

**Econ 1311**  
**Principles of Microeconomics**  
**Spring 2006**  
**Quiz 2**

Name:

Section #:

You have 10 minutes to finish the quiz. Each question is worth 1 point.  
Good Luck!

A nation produces only two goods – yak butter and rutabagas. Three alternative combinations of production that are on its PPF are given in the Table below. Use the Table to answer questions 1 – 3.

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Production Possibilities  
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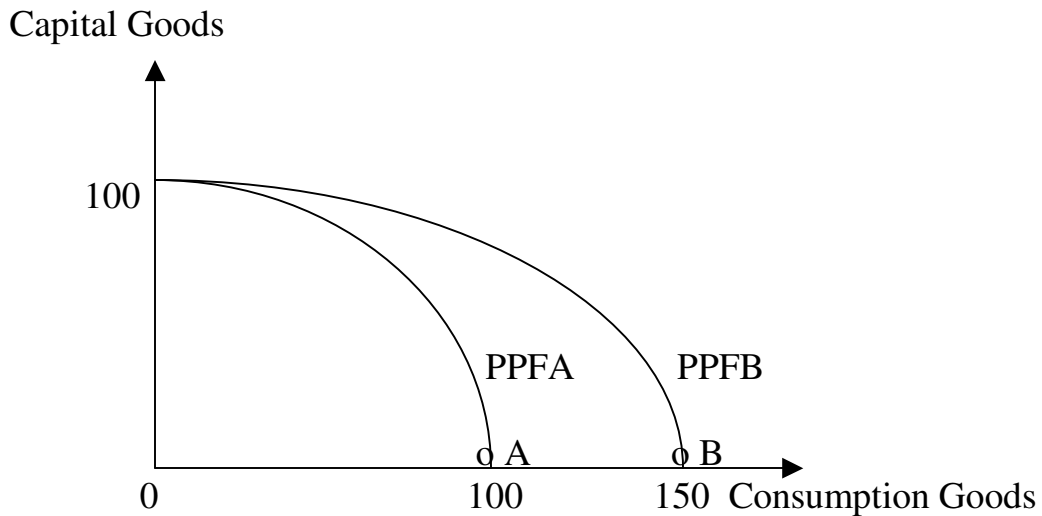
Possibility	Pounds of yak butter	Number of rutabagas
A	600	0
B	400	100
C	0	200

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1. In moving from production combination A to B, the opportunity cost of producing more rutabagas is
  - a. 6 pounds of yak butter per rutabaga
  - b. 4 pounds of yak butter per rutabaga
  - c. 2 pounds of yak butter per rutabaga
  - d. 0 pound of yak butter per rutabaga

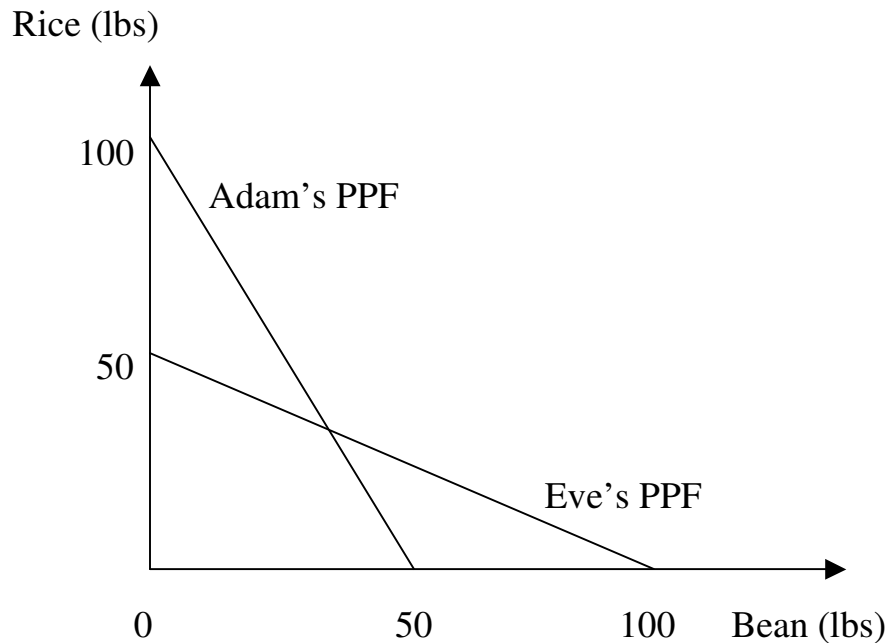
2. In moving from production combination B to A, the opportunity cost of producing more pounds of yak is
  - a. 1/10 rutabaga per pound of yak butter
  - b. 1/2 rutabaga per pound of yak butter
  - c. 1 rutabaga per pound of yak butter
  - d. 2 rutabagas per pound of yak butter
  
3. Producing 400 pounds of yak butter and 50 rutabagas is
  - a. not possible for this nation
  - b. possible and efficient
  - c. possible but inefficient
  - d. not possible but efficient
  
4. One of the opportunity costs of economic growth is
  - a. capital accumulation
  - b. technological change
  - c. reduced current consumption
  - d. gain in future consumption
  
5. As a country that has a bowed-out PPF produces more of the good in which it has a comparative advantage, the opportunity cost of a unit of that good -----.
  - a. might increase or decrease
  - b. remains the same
  - c. increases
  - d. decreases
  
6. Suppose that North Korea and South Korea open up trade. If each country specializes in the good in which it has a comparative advantage, ----- will gain from the trade because -----.
  - a. only North Korea; its CPF will lie outside its PPF
  - b. only South Korea; its CPF will lie outside its PPF
  - c. neither country; their CPF will not change
  - d. both countries; their CPF will lie outside their PPF

Refer to the diagram below to answer questions 7 and 8.



7. The opportunity cost of producing a unit of consumption good at point A on PPFA ----- the opportunity cost of producing a unit of consumption good at point B on PPFB.
  - a. is the same as
  - b. is less than
  - c. is greater than
  - d. cannot be compared with
  
8. Country A produces at point A on PPFA and country B produces at point B on PPFB. You would expect the opportunity cost of economic growth to be
  - a. greater in country A than in country B
  - b. equal in both countries but not equal to zero
  - c. greater in country B than in country A
  - d. equal to zero in both countries

Refer to the figure below to answer questions 9 and 10.



9. A comparison of Adam's PPF and Eve's PPF shows that
- Adam has a comparative advantage in production of bean
  - Adam has a higher opportunity cost in production of rice
  - Eve has a lower opportunity cost in production of rice
  - Eve has a comparative advantage in production of bean
10. If the terms of trade is 1 lb rice : 1 lb bean, then
- Adam will have incentive to trade but Eve will not
  - Eve will have incentive to trade but Adam will not
  - neither will have incentive to trade
  - both will have incentive to trade