INO1 Principles of Economics Exam Version 1

Section: Economics • **Total Questions:** 10 • **Format:** Verified Q&A

1. What enables oligopolies to earn sustained profits over long periods?

(A) Significant barriers to entry
(B) Perfectly elastic demand for products
(C) Allocative efficiency
(D) Differentiated products

2. The Federal Reserve Bank wants to decrease interest rates. Which action should the Federal Reserve Bank take to achieve this goal?

(A) Decrease regulations on lenders
(B) Increase regulations on lenders
(C) Increase the money supply
(D) Decrease the money supply

3. What should be increased to create countercyclical pressure during an economic boom?

(A) Taxes
(B) Transfers
(C) Government spending
(D) Unemployment benefits

4. Which question would be studied by a macroeconomist

(A) Can a tax on alcohol reduce the number of fatalities on freeways
(B) What is the impact of a constitutional amendment on the federal budget
(C) What percentage of an individual's consumer income is spent on medicine
(D) What is the market price of corn

5. An individual deposits half of his salary in a bank account every month. Which function of money represents this action?

(A) Store of value
(B) Unit of account
(C) Barter
(D) Medium of exchange

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6. In the AD-AS framework, what happens when consumers and businesses become more optimistic about the future direction of the economy?

(A) The aggregate demand curve will shift to the left
(B) The long-run aggregate supply curve will shift to the right
(C) The aggregate demand curve will shift to the right
(D) The short-run aggregate supply will shift to the left

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7. Where does the equilibrium price and quantity occur?

(A) At the intersection of the price and supply curves
(B) Where the supply and demand curves cross
(C) Where price and quantity curves cross
(D) At the intersection of the price and demand curves

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8. Which statement accurately reflects the absolute advantage and comparative advantage of corn?

(A) Country A has the absolute advantage and comparative advantage in corn
(B) Country A has the absolute advantage in corn, and Country B has the comparative advantage in corn
(C) Country B has the absolute advantage and comparative advantage in corn
(D) Country B has the absolute advantage in corn, and Country A has the comparative advantage in corn

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9. Which inflation rate is the major goal for the United States?

(A) 0%
(B) 2%
(C) 4%
(D) 6%

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10. What is the average total cost of the eighth unit?

(A) $16.00
(B) $8.38
(C) $14.00
(D) $14.67