
Page reference: 27
c. The level of capital
Feedback: The maximum an economy can produce of a product does not depend on the demand; it depends on the supply. The demand determines whether it can be bought, not whether it can be made.
Page reference: 27
d. The level of investment
Feedback: The maximum an economy can produce of a product does not depend on the demand; it depends on the supply. The demand determines whether it can be bought, not whether it can be made.
Page reference: 27

Type: multiple choice question
Title: Chapter 02 - Question 03
03) Productive efficiency occurs when:
a. Everyone is very busy.
Feedback: Productive efficiency occurs when more of one product can only be produced if less of another is produced. This occurs on the Production Possibility Frontier.
Page reference: 29
***b.** More of one product can only be produced if less of another is produced.
Feedback: Productive efficiency occurs when more of one product can only be produced if less of another is produced. This occurs on the Production Possibility Frontier.
Page reference: 29
c. Customers are happy.
Feedback: Productive efficiency occurs when more of one product can only be produced if less of another is produced. This occurs on the Production Possibility Frontier.
Page reference: 29
d. Costs are maximized.

Feedback: Productive efficiency occurs when more of one product can only be produced if less of another is produced. This occurs on the Production Possibility Frontier.
Page reference: 29

Type: multiple choice question
Title: Chapter 02 - Question 04
04) If an economy is producing within its Production Possibility Frontier:
***a.** It is productively inefficient.
Feedback: If an economy is producing within its Production Possibility Frontier it is productively inefficient.
Page reference: 33
b. Customers are spending too much.
Feedback: If an economy is producing within its Production Possibility Frontier it is productively inefficient.
Page reference: 33
c. The economy's resources are fully employed.
Feedback: If an economy is producing within its Production Possibility Frontier it is productively inefficient. Resources are not fully employed.
Page reference: 33
d. Firms are maximizing profits.
Feedback: If an economy is producing within its Production Possibility Frontier it is productively inefficient.
Page reference: 33

Type: multiple choice question
Title: Chapter 02 - Question 05
05) An outward shift in the Production Possibility Frontier may be due to:
***a.** Better training of employees
Feedback: An outward shift in the Production Possibility Frontier may be due to better training of employees.
Page reference: 34
b. An increase in unemployment
Feedback: An outward shift in the Production Possibility Frontier may be due to better training of employees. More unemployment would lead to a combination of outputs within the frontier.
Page reference: 34
c. Productive inefficiency
Feedback: An outward shift in the Production Possibility Frontier may be due to better training of employees. Productive inefficiency occurs within the frontier.
Page reference: 34
d. A fall in demand for goods and services in the economy
Feedback: An outward shift in the Production Possibility Frontier may be due to better training of employees.
Page reference: 34

Type: multiple choice question
Title: Chapter 02- Question 06
06) The resources of an economy at any moment:
***a.** Are limited.
Feedback: The resources of an economy at any momen are limited.
Page reference: 26
b. Are infinite.
Feedback: The resources of an economy at any momen are limited.
Page reference: 26
c. Are free.
Feedback: The resources of an economy at any momen are limited.
Page reference: 26
d. Have no opportunity cost.
Feedback: The resources of an economy at any momen are limited.
Page reference: 26

Type: multiple choice question
Title: Chapter 02- Question 07

07) An outward shift in the Production Possibility Frontier could be caused by:
a. A change in demand patterns
Feedback: The frontier can shift outwards with more resources or better technology. It is a supply issue, not a demand one.
Page reference: 34
b. An increase in demand
Feedback: The frontier can shift outwards with more resources or better technology. It is a supply issue, not a demand one.
Page reference: 34
***c.** An increase in the size of the workforce
Feedback: The frontier can shift outwards with more resources or better technology.
Page reference: 34
d. A reallocation of resources between industries
Feedback: The frontier can shift outwards with more resources or better technology. A reallocation of resources leads to a movement along the PPF.
Page reference: 34

Type: true-false
Title: Chapter 02 - Question 08
08) Any combination of products on the Production Possibility Frontier is productively efficient.
***a.** True
Feedback: Yes, any combination on the frontier is productively efficient, any combination within the frontier is inefficient and any combination outside the frontier is unattainable without trade.
b. False
Feedback: Any combination on the frontier is productively efficient, any combination within the frontier is inefficient and any combination outside the frontier is unattainable without trade.

Type: true-false
Title: Chapter 02 - Question 09
09) An increase in demand will automatically shift the Production Possibility Frontier outwards.
a. True
Feedback: Demand affects what combination of products are consumed but does not affect the total amount an economy can actually produce- this is determined by the resources available.
*__b.__ False
Feedback: Correct. Demand affects what combination of products are consumed but does not affect the total amount an economy can actually produce – this is determined by the resources available.

Type: fill-in-blank
Title: Chapter 02 - Question 10
10) The fact that output has to be sacrificed if an economy is productively efficient as resources are switched from one industry to another highlights the concept of ___________ ____.
Feedback: Opportunity cost shows the benefit available in the next best alternative.
a. opportunity cost

Type: multiple choice question
Title: Chapter 02 - Question 11
11) If an economy is operating within its PPF:
a. It is productively efficient.
Feedback: Operating within the PPF indicates that there are resources that have not been fully utilised.
Page reference: 31
***b.** It can produce more of both goods with the given resources.
Feedback: Operating within the PPF indicates that there are resources that have not been fully utilised.
Page reference: 31
c. Resources are being fully utilised.
Feedback: Operating within the PPF indicates that there are resources that have not been fully utilised.
Page reference: 31
d. The economy should reduce its production.
Feedback: Operating within the PPF indicates that there are resources that have not been fully utilised.
Page reference: 31

Type: multiple choice question
Title: Chapter 02 - Question 12
12) The opportunity cost of producing a good is:
*__a.__ The best foregone alternative
Feedback: Opportunity cost is the cost associated with the best foregone alternative.
Page reference: 28
b. Its total cost
Feedback: Opportunity cost is the cost associated with the best foregone alternative.
Page reference: 28
c. The cost of producing an additional unit
Feedback: Opportunity cost is the cost associated with the best foregone alternative.
Page reference: 28
d. All the other potential alternatives
Feedback: Opportunity cost is the cost associated with the best foregone alternative.
Page reference: 28

Type: multiple choice question
Title: Chapter 02 - Question 13
13) Which of the following would not be an indication of productive inefficiency within an economy?
a. High levels of unemployment
Feedback: Inefficiency is associated with under-utilised resources.
Page reference: 33
***b.** No unemployment
Feedback: Inefficiency is associated with under-utilised resources.
Page reference: 33
c. Unused factory buildings
Feedback: Inefficiency is associated with under-utilised resources.
Page reference: 33
d. Idle machinery
Feedback: Inefficiency is associated with under-utilised resources.
Page reference: 33

Type: multiple choice question
Title: Chapter 02 - Question 14
14) Increased investment in capital goods will likely lead to:
a. An inward shift in the PPF
Feedback: Increased investment will lead to an outward shift of the PPF over time.
Page reference: 34
b. No change in the PPF
Feedback: Increased investment will lead to an outward shift of the PPF over time.
Page reference: 34
***c.** An outward shift in the PPF
Feedback: Increased investment will lead to an outward shift of the PPF over time.
Page reference: 34
d. None of the above
Feedback: Increased investment will lead to an outward shift of the PPF over time.
Page reference: 34

Type: multiple choice question
Title: Chapter 02 - Question 15
16) Which of the following is not associated with an outward shift in the PPF?
*__a.__ A reduction in the retirement age of working individuals.
Feedback: An increase in resources, improvements in technology, and an increase in birth rate will shift the PPF outwards.
Page reference: 34
b. An increase in the birth rate
Feedback: An increase in resources, improvements in technology, and an increase in birth rate will shift the PPF outwards.

Page reference: 34
c. Increased training
Feedback: An increase in resources, improvements in technology, and an increase in birth rate will shift the PPF outwards.
Page reference: 34
d. Technological progress
Feedback: An increase in resources, improvements in technology, and an increase in birth rate will shift the PPF outwards.
Page reference: 34