

Example of/from the Economics test

Between 40 and 50 problems to solve like:

Problem 1:

Inflation is a ...

- (a) large, one-time fall in the price level.
- (b) minor change in the price level.
- (c) process of falling prices.
- (d) process of rising prices.

Problem 2:

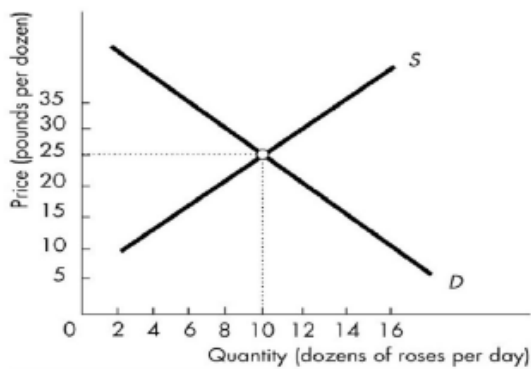
If a decrease in the price of good A increases the quantity demanded of good B, then

- (a) B is a substitute for A, but A is a complement of B.
- (b) A and B are complements.
- (c) A is a substitute for B, but B is a complement of A.
- (d) A and B are substitutes.

Problem 3:

We would expect the price ceiling shown in the above figure to result in

- (a) an increase in producer surplus.
- (b) no deadweight losses.
- (c) no change in producer surplus.
- (d) a decrease in the sum of consumer surplus plus producer surplus.



Problem 4:

For Dye Company, at a sales level of 5,000 units, sales is \$75,000, variable expenses total \$40,000, and fixed expenses are \$21,000. What is the contribution margin per unit?

- (a) \$2.80
- (b) \$15.00
- (c) \$8.00
- (d) \$7.00

Answer sheet:

Problem 1: (d) process of rising prices.

Problem 2: (b) A and B are complements.

Problem 3: (d) a decrease in the sum of consumer surplus plus producer surplus.

Problem 4: (d) \$7.00.