

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 160 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I cannot give extra time because some students have a class after your class.

1) (10 points) Drawing directly on Figure #1, find EITHER the opportunity costs of the fourth hat OR the opportunity costs of the second iPod. Show all work.

2) (10 points) Answer EITHER Part A OR Part B.

A) What is wrong with the following statement? "When the cost of a raw material increases, it causes a reduction in supply. That drives the price up and reduces the demand. Therefore, both curves move to the left."

B) In figure #1, would the point (4.7, 0) be efficient, inefficient, or unattainable? Explain your logic.

3) (10 points) Answer EITHER Part A OR Part B.

A) Explain using terms from economics why you should not pull an all-nighter on the night of an exam.

B) If a student is explaining their opportunity costs of going to Bethany College, why can't they list both going to West Liberty University and having a full-time job?

4) (12 points) Answer EITHER Part A OR Part B.

A) Explain why the PPF takes its shape.

B) Explain how opportunity costs relate to the demand curve.

5) (18 points) Answer EITHER Part A OR Part B.

A) Draw the PPF for aluminum siding versus canned soda. Illustrate what happens when a new supply of aluminum is found. Explain why the curve moved as drawn.

B) Draw the PPF for tomatoes versus cars. Illustrate the effects of a drought. Explain why the curve moved as drawn.

6) (20 points each) Answer TWO of the following questions.

A) Draw the supply and demand for hats. Illustrate the effect(s) of a harsh winter. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Draw the supply and demand for lettuce. Illustrate the effect(s) of an increase in the pay to farm workers. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

C) Draw the supply and demand for textbooks. Illustrate the effect(s) of an increase in the price of Bibles. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

