

ECON 2106 Principles of Microeconomics
Assignment #1 (Chapter 3)

Name _____

- _____ 1. Households act as suppliers when they provide
- goods and services to firms and governments
 - resources to firms and governments
 - tax payments to governments
 - the demand for only what firms supply or make available
 - money to firms in exchange for goods and services
- _____ 2. The increased labor force participation of married women in the United States is most often explained by
- declining productivity in agricultural production
 - a rise in average household size
 - increased education and an increased demand for labor
 - the decreased opportunity cost of working in the home
 - declining productivity in household production
- _____ 3. The term "utility" means
- satisfaction
 - a low-valued good
 - productivity
 - adaptability
 - efficiency
- _____ 4. The statement "Households maximize utility" means that households
- try to be as useful as possible to the economy
 - are only interested in maximizing their earnings
 - are assumed to buy useful things before they buy luxuries
 - are only interested in acquiring material wealth
 - are assumed to do what they think will increase their satisfaction
- _____ 5. Which resource generates the largest share of the income in the United States?
- labor
 - land
 - capital
 - entrepreneurial ability
 - money
- _____ 6. Luigi owns and operates a small restaurant. The income he receives from the restaurant is classified as
- saving
 - proprietor's income
 - wages and salaries
 - rental income
 - Dividends

- _____ 7. Which of the following is an example of a durable good?
- food prepared at home
 - food eaten at a restaurant
 - high-fashion clothing
 - binoculars
 - motor oil
- _____ 8. Raghib teaches mathematics at Camford University and receives \$40,000 per year. His spouse, Noraini, works as a self-employed computer programmer and charges \$40 per hour. Which of the following is true?
- Raghib's income is personal interest; Noraini's is wages
 - Raghib's income is a salary; Noraini's is personal interest
 - Both Raghib and Noraini receive proprietor's income
 - Both Raghib and Noraini receive wage or salary income
 - Raghib's income is a salary, and Noraini's income is a proprietor's income
- _____ 9. Which of the following is the category to which the largest portion of households' personal income is allocated?
- taxes collected by government
 - savings
 - purchases of services
 - purchases of durable goods
 - purchases of nondurable goods
- _____ 10. Which of the following is one of the advantages of the sole proprietorship?
- separation of ownership and control
 - limited liability for business debt
 - transferability of ownership and firm continuity over time
 - ease of start-up
 - ease of obtaining financing
- _____ 11. Brian is the sole proprietor owner of Long Voyage Software, which generates maps for wilderness trips. He started the business with an initial investment of \$80,000. A faulty map caused one customer to get hopelessly lost. After her rescue and recuperation, she sued Long Voyage for \$5,000,000. Which of the following is true?
- The customer can be awarded only \$80,000--what the firm has available to pay.
 - The customer can be awarded \$5,000,000 but can get only \$80,000.
 - The customer can be awarded \$5,000,000, but Brian personally won't have to pay more than \$80,000.
 - If \$5,000,000 is awarded, Brian will have to pay none of it.
 - If \$5,000,000 is awarded, Brian is personally responsible for paying all of it.
- _____ 12. In terms of the numbers of firms in the U.S. economy, the most common type of firm is the
- corporation
 - partnership
 - sole proprietorship
 - nonprofit organization
 - limited partnership corporation
- _____ 13. You own stock worth an estimated \$1 million in the LPL Corporation. In addition, you have personal assets worth another \$2 million. LPL becomes insolvent, with debts exceeding assets by \$15 million. Your personal wealth will decline by
- \$0
 - \$1 million
 - \$1.5 million
 - \$3 million
 - your proportion of the total outstanding stock shares times \$15 million

- _____ 14. Which of the following is a disadvantage of the corporation compared to the sole proprietorship?
- limited liability
 - difficulty raising start-up money
 - lack of profitability
 - corporate income is taxed twice
 - corporations are more vulnerable in the case of the death of an owner
- _____ 15. Which of the following is the best example of a public good?
- Food in a grocery store
 - Police services
 - Trash removal
 - A restaurant meal
 - An iPad
- _____ 16. Which of the following is a reason why government is a participant in a market-oriented economy?
- to enforce contracts and protect private property
 - to promote collusion
 - to promote the growth of natural monopolies
 - to provide more inequality in the distribution of income
 - all of the above
- _____ 17. A public good is one that is supplied to
- only people who pay for it
 - only people who do not pay for it
 - all people, regardless of whether they pay or not
 - the government from private firms
 - foreign governments from our federal government
- _____ 18. Which of the following would *not* be considered a role of the government?
- promoting competition
 - providing public goods
 - providing negative externalities
 - regulating natural monopolies
 - safeguarding private property and enforcing contracts
- _____ 19. Which of the following best defines foreign exchange?
- a trade between two countries
 - the market where exporting and importing activities take place
 - the price of a currency relative to another currency
 - the currency of another country used for trading
 - the dollars that the United States uses to buy goods from other countries
- _____ 20. Trade restrictions can take any of the following forms *except* one. Which is the exception?
- tariffs
 - free trade agreements
 - quotas
 - voluntary trade restrictions
 - health and safety restrictions