

Exam

Name \_\_\_\_\_

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Suppose that two points on a straight line are  $(X = 4, Y = 5)$ , and  $(X = 2, Y = 1)$ . The slope of this line is \_\_\_\_\_ 1) \_\_\_\_\_
- A) 2.                      B)  $\frac{4}{5}$ .                      C)  $-\frac{1}{2}$ .                      D) -2.                      E)  $\frac{1}{2}$ .

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 2) Suppose we observe that consumption of electricity decreases when the price of electricity rises. We can say that the two variables are related \_\_\_\_\_ 2) \_\_\_\_\_
- A) negatively.  
B) positively.  
C) exogenously.  
D) linearly.  
E) non-linearly.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 3) Suppose an individual wheat farmer's income is influenced by the region's average daily temperature. When examining the determinants of individual farmer income, the average daily temperature is a(n) \_\_\_\_\_ variable. \_\_\_\_\_ 3) \_\_\_\_\_
- A) flow  
B) endogenous  
C) induced  
D) exogenous  
E) dependent

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

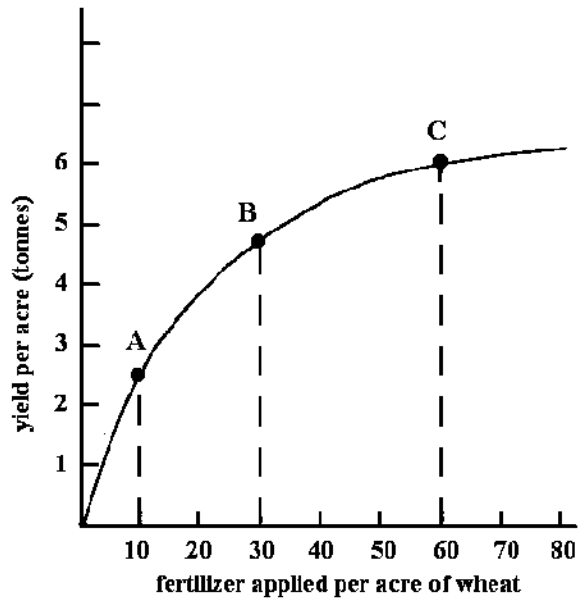


FIGURE 2-4

- 4) Refer to Figure 2-4. The functional relation shown between fertilizer applied and wheat yield can be described as a \_\_\_\_\_
- A) diminishing marginal response.
  - B) decreasing total response.
  - C) constant marginal response.
  - D) increasing marginal response.
  - E) increasing partial response.

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 5) Which is the best description of a normative statement? A normative statement \_\_\_\_\_
- A) can be derived logically from facts.
  - B) is one that involves a value judgment.
  - C) concerns what is provable.
  - D) has no place in the study and practice of economics.
  - E) is a statement that is empirically testable.

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 6) The statement "Y is a function of X" means that the
- A) value of Y depends on that of X.
  - B) values of Y and X are related to some third variable.
  - C) value of X depends on that of Y.
  - D) values of Y and X are the same.
  - E) values of Y and X are independent.

6) \_\_\_\_\_

Answer: A

- Explanation: A)  
 B)  
 C)  
 D)  
 E)

The table below shows hypothetical data for the volume of gold and nickel output across several years.

	Gold (troy ounces)	Index	Nickel (lbs)	Index
Year 1	1 230 000		4500	
Year 2	1 416 000		4551	
Year 3	1 349 000	100	4623	100
Year 4	947 000		4791	
Year 5	1 012 000		4802	
Year 6	1 321 000		4867	
Year 7	1 450 000		5002	
Year 8	1 510 000		5117	

TABLE 2-4

- 7) Refer to Table 2-4. What is the index number for gold output in Year 8?
- A) 111.9%
  - B) 11.9%
  - C) 111.9
  - D) 1.119

E) 11.9

7) \_\_\_\_\_

Answer: C

- Explanation: A)  
 B)  
 C)  
 D)  
 E)

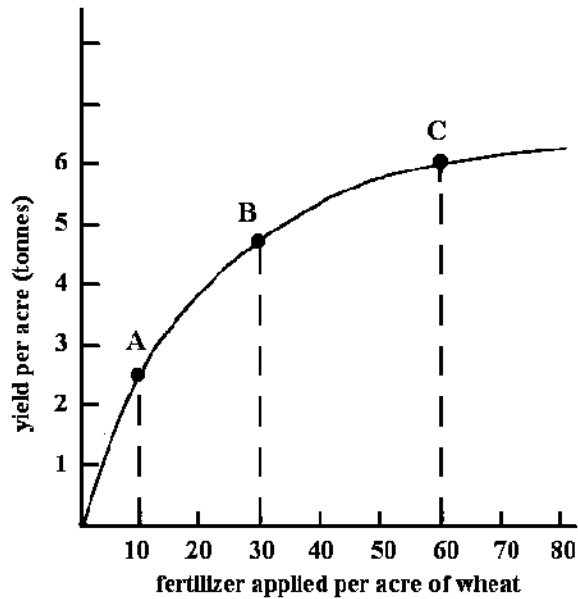


FIGURE 2-4

- 8) Refer to Figure 2-4. If we want to know the marginal response of "yield per acre" due to a change in "fertilizer applied per acre of wheat" at point B, then we should determine the
- A) quantity of fertilizer applied at point B.
  - B) slope of a straight line tangent to point B.
  - C) the slope of a straight line from the origin to point B.
  - D) yield per acre at 30 units of fertilizer.
  - E) slope of a straight line joining points B and C.

8) \_\_\_\_\_

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 9) An assertion about the desirability of reducing unemployment by lowering payroll taxes is most likely
- A) a normative statement.
  - B) a theory.
  - C) a testable proposition.
  - D) a positive statement.
  - E) a hypothesis.

9) \_\_\_\_\_

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

10) Suppose point A represents co-ordinates (x=2, y=16) and point B represents coordinates (x=10, y=4). What is the slope of the straight line joining points A and B? 10) \_\_\_\_\_  
A) 0.75                      B) -0.43                      C) 1.5                      D) -1.5                      E) -0.75

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

11) Which of the following is a normative statement? 11) \_\_\_\_\_  
A) Reducing unemployment is more important than reducing inflation.  
B) An increase in the price of lumber is followed by a decrease in the construction of new houses.  
C) A government deficit will reduce unemployment and cause an increase in prices.  
D) Queen Elizabeth II is the wealthiest woman in the world.  
E) The sun rises in the west and sets in the east.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

12) Data collected repeatedly over successive periods of time are called 12) \_\_\_\_\_  
A) topographic data.  
B) time-series data.  
C) cross-sectional data.  
D) logarithmic data.  
E) time-analysis data.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

13) Economic theories 13) \_\_\_\_\_  
A) must apply to all economies to be true.  
B) can be used to help explain and predict economic behaviour.  
C) are not useful because of the unrealistic assumptions they contain.  
D) cannot help to predict future behaviour.  
E) cannot be tested because we cannot do economic "experiments."

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 14) Suppose that over a 12-month period, Sonali's income (Y) rises from \$27 000 to \$35 000 per year and, as a result, her spending on travel (T) increases from \$1500 to \$2500 per year. Assume there is a linear relation between the two variables, Y and T. What is the *marginal response* in T to a change in Y? 14) \_\_\_\_\_
- A) 4                      B) 0.25                      C) 8                      D) 0.125                      E) 0

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

- 15) Choose the statement that best describes how endogenous variables differ from exogenous variables. 15) \_\_\_\_\_
- A) An endogenous variable is a flow, while an exogenous variable is a stock.  
B) An endogenous variable is a function of the exogenous variable, and both are stock variables.  
C) An endogenous variable is explained outside the theory and influences an exogenous variable while an exogenous variable is explained within the theory.  
D) An endogenous variable is explained within the theory, while an exogenous variable influences the endogenous variables but is determined outside the theory.  
E) An exogenous variable is a function of the endogenous variable, and both are flow variables.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

- 16) What is the best way to display the unemployment rate in each of the world's developed economies in 2012? 16) \_\_\_\_\_
- A) a time series line graph  
B) a cross-sectional bar chart graph  
C) a scatter diagram  
D) a scatter diagram with two variables  
E) a cross-sectional graph with time-series data

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 17) An economic theory requires, among other things,
- A) a set of definitions of the variables to be considered.
  - B) that the set of predictions be correct.
  - C) a controlled laboratory setting in which the theory can be tested.
  - D) the use of endogenous variables only.
  - E) a set of value judgments to interpret the empirical evidence.

17) \_\_\_\_\_

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 18) The scientific approach to economic inquiry involves
- A) testing the reality of the assumptions of the model.
  - B) using only endogenous variables in economic models.
  - C) using only independent variables.
  - D) testing the predictions with empirical data.
  - E) choosing data that will support the predictions.

18) \_\_\_\_\_

Answer: D

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

The table below shows hypothetical data for the volume of gold and nickel output across several years.

	Gold (troy ounces)	Index	Nickel (lbs)	Index
Year 1	1 230 000		4500	
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Year 6	1 321 000		4867	
Year 7	1 450 000		5002	
Year 8	1 510 000		5117	

TABLE 2-4

- 19) Refer to Table 2-4. What is the index number for nickel output in Year 6?
- A) 105.3
  - B) 110.7
  - C) 108.2
  - D) 95.0
  - E) 95.0%

19) \_\_\_\_\_

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

20) Refer to Table 2-4. What is the index number for gold output in Year 1? 20) \_\_\_\_\_  
A) 91.2                      B) 0.91                      C) 99.7                      D) 109.7                      E) 1.097

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

21) Suppose an economist tells you that, on average, people in Canada have too much personal debt. 21) \_\_\_\_\_  
This is an example of a(n) \_\_\_\_\_ statement.

- A) positive
- B) normative
- C) induced
- D) autonomous
- E) independent

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

22) When an increase in one variable is associated with an increase in a second variable, the two 22) \_\_\_\_\_  
variables are

- A) proportionally related.
- B) positively related.
- C) equivalent.
- D) inversely proportionally related.
- E) negatively related.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

23) Economists build models that abstract from the complexities of reality because 23) \_\_\_\_\_

- A) the complexities of reality are unimportant.
- B) it is easier to do so.
- C) economists do not understand the real world.
- D) they believe they gain a greater understanding of reality.
- E) economists are not interested in reality.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)



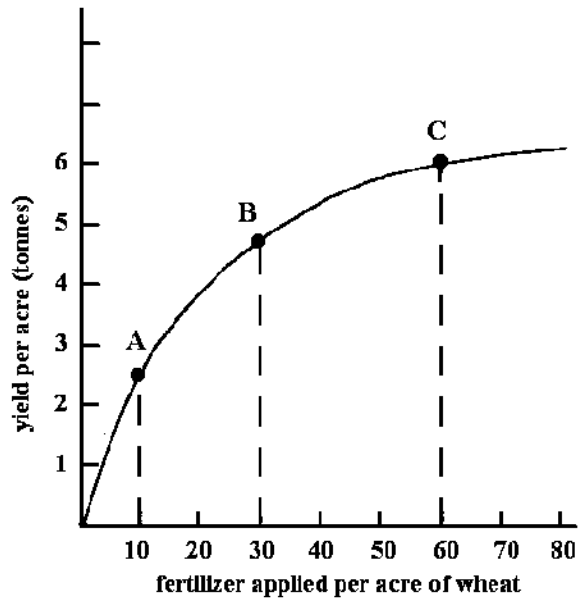


FIGURE 2-4

- 24) Refer to Figure 2-4. This non-linear function shows that over the range shown, 24) \_\_\_\_\_
- A) as more fertilizer is applied, the marginal change in yield is diminishing.
  - B) as more fertilizer is applied, the marginal response in yield is increasing
  - C) as the yield per acre increases, the amount of fertilizer required per acre is diminishing.
  - D) as more fertilizer is applied, the total yield per acre is diminishing.
  - E) as the yield per acre increases, the amount of fertilizer required per acre is increasing.

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 25) Suppose we have data for 1000 students for a period of one year. The data show that those students who spend more hours studying have a higher grade point average (GPA). We can say that 25) \_\_\_\_\_
- A) there is a causal relationship between hours of study time and GPA.
  - B) there is a positive correlation between hours of study time and GPA.
  - C) more hours spent studying leads to a higher GPA.
  - D) if hours of study time increase, then GPA will automatically increase.
  - E) having a higher GPA leads students to spend more time studying.

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 26) When using statistics in economics, the possibility of error
- A) cannot be controlled.
  - B) cannot be eliminated.
  - C) can be eliminated with more sophisticated statistical techniques.
  - D) is not considered to be important.
  - E) cannot be evaluated.

26) \_\_\_\_\_

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 27) Which is an example of a positive statement?
- A) Substitutes for fossil fuels should be developed.
  - B) There should be one price for gasoline throughout Canada.
  - C) Corporations in Canada should pay more taxes.
  - D) Canada should reduce its imports of consumer goods.
  - E) The higher the price for gasoline, the less of it will be consumed.

27) \_\_\_\_\_

Answer: E

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

The table below shows hypothetical tuition costs at a Canadian university.

Year	Tuition
2008	\$5000
2009	\$5050
2010	\$5100
2011	\$5150
2012	\$5200

TABLE 2-1

- 28) Refer to Table 2-1. Assume that 2008 is used as the base year, with the index number = 100. The value of the index number in 2012 is
- A) 0.96
  - B) 100
  - C) 96
  - D) 1.04
  - E) 104

28) \_\_\_\_\_

Answer: E

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 29) Suppose economists at the World Bank discover a positive correlation between family income and female education levels in developing countries. We can say that 29) \_\_\_\_\_
- A) an increase in female education levels causes an increase in family incomes.
  - B) the correlation is inconsistent with a theory that an increase in female education levels causes an increase in family income.
  - C) the observed correlation is consistent with a theory that an increase in female education levels causes an increase in family income.
  - D) an increase in family income causes an increase in female education levels.
  - E) there is a causal relationship between family income and female education.

Answer: C

- Explanation: A)  
B)  
C)  
D)  
E)

- 30) Choose the answer that best explains why economists build models that abstract from the complexities of reality. 30) \_\_\_\_\_
- A) Because economists are not interested in reality.
  - B) Because economics deals only in the abstract.
  - C) Because the complexities of reality are unimportant.
  - D) Because this allows economists to conduct controlled experiments to test their theories.
  - E) Because they believe they gain a greater understanding of reality.

Answer: E

- Explanation: A)  
B)  
C)  
D)  
E)

- 31) At the minimum or the maximum of the graph of a non-linear function (with  $x$  on the horizontal axis and  $y$  on the vertical axis) the slope of the curve is 31) \_\_\_\_\_
- A) -1.
  - B) undefined.
  - C) 1.
  - D) 0.
  - E) infinite.

Answer: D

- Explanation: A)  
B)  
C)  
D)  
E)

32) The mathematical expression of a relationship between two or more variables is usually known as 32) \_\_\_\_\_

- A) a theory.
- B) an observation.
- C) an assumption.
- D) a definition.
- E) a function.

Answer: E

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

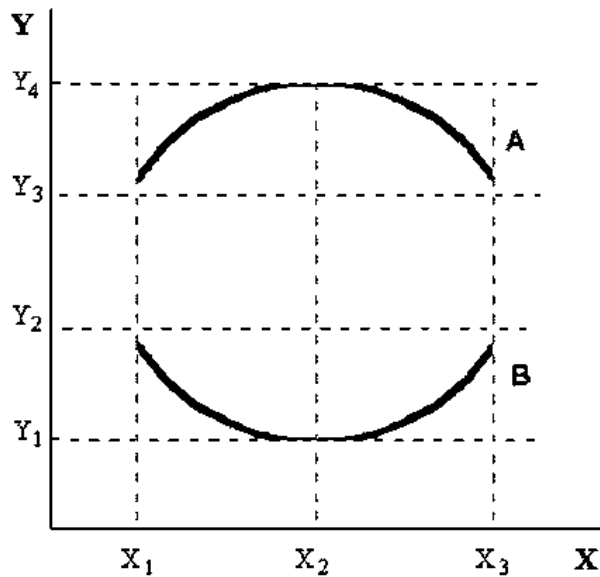


FIGURE 2-3

33) Refer to Figure 2-3. The slope of curve A is 33) \_\_\_\_\_

- A) negative from X1 to X2 and positive from X2 to X3.
- B) zero.
- C) positive and variable.
- D) positive from X1 to X2 and negative from X2 to X3.
- E) negative and variable.

Answer: D

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

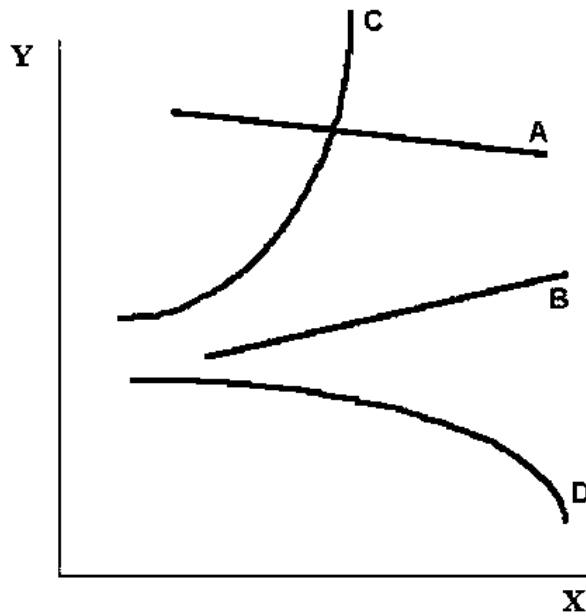


FIGURE 2-2

- 34) Refer to Figure 2-2. The slope of curve A is
- A) positive and constant.
  - B) negative and constant.
  - C) undefined.
  - D) negative and changing.
  - E) positive and changing.

34) \_\_\_\_\_

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 35) When an economist assumes that the owners of firms are motivated only by the desire to maximize profits, the economist most likely believes that
- A) individuals entering business are quite narrow in their personal objectives.
  - B) the assumption is inaccurate, since surveys have been taken and the owners of firms have admitted that they care about more than just profits.
  - C) the assumption is descriptively accurate, since surveys have been taken and the owners of firms have admitted that their only objective is to maximize profits.
  - D) it doesn't matter whether or not the assumption is descriptively accurate; what matters is whether a theory built on the assumption predicts well.
  - E) all people enter business for their own selfish gain.

35) \_\_\_\_\_

Answer: D

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 36) A positive statement is one that states
- A) non-negative numbers.
  - B) what is desirable.
  - C) what is, was, or will be.
  - D) what is and what should be.
  - E) what should be but is not.

36) \_\_\_\_\_

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 37) An index number expresses the value of a variable in any given period
- A) as a weighted average.
  - B) as a proportional weighted average.
  - C) as an absolute compared to the base period.
  - D) as an average of its value in the base period.
  - E) as a percentage of its value in the base period.

37) \_\_\_\_\_

Answer: E

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

The table below shows hypothetical per-minute cell phone charges for "pay-and-talk" service over several years.

2008	0.55
2009	0.50
2010	0.40
2011	0.35
2012	0.25

TABLE 2-2

- 38) Refer to Table 2-2. Assume that 2008 is used as the base year, with the index number = 100. Which of the following series is the correct set of index numbers for the per-minute cell phone charges from 2008 to 2012?
- A) 55; 50; 40; 35; 25
  - B) 100; 91; 73; 64; 45
  - C) 100%; 91%; 73%; 64%; 45%
  - D) 0.55; 0.50; 0.40; 0.35; 0.25
  - E) 1.0; 0.91; 0.73; 0.64; 0.45

38) \_\_\_\_\_

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

39) Which of the following pairs of words have similar meanings?

39) \_\_\_\_\_

- A) dependent and exogenous
- B) endogenous and autonomous
- C) induced and exogenous
- D) induced and autonomous
- E) independent and exogenous

Answer: E

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

40) An economic hypothesis will be rejected when

40) \_\_\_\_\_

- A) the possibility of error has been completely eliminated.
- B) the probability that it is wrong, based on repeated empirical observations, is judged to be unacceptably high.
- C) it is rejected by a single empirical observation.
- D) one or more of the assumptions on which it is based fails to conform with reality.
- E) a single empirical observation is encountered in which its predictions fail.

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

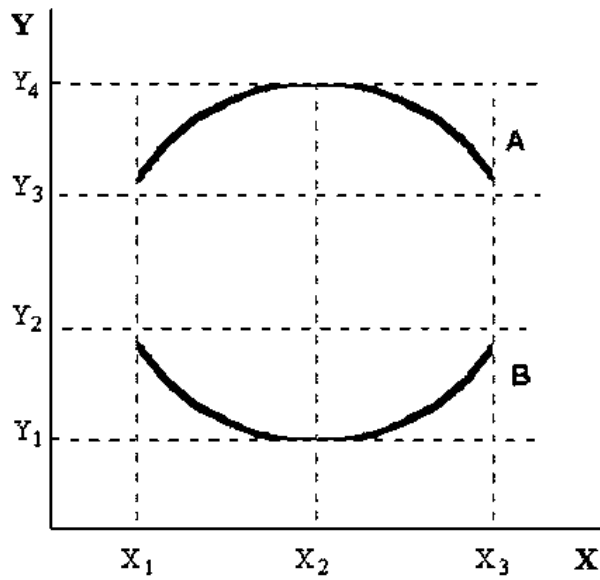


FIGURE 2-3

41) Refer to Figure 2-3. At  $X_2$  on curve B, the

- A) maximum occurs at  $Y_1$ .
- B) slope is decreasing.
- C) minimum occurs at  $Y_4$ .
- D) slope of the curve is zero.
- E) slope is increasing.

Answer: D

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

41) \_\_\_\_\_



The table below shows hypothetical per-minute cell phone charges for "pay-and-talk" service over several years.

2008	0.55
2009	0.50
2010	0.40
2011	0.35
2012	0.25

TABLE 2-2

42) Refer to Table 2-2. Assume that 2008 is used as the base year, with the index number = 100. The value of the index number in 2010 is 42) \_\_\_\_\_

- A) 100                      B) 137.5                      C) 0.72                      D) 72.73                      E) 1.375

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

43) Suppose point A represents coordinates (X = 2, Y = 12) and point B represents coordinates (X = 6, Y = 4). The slope of the straight line joining points A and B is 43) \_\_\_\_\_

- A) -2.                      B) 5.                      C)  $-\frac{1}{2}$ .                      D) 2.                      E)  $\frac{1}{2}$ .

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

44) Suppose economists at the World Bank develop a theory with a prediction that increased levels of foreign aid lead to increases in per capita GDP in the recipient developing countries. They find empirical evidence that is consistent with this theory. The economists are able to conclude that 44) \_\_\_\_\_

- A) the assumptions used in the theory have been proven correct.  
B) the theory has been proven correct.  
C) the theory is always reliable.  
D) the evidence is rejected by the theory.  
E) the evidence fails to reject the theory.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

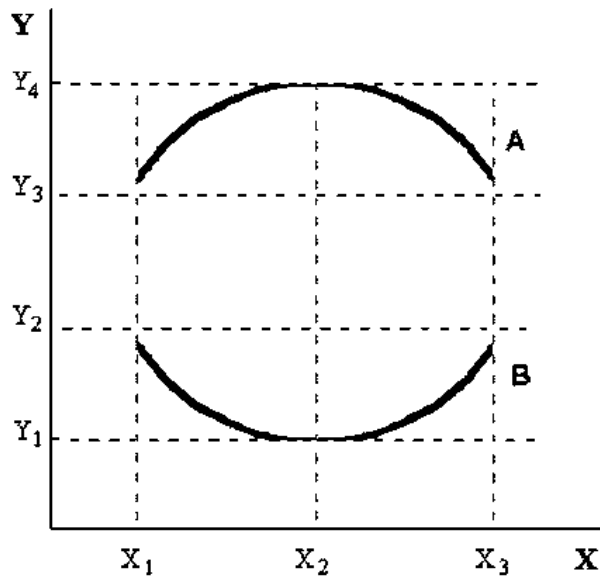


FIGURE 2-3

45) Refer to Figure 2-3. The slope of curve B is

- A) always negative but variable.
- B) zero at  $X_2$ .
- C) undefined at  $X_2$ .
- D) always positive but variable.
- E) positive from  $Y_1$  to  $Y_2$  and negative between  $Y_2$  and  $Y_3$ .

45) \_\_\_\_\_

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

46) Suppose point A represents coordinates ( $X = 5, Y = 6$ ) and point B represents coordinates ( $X = 2, Y = 3$ ). Then the slope of the straight line joining points A and B is

- A)  $2/3$ .
- B)  $5/6$ .
- C) 1.
- D)  $3/2$ .
- E) -1.

46) \_\_\_\_\_

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

47) According to the Bank of Canada's website, Canada's Consumer Price Index (CPI) in August 2009 was 114.7, August 2010 was 116.7, August 2011 was 120.3 and August 2012 was 121.8. Given this set of index numbers, what is the percentage change in the average level of prices between August 2009 and August 2012? 47) \_\_\_\_\_

- A) 114.7%                      B) 6.2%                      C) 7.1%                      D) 5.8%                      E) 121.8%

Answer: B

- Explanation: A)  
B)  
C)  
D)  
E)

48) An economist collects data comparing per-capita expenditures on health care across provinces and territories for the year 2012. The best way to illustrate this data is 48) \_\_\_\_\_

- A) a scatter diagram.  
B) a time-series bar chart diagram.  
C) a time-series line graph.  
D) a logarithmic scale diagram.  
E) a cross-sectional bar-chart graph.

Answer: E

- Explanation: A)  
B)  
C)  
D)  
E)

49) The statement that a country's rate of GDP growth is influenced by individuals' saving behaviour is an example of a(n) 49) \_\_\_\_\_

- A) theory.  
B) normative statement.  
C) prediction.  
D) economic law.  
E) variable.

Answer: A

- Explanation: A)  
B)  
C)  
D)  
E)

The table below shows hypothetical data for volumes of e-books and hardcover books sold over a 3-year period in a particular city.

	E-books	Hardcover Books
Year 1	23 000	72 000
Year 2	52 000	59 000
Year 3	106 000	31 000

TABLE 2-3

50) Refer to Table 2-3. Suppose we choose Year 1 as the base year and construct a series of index numbers with which to analyze sales data. The index numbers for volumes of hardcover books sold (starting with Year 1) is: 50) \_\_\_\_\_

- A) 100; 0.819; 0.431
- B) 0.431; 0.819; 100
- C) 431; 819; 100
- D) 43.1; 81.9; 100
- E) 100; 81.9; 43.1

Answer: E

- Explanation: A)  
B)  
C)  
D)  
E)

51) When studying economic data, and when comparing the magnitude of changes in variables with different scales it is best to 51) \_\_\_\_\_

- A) express each variable as an index number.
- B) compare the relative data on each variable.
- C) compare the absolute data on each variable.
- D) use only time-series data.
- E) express each variable as a logarithmic number.

Answer: A

- Explanation: A)  
B)  
C)  
D)  
E)

52) In a co-ordinate graph, with Y on the vertical axis and X on the horizontal axis, the variable X is positive and the variable Y is negative in the \_\_\_\_\_ quadrant. 52) \_\_\_\_\_

- A) top, right
- B) top, left
- C) bottom, right
- D) bottom, left

Answer: C

- Explanation: A)  
B)  
C)  
D)

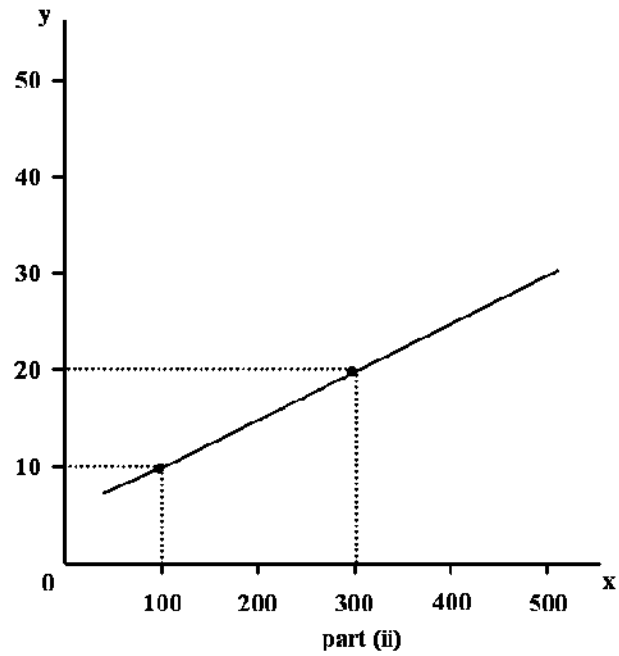
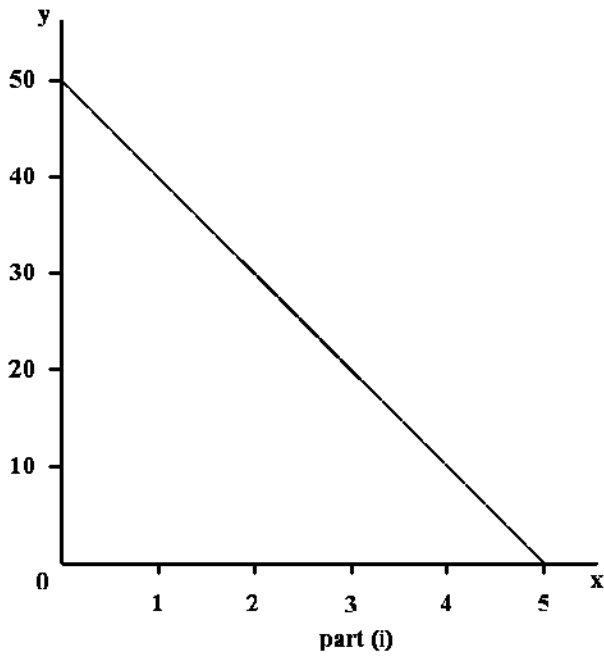


FIGURE 2-1

53) Refer to Figure 2-1. What is the slope of the line in part (i) of the figure?  
 A) -5                      B) -10                      C) 1                      D) 5                      E) -1

53) \_\_\_\_\_

Answer: B

Explanation: A)  
 B)  
 C)  
 D)  
 E)

54) The statement that a country's rate of economic growth is influenced by its firms' investment behaviour is an example of a(n)  
 A) normative statement.  
 B) theory.  
 C) variable.  
 D) prediction.  
 E) economic law.

54) \_\_\_\_\_

Answer: B

Explanation: A)  
 B)  
 C)  
 D)  
 E)

- 55) An economist has data showing household income and energy consumption for 10 000 Canadian households. The best way to illustrate these data is 55) \_\_\_\_\_
- A) a time-series line graph.
  - B) a logarithmic scale diagram.
  - C) a time-series bar chart diagram.
  - D) a scatter diagram.
  - E) a cross-sectional bar-chart graph.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

- 56) Which of the following statements is NOT correct? 56) \_\_\_\_\_
- A) Positive statements can best be tested by exposing them to empirical evidence.
  - B) Economic predictions cannot be tested because human decisions involve free will.
  - C) An economic model can be useful even if its underlying assumptions are unrealistic.
  - D) Economists test their theories by confronting the predictions of their theories with the evidence drawn from the real world.
  - E) Normative statements cannot be tested by the scientific method.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 57) The statement that introducing a policy of legislated rent controls will lead to a housing shortage is an example of a(n) 57) \_\_\_\_\_
- A) prediction.
  - B) model.
  - C) theory.
  - D) normative statement.
  - E) assumption.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 58) The base year for an index number is
- A) chosen arbitrarily by those who construct the data.
  - B) dependant upon the type of data.
  - C) declared by the federal government.
  - D) the year in which 2 or more index numbers are equal to 100.
  - E) determined by the year the variable equals exactly 100.

58) \_\_\_\_\_

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 59) Consider the line which is the graph of the function  $Y = 60 - 4X$ . The slope of this line is
- A) -4.0.
  - B) -2.5.
  - C) 60.
  - D) -40.
  - E) 4.

59) \_\_\_\_\_

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

The table below shows hypothetical per-minute cell phone charges for "pay-and-talk" service over several years.

2008	0.55
2009	0.50
2010	0.40
2011	0.35
2012	0.25

TABLE 2-2

- 60) Refer to Table 2-2. Assume that 2008 is used as the base year, with the index number = 100. The value of the index number in 2011 is calculated as follows:

60) \_\_\_\_\_

- A)  $0.55/0.35 = 1.57$
- B)  $(0.55/0.35) \times 100 = 157.14$
- C)  $(0.35/0.55) \times 100 = 63.64$
- D)  $0.35 \times 100 = 35$
- E)  $0.35/0.55 = 0.64$

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

61) Let 1 stand for "any given period" and 2 stand for "base period." The formula of any index number can be written as: 61) \_\_\_\_\_

A) value of index at 1 =  $\frac{\text{relative value at 1}}{\text{relative value at 2}} \times 100$

B) value of index at 1 =  $\frac{\text{absolute value at 1}}{\text{absolute value at 2}}$

C) value of index at 1 =  $\frac{\text{relative value at 1}}{\text{relative value at 2}}$

D) value of index at 1 =  $\frac{\text{absolute value at 1}}{\text{absolute value at 2}} \times 100$

E) value of index at 1 =  $\frac{\text{absolute value at 2}}{\text{absolute value at 1}} \times 100$

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

62) Most economists believe that economic analysis \_\_\_\_\_ be made completely free of judgement, in part because it is \_\_\_\_\_ to absolutely refute a theory on the basis of factual evidence. 62) \_\_\_\_\_

A) can; impossible

B) will; necessary

C) cannot; impossible

D) can; possible

E) cannot; possible

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)



The table below shows hypothetical data for volumes of e-books and hardcover books sold over a 3-year period in a particular city.

	E-books	Hardcover Books
Year 1	23 000	72 000
Year 2	52 000	59 000
Year 3	106 000	31 000

TABLE 2-3

63) Refer to Table 2-3. Between Year 1 and Year 3, what is the percentage change in sales of hardcover books? 63) \_\_\_\_\_

- A) -0.569%      B) -56.9%      C) 56.9%      D) -569%      E) 0.569%

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

64) For a given year, an index number of average prices across the economy (such as the Consumer Price Index) is the ratio of the 64) \_\_\_\_\_

- A) weighted prices of a typical bundle of goods purchased in a given year to that in the base year.  
B) weighted prices of a typical bundle of goods purchased in the base year to that in the given year.  
C) price of several goods in the given year to that in the base year.  
D) average price of several goods in the base year to that in the given year.  
E) average price of all goods in the given year to that in the base year.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

65) An economic model that contains a highly realistic set of assumptions is 65) \_\_\_\_\_

- A) certainly superior to a model whose assumptions are highly unrealistic.  
B) more abstract than a model whose assumptions are further removed from reality.  
C) useful because there is then very little difference between "theory" and "reality."  
D) necessarily better able to predict the future.  
E) not likely to be useful because of its particularized nature and its complexity.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

66) When studying economic data, index numbers are especially valuable when comparing

66) \_\_\_\_\_

- A) linear and logarithmic data.
- B) relative movements in different variables measured in different units.
- C) time-series data with cross-sectional data.
- D) relative movements in real and nominal variables.
- E) government data with private-sector data.

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

The table below shows hypothetical data for volumes of e-books and hardcover books sold over a 3-year period in a particular city.

	E-books	Hardcover Books
Year 1	23 000	72 000
Year 2	52 000	59 000
Year 3	106 000	31 000

TABLE 2-3

67) Refer to Table 2-3. Between Year 1 and Year 3, what is the percentage change in sales of e-books?

67) \_\_\_\_\_

- A) 83 000%
- B) 360.9%
- C) 83%
- D) 21.7%
- E) 460.9%

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

68) Which is the best description of positive statements? Positive statements

68) \_\_\_\_\_

- A) form the basis of all normative arguments.
- B) have been verified by appeal to factual evidence.
- C) have no place in economics because economics deals only with value judgments.
- D) are falsifiable in principle by appeal to factual evidence.
- E) are seldom employed in social sciences like economics.

Answer: D

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 69) As a science, economics is disadvantaged in that 69) \_\_\_\_\_
- A) some economic variables are determined within the theory.
  - B) economic variables do not change enough to provide reliable data for testing hypotheses.
  - C) it deals with human behaviour and thus is not open to empirical testing.
  - D) it is usually not possible to conduct controlled experiments in economics, in contrast with certain other sciences.
  - E) economic hypotheses cannot be accepted with complete certainty, by contrast with the other sciences.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

- 70) Which of the following best describes the relationship between positive and normative statements in economics? 70) \_\_\_\_\_
- A) Neither positive nor normative statements are concerned with the desirability of certain economic changes.
  - B) Normative statements evaluate the desirability of certain economic changes; positive statements do not.
  - C) Normative statements are those with which all economists agree; positive statements may give rise to some disagreement.
  - D) Economists generally agree with each other regardless of whether a question is positive or normative.
  - E) Positive and normative statements are alternate ways of describing the desirability of certain economic policies.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 71) An economist has data showing Canadian GDP for the years 1945-2012. The best way to illustrate these data is 71) \_\_\_\_\_
- A) a cross-sectional bar-chart graph.
  - B) a time-series pie chart.
  - C) a time-series line graph.
  - D) a logarithmic scale diagram.
  - E) a scatter diagram.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

72) The statement that a 2% increase in the money supply leads to a 2% increase in the price level is an example of a(n) \_\_\_\_\_ 72) \_\_\_\_\_  
A) model.  
B) normative statement.  
C) variable.  
D) prediction.  
E) assumption.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

73) Suppose that a particular theory predicts that on sunny days consumption of ice cream will rise and that on cloudy days consumption of ice cream will fall. If an economist tests this theory and finds that over a six-month period the theory predicts accurately, the economist would likely say \_\_\_\_\_ 73) \_\_\_\_\_  
A) the evidence fails to reject the theory.  
B) the theory shouldn't be taken seriously.  
C) the theory has been proven correct.  
D) that the theory is not useful because consumption involves irrational human behaviour.  
E) the theory is always reliable.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

74) Suppose a theory predicts that lowering tuition fees at Canadian universities will increase enrollment from low-income households. If empirical evidence consistently rejects this prediction, then we \_\_\_\_\_ 74) \_\_\_\_\_  
A) should test the theory again.  
B) need to amend the theory.  
C) change the exogenous variables in the theory.  
D) should change the empirical data.  
E) should increase tuition fees back to their initial level.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

75) A scientific prediction is

75) \_\_\_\_\_

- A) always based on the law of large numbers.
- B) a conditional statement of the following form: if A occurs, then B will follow.
- C) a causal statement of the following form: A will occur because B occurred.
- D) a prophecy of how the future will unfold.
- E) not testable.

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

The table below shows hypothetical per-minute cell phone charges for "pay-and-talk" service over several years.

2008	0.55
2009	0.50
2010	0.40
2011	0.35
2012	0.25

TABLE 2-2

76) Refer to Table 2-2. Assume that 2008 is used as the base year, with the index number = 100. What is the percentage change in the per-minute charge from 2011 to 2012?

76) \_\_\_\_\_

- A) -35.0%
- B) -25.0%
- C) -10.0%
- D) -71.4%
- E) -28.6%

Answer: E

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

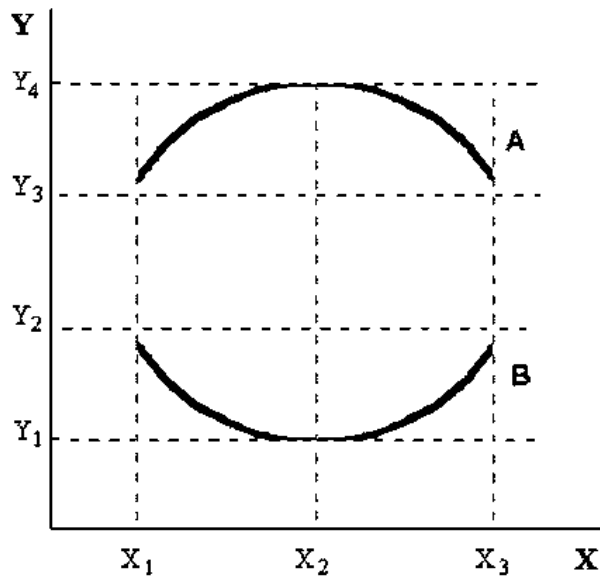


FIGURE 2-3

- 77) Refer to Figure 2-3. On curve A, the maximum value of Y occurs at
- A)  $X_1$ .
  - B)  $X = 0$ .
  - C)  $X_2$ .
  - D) values of X greater than  $X_3$ .
  - E)  $X_3$ .

77) \_\_\_\_\_

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 78) Suppose there is a linear relationship between the ticket price (P) to a university basketball game and the number of tickets sold (Q). If the ticket price is \$20, then 600 tickets are sold; if the ticket price is \$8, then 3000 tickets are sold. What is the slope of the function if Q is plotted on the horizontal axis and P is plotted on the vertical axis?

78) \_\_\_\_\_

- A) 0.005
- B) -0.005
- C) -0.05
- D) 0.05
- E) 0

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

79) In order to test a theory, one must

79) \_\_\_\_\_

- A) use assumptions that most closely reflect reality.
- B) develop normative statements from the law of large numbers.
- C) confront the predictions of the theory with evidence.
- D) present a series of normative statements and positive statements.
- E) develop a better explanation than the one presented.

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

80) Which of the following is a normative statement?

80) \_\_\_\_\_

- A) A reduction in export taxes on petroleum would result in higher wages.
- B) The higher is the level of taxes, the higher are wage demands.
- C) The higher is the level of taxes, the lower is consumption spending.
- D) A free-trade agreement between two countries will result in an increase in trade.
- E) Tuition fees should be waived for low-income students.

Answer: E

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

The table below shows hypothetical data for volumes of e-books and hardcover books sold over a 3-year period in a particular city.

	E-books	Hardcover Books
Year 1	23 000	72 000
Year 2	52 000	59 000
Year 3	106 000	31 000

TABLE 2-3

81) Refer to Table 2-3. Suppose we choose Year 1 as the base year and construct a series of index numbers with which to analyze the sales data. The index numbers for volumes of e-books sold (starting with Year 1) is:

81) \_\_\_\_\_

- A) 100; 226.1; 460.9
- B) 1; 0.442; 0.217
- C) 23 000; 52 000; 106 000
- D) 100; 126.1; 360.1
- E) 100; 44.2; 21.7

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 82) If a theory's prediction is tested and rejected, 82) \_\_\_\_\_
- A) a new hypothesis is usually suggested and tested.
  - B) it is rejected with certainty, because it is not possible to reject a hypothesis that is actually true.
  - C) inquiry into the matter should cease.
  - D) the original data and assumptions should be discarded.
  - E) the statistical tolerance of risk for accepting a false hypothesis should be increased.

Answer: A

- Explanation: A)  
B)  
C)  
D)  
E)

- 83) Which of the following statements belongs more properly in the field of normative economics than positive economics? 83) \_\_\_\_\_
- A) When a drought occurs, the price of vegetables tends to rise.
  - B) Technological change has reduced the cost of cell phone service.
  - C) The price of one Canadian dollar is \$0.85 U.S.
  - D) Canadian governments should provide assistance to the auto industry.
  - E) An increase in the minimum wage leads to more unemployment.

Answer: D

- Explanation: A)  
B)  
C)  
D)  
E)

- 84) Data collected of several variables but for the same time period are called 84) \_\_\_\_\_
- A) logarithmic data.
  - B) time-series data.
  - C) time-analysis data.
  - D) cross-sectional data.
  - E) topographic data.

Answer: D

- Explanation: A)  
B)  
C)  
D)  
E)



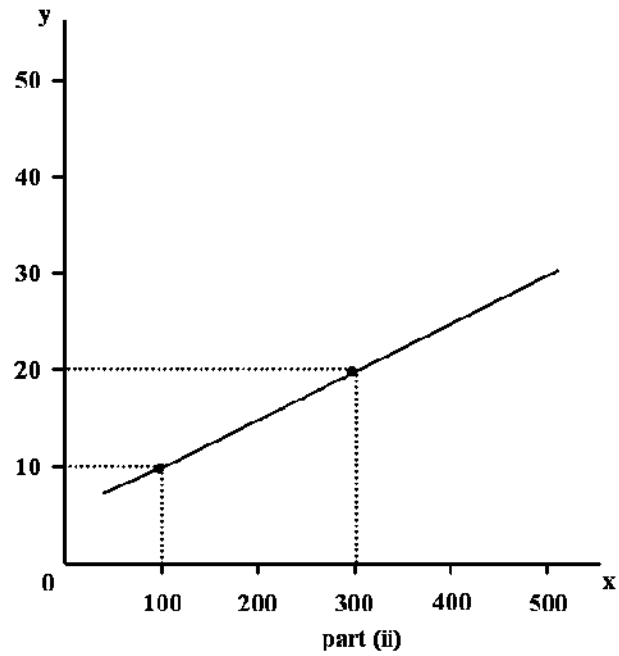
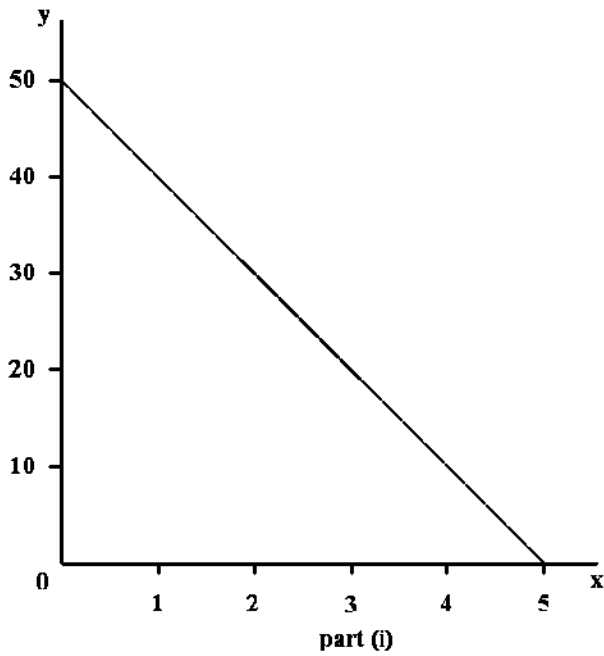


FIGURE 2-1

85) Refer to Figure 2-1. What is the slope of the line in part (ii) of the figure?

- A) 12.5                      B) 0.05                      C) -12.5                      D) 1                      E) 0.08

85) \_\_\_\_\_

Answer: B

- Explanation:    A)  
                       B)  
                       C)  
                       D)  
                       E)

86) A theory

- A) can only be tested with a controlled experiment.  
 B) enables one to make prophecies about the future.  
 C) is designed to explain and predict what we observe.  
 D) is used to impose order on the world.  
 E) assumes definitions for variables.

86) \_\_\_\_\_

Answer: C

- Explanation:    A)  
                       B)  
                       C)  
                       D)  
                       E)

- 87) Choose the statement that best characterizes an economic theory. A valid theory
- A) appeals to the law of large numbers.
  - B) generates a hypothesis that can predict future events.
  - C) allows one to deduce a normative statement.
  - D) extrapolates from the past behaviour of a variable to predict its future course.
  - E) allows one to prove irrefutably one's hypothesis.

87) \_\_\_\_\_

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 88) The slope of a straight line is necessarily
- A) increasing as one moves up the line.
  - B) negative.
  - C) positive.
  - D) constant.
  - E) zero.

88) \_\_\_\_\_

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

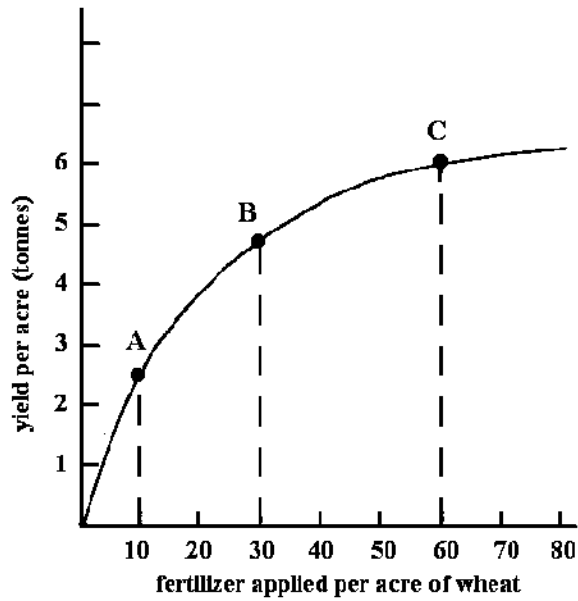


FIGURE 2-4

89) Refer to Figure 2-4. Suppose we draw a straight line tangent to point B of the non-linear function. The straight line has a slope of 0.075. What information is conveyed to us by this measurement?

89) \_\_\_\_\_

- A) At point B, if one additional unit of fertilizer is applied per acre, the marginal response is 0.075 tonnes of wheat per acre.
- B) At point B, when fertilizer is applied at a rate of 30 units per acre, the yield is 0.075 tonnes per acre.
- C) Because point B is midway between point A and point C, the yield per acre is 0.075 tonnes of wheat when fertilizer applied is between 10 and 60 units per acre.
- D) At point B, the marginal response to the application of 30 units of fertilizer per acre is 0.075 tonnes of wheat.
- E) At point B, the marginal response to the application of 0.075 units of fertilizer is between 4 and 5 tonnes per acre.

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

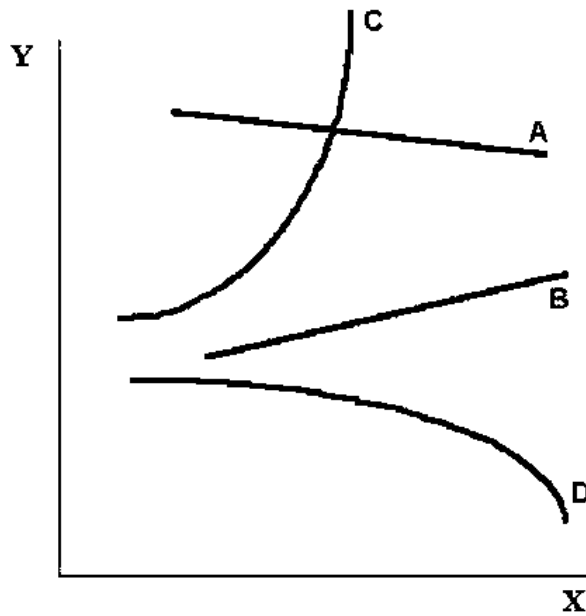


FIGURE 2-2

90) Refer to Figure 2-2. The slope of curve C is

90) \_\_\_\_\_

- A) impossible to describe.
- B) negative and changing.
- C) positive and changing.
- D) positive and constant.
- E) negative and constant.

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

91) According to the Bank of Canada's website, Canada's Consumer Price Index (CPI) in August 2009 was 114.7, August 2010 was 116.7, August 2011 was 120.3 and August 2012 was 121.8. Given this set of index numbers, what can we conclude about average prices in Canada between August 2009 and August 2012?

91) \_\_\_\_\_

- A) average prices decreased each year
- B) average prices increased each year
- C) average prices decreased over this time period by 7.1%
- D) average prices increased over this time period by 21.8%
- E) average prices increased over this time period by 7.1%

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

92) Suppose there is a theory that several things influence the price of fish in Halifax, one of which is the weather during the fishing season. When examining the determinants of the price of fish, the weather is

92) \_\_\_\_\_

- A) an exogenous variable, as it is determined outside the theory.
- B) an act of God and, therefore, has no legitimate connection with the theory.
- C) a stock, as it influences the quantity of fish caught.
- D) an endogenous variable, as it is determined within the theory.
- E) an endogenous variable, as it influences the price of fish.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

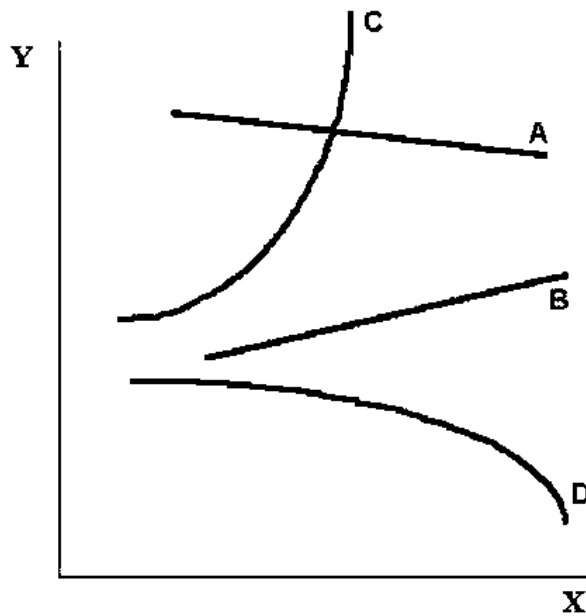


FIGURE 2-2

93) Refer to Figure 2-2. The slope of curve B is

93) \_\_\_\_\_

- A) positive and constant.
- B) positive and changing.
- C) negative and constant.
- D) undefined.
- E) negative and changing.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

94) On a coordinate graph, what is the Y intercept of the function  $X = 60 + 3Y$ ? 94) \_\_\_\_\_  
A) 3.0                      B) -20                      C) 0.1                      D) 20                      E) 60

Answer: B  
Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

95) The assumptions of a theory 95) \_\_\_\_\_  
A) are indirectly refuted if and when the theory itself is rejected by empirical observation.  
B) are not necessary for the scientific approach.  
C) are supposed to be as unrealistic as possible.  
D) are assumed to be true even when empirical observation rejects the predictions of the theory.  
E) must be realistic if the theory is to be of any use.

Answer: A  
Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

96) Suppose Ahmoud would spend \$1200 per year on travel, even if his annual income were zero. As 96) \_\_\_\_\_  
his income rises, he would spend 20% of each additional dollar of income on travel. Choose the  
correct mathematical equation that describes the functional relation between his travel spending (T)  
and his income (Y).  
A)  $T = 0.2 + 1200Y$   
B)  $Y = 1200 + 0.2T$   
C)  $T = 1200 + 0.2Y$   
D)  $Y = 1200 - 0.2T$   
E)  $T = 1200 + 0.8Y$

Answer: C  
Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

97) The slope of a curve is 97) \_\_\_\_\_  
A) always constant.  
B) always negative.  
C) positive if the curve rises to the right.  
D) always positive.  
E) negative if the curve rises to the right.

Answer: C  
Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

98) Suppose point A represents co-ordinates (X=10, Y=12) and point B represents co-ordinates (X=5, Y=7). The slope of the straight line joining points A and B is 98) \_\_\_\_\_  
A) 1.                      B) 3/2.                      C) -1.                      D) 5/6.                      E) 2/3.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

99) Suppose that a particular theory predicts that on Monday, Wednesday, and Friday the stock market will rise and that on Tuesday and Thursday the stock market will fall. If an economist tests this theory and finds that over a six-month period the theory predicts accurately, the economist would likely say that the theory 99) \_\_\_\_\_  
A) has been proven correct.  
B) shouldn't be taken seriously.  
C) is reliable.  
D) is not rejected by the evidence.  
E) is not useful because stock markets involve irrational human behaviour.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

100) Consider the following equation:  $Y = 10 + 5X - X^2$ . This equation is an expression of 100) \_\_\_\_\_  
A) two independent variables in a functional relation.  
B) a functional relation in a schedule format.  
C) a functional relation in a verbal format.  
D) a functional relation between X and Y.  
E) two dependent variables in a functional relation.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

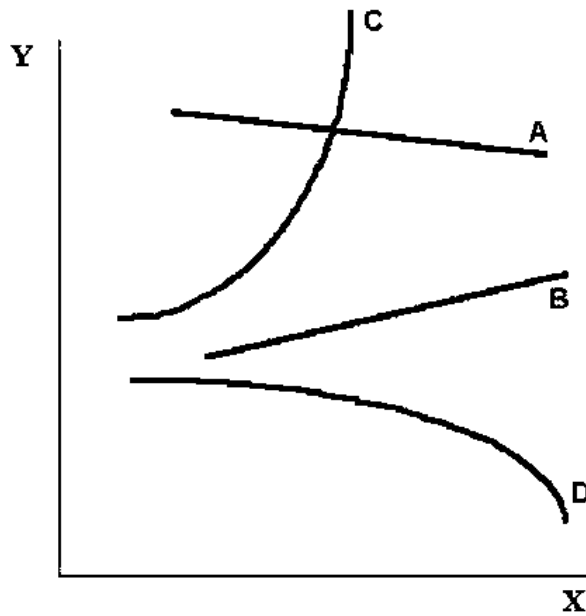


FIGURE 2-2

101) Refer to Figure 2-2. The slope of curve D is

101) \_\_\_\_\_

- A) negative and constant.
- B) positive and constant.
- C) undefined.
- D) negative and changing.
- E) positive and changing.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

102) Of the following, which is the most important characteristic of a successful theory?

102) \_\_\_\_\_

- A) all assumptions on which the theory is based are true
- B) the theory allows us to predict behaviour reasonably accurately
- C) the theory provides a basis for facts about economic behaviour
- D) the theory adequately explains all economic behaviour
- E) the theory could never be refuted

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)



103) A scatter diagram 103) \_\_\_\_\_  
A) is a graph of a theoretical relationship between two variables.  
B) plots a series of observations, showing the relationship between two variables.  
C) relates time series data only.  
D) relates cross-sectional data only.  
E) shows the dependence of one variable on another.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

104) Choose the statement that best characterizes an economic theory. An economic theory 104) \_\_\_\_\_  
A) must be judged on its ability to explain and predict real-world phenomena.  
B) is only useful if its underlying assumptions are realistic.  
C) will predict more accurately if it contains a greater number of mathematical equations.  
D) will be useful only if all human behaviour is rational.  
E) will be useful as long as it is logically consistent.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

105) If the graph of a function is a horizontal line, the slope of this line is 105) \_\_\_\_\_  
A) undefined.  
B) -1.  
C) 0.  
D) infinity.  
E) 1.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

106) Negatively related variables change such that as the value of one variable 106) \_\_\_\_\_  
A) increases, the value of the other decreases.  
B) increases, the value of the other variable remains the same.  
C) decreases, the value of the other variable remains the same.  
D) decreases, the value of the other variable decreases.  
E) increases, the value of the other variable increases.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

107) When an increase in one variable is associated with a decrease in a second variable, the two variables are 107) \_\_\_\_\_  
A) inversely proportionally related.  
B) positively related.  
C) negatively related.  
D) proportionally related.  
E) equivalent.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

108) Disagreements over positive statements 108) \_\_\_\_\_  
A) are best handled by an appeal to the facts.  
B) are basically devoid of any emotion.  
C) never occur.  
D) cannot arise because positive statements are facts.  
E) arise from the failure to distinguish between a positive and a normative statement.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

109) If we seek to explain the number of seats sold on a particular air route, say Toronto to Halifax, over a one-year period, we would consider many variables. Which of the following variables would be *endogenous* to our theory? 109) \_\_\_\_\_  
A) the number of airline seats sold on this route  
B) the price of jet fuel  
C) the average salary of Canadian airline pilots  
D) the number of fog days in Halifax  
E) the unemployment rate in Toronto

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

110) Using the scientific method to approach an economic issue involves

110) \_\_\_\_\_

- A) formulating normative statements about it.
- B) considering stock and flow variables.
- C) finding the correct data to validate the theory.
- D) building a theory to explain the issue and then determining if the theory can be refuted by evidence.
- E) the use of controlled experiments to confirm the evidence presented by the data.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

The table below shows hypothetical per-minute cell phone charges for "pay-and-talk" service over several years.

2008	0.55
2009	0.50
2010	0.40
2011	0.35
2012	0.25

TABLE 2-2

111) Refer to Table 2-2. Assume that 2008 is used as the base year, with the index number = 100. The value of the index number in 2012 is

111) \_\_\_\_\_

- A) 45.45                      B) 0.45                      C) 25.0                      D) 2.5                      E) 0.25

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

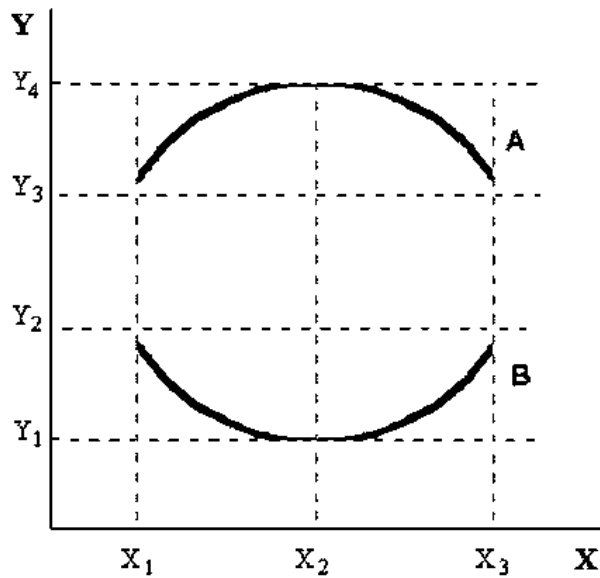


FIGURE 2-3

112) Refer to Figure 2-3. At  $X_2$  on curve A, the

112) \_\_\_\_\_

- A) minimum occurs at  $Y_4$ .
- B) slope is increasing.
- C) slope of the curve is zero.
- D) maximum occurs at  $Y_1$ .
- E) slope is decreasing.

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

113) At the minimum or the maximum of the graph of a non-linear function (with  $x$  on the horizontal axis and  $y$  on the vertical axis) the marginal response of  $y$  to a small change in  $x$  is

113) \_\_\_\_\_

- A) 0.
- B) 1.
- C) undefined.
- D) -1.
- E) infinite.

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

114) On a coordinate graph, what is the X intercept of the function  $X = 60 + 3Y$ ? 114) \_\_\_\_\_  
A) 0                      B) -20                      C) 60                      D) 20                      E) -60

Answer: C

Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

115) Suppose an economist tells you that the unemployment rate in Canada last year was 7.8%. This is an example of a(n) \_\_\_\_\_ statement. 115) \_\_\_\_\_

- A) induced
- B) imputed
- C) normative
- D) positive
- E) autonomous

Answer: D

Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

116) Suppose economists at the Department of Finance in Ottawa employ an economic model that predicts the effects of an increase in the GST. After implementation of the change, researchers find that the empirical data rejects the prediction. They are likely to 116) \_\_\_\_\_

- A) reject the empirical data as faulty because it did not support the theory.
- B) modify the theory in light of this newly acquired empirical knowledge.
- C) modify the prediction in light of the new evidence.
- D) ignore the empirical evidence and continue using the model.
- E) modify the data to suit the definitions and assumptions.

Answer: B

Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

117) Consider the functional relationship between two variables, X and Y. If Y is an increasing function of X, then 117) \_\_\_\_\_

- A) X remains constant as Y increases.
- B) Y increases when X increases.
- C) X decreases when Y increases.
- D) Y decreases when X increases.
- E) Y increases when X decreases.

Answer: B

Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

118) When it is said that variable A depends on variable B, then A is

118) \_\_\_\_\_

- A) a function of B.
- B) a derivative of B.
- C) proportional to B.
- D) independent of B.
- E) partially exclusive of B.

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

119) Economics is scientific because

119) \_\_\_\_\_

- A) economists routinely conduct laboratory experiments.
- B) economists use data.
- C) economists test hypotheses by appealing to empirical evidence.
- D) individual behaviour is predictable.
- E) economists routinely conduct controlled experiments.

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

The table below shows hypothetical tuition costs at a Canadian university.

Year	Tuition
2008	\$5000
2009	\$5050
2010	\$5100
2011	\$5150
2012	\$5200

TABLE 2-1

120) Refer to Table 2-1. Assume that 2008 is used as the base year, with the index number = 100. The value of the index number in 2010 is calculated as follows:

120) \_\_\_\_\_

- A)  $5100/5000 = 1.02$
- B)  $(5100/5000) \times 100 = 102$
- C)  $5100/5100 = 100$
- D)  $(5000/5100) \times 100 = 98$
- E)  $5000/5100 = 0.98$

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

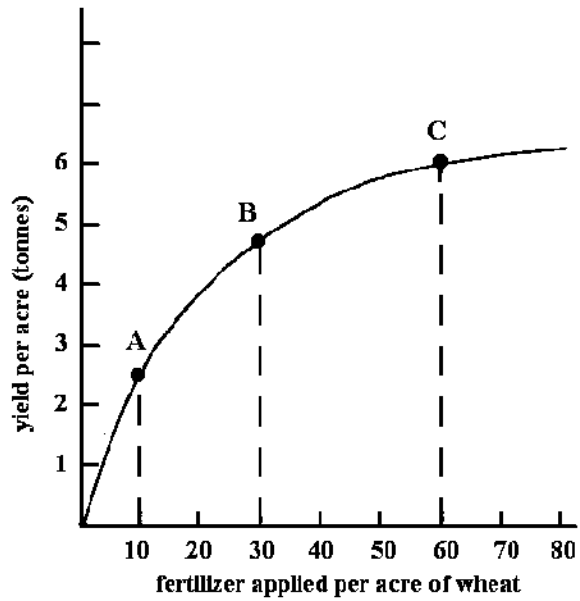


FIGURE 2-4

121) Refer to Figure 2-4. The slope of the non-linear function changes as we move along the curve. The slope is \_\_\_\_\_

- A) negative and decreasing, indicating a diminishing marginal response.
- B) constant at all points, indicating a constant marginal response.
- C) negative and increasing, indicating an increasing marginal response.
- D) positive and increasing, indicating an increasing marginal response.
- E) positive and decreasing, indicating a diminishing marginal response.

Answer: E

Explanation: A)  
 B)  
 C)  
 D)  
 E)

The table below shows hypothetical tuition costs at a Canadian university.

Year	Tuition
2008	\$5000
2009	\$5050
2010	\$5100
2011	\$5150
2012	\$5200

TABLE 2-1

- 122) Refer to Table 2-1. The increase in tuition fees from 2008 to 2012 is 122) \_\_\_\_\_  
A) 100/5000.      B) 200/5200.      C) 4%.      D) 200.      E) 0.04%.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

- 123) When considering how a family's level of consumption changes in response to changes in its income, 123) \_\_\_\_\_  
A) both of the variables are independent.  
B) consumption is the dependent variable and income is the independent variable.  
C) income is the dependent variable and family consumption is the independent variable.  
D) there is no relationship between the variables.  
E) both of the variables are dependent.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 124) A hypothesis (or a prediction) is a statement about 124) \_\_\_\_\_  
A) how assumptions affect theories.  
B) the relationship between facts explained by the hypothesis.  
C) how two or more variables are related to each other.  
D) what will happen in the future.  
E) those things which we believe to be true, but cannot prove.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)



125) Positively related variables change such that as the value of one variable

125) \_\_\_\_\_

- A) decreases, the value of the other variable decreases.
- B) decreases, the value of the other variable increases.
- C) decreases, the value of the other variable remains the same.
- D) increases, the value of the other variable decreases.
- E) increases, the value of the other variable remains the same.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

Answer Key  
Testname: C2

- 1) A
- 2) A
- 3) D
- 4) A
- 5) B
- 6) A
- 7) C
- 8) B
- 9) A
- 10) D
- 11) A
- 12) B
- 13) B
- 14) D
- 15) D
- 16) B
- 17) A
- 18) D
- 19) A
- 20) A
- 21) B
- 22) B
- 23) D
- 24) A
- 25) B
- 26) B
- 27) E
- 28) E
- 29) C
- 30) E
- 31) D
- 32) E
- 33) D
- 34) B
- 35) D
- 36) C
- 37) E
- 38) B
- 39) E
- 40) B
- 41) D
- 42) D
- 43) A
- 44) E
- 45) B
- 46) C
- 47) B
- 48) E
- 49) A
- 50) E

Answer Key  
Testname: C2

- 51) A
- 52) C
- 53) B
- 54) B
- 55) D
- 56) B
- 57) A
- 58) A
- 59) A
- 60) C
- 61) D
- 62) C
- 63) B
- 64) A
- 65) E
- 66) B
- 67) B
- 68) D
- 69) D
- 70) B
- 71) C
- 72) D
- 73) A
- 74) B
- 75) B
- 76) E
- 77) C
- 78) B
- 79) C
- 80) E
- 81) A
- 82) A
- 83) D
- 84) D
- 85) B
- 86) C
- 87) B
- 88) D
- 89) A
- 90) C
- 91) B
- 92) A
- 93) A
- 94) B
- 95) A
- 96) C
- 97) C
- 98) A
- 99) D
- 100) D

Answer Key  
Testname: C2

- 101) D
- 102) B
- 103) B
- 104) A
- 105) C
- 106) A
- 107) C
- 108) A
- 109) A
- 110) D
- 111) A
- 112) C
- 113) A
- 114) C
- 115) D
- 116) B
- 117) B
- 118) A
- 119) C
- 120) B
- 121) E
- 122) C
- 123) B
- 124) C
- 125) A