

Question 1: The supply curve slopes upward demonstrating that at:

- Higher prices firms will increase output
- Higher prices firms will decrease output
- Lower prices firms will increase output
- None of the given

Question 2: Which of the following is a branch of economics that deals with observations of real economic facts?

- Normative economics
- Positive economics
- Welfare economics
- All of the given

Question 3: Three basic decisions must be made by all economies. What are they?

- how much will be produced; when it will be produced; how much it will cost
- what the price of each good will be; who will produce each good; who will consume each good
- what will be produced; how goods will be produced; for whom goods will be produced
- how the opportunity cost principle will be applied; if and how the law of comparative advantage will be utilized; whether the production possibilities constraint will apply

Question 4: Coffee and tea are considered as substitutes if price of coffee increases then it will shift

- Demand curve for tea towards left
- Supply curve for tea towards left
- Demand curve for coffee towards right
- Demand curve for tea towards right

Question 5: If an economy is operating at a point inside the production possibilities curve,

- its resources are being wasted.
- the curve will begin to shift inward.
- the curve will begin to shift outward.
- This is a trick question because an economy cannot produce at a point inside the curve.

Question 6: Indifference curve cannot slope upward due to the assumption of

- More of any good is preferred to less
- Preferences are transitive
- Preferences are complete
- None of the given