# Microeconomics exam 

Economics, Microeconomics

## Fall 2012 Econ 201 Principles of Microeconomics Exam 1

Name ID \# $\qquad$ Part 1:

Answer only ONE of the questions. Write a short answer, using complete sentences. Part 2: Circle the correct response. Part 3: Answer each question, and if appropriate show the math you did to arrive at the answer. Part 1 Choose only ONE of these questions to explain (either $a, b$, or c). A. Suppose your sister is a better cook than you are, but you can clean more quickly than your sister.

If your sister did all the coking and you did all the cleaning, would your chores take you more or less time than if you divided each task evenly? Write a few sentences explaining this. B. You were planning to spend Saturday working at your part-time job, but your friend asks you to go skiing. What is the true cost of going skiing? Now suppose you had been planning to spend the day studying at the library. What is the cost of going skiing in this case? Write a few sentences explaining this. Fall 2012 Econ 201 Microeconomics Exam 1 A Figure 2-1 1. Refer to Figure 2-1. Which arrow represents the flow of goods and services? a. |A| b. | B|c. C| d. | D| 2. Refer to Figure 2-1. Which arrow represents the flow of spending by households? a. $|\mathrm{A}| \mathrm{b} .|\mathrm{B}| \mathrm{c} .|\mathrm{C}| \mathrm{d} .|\mathrm{D}|$ 3. Refer to Figure 2-1. Which arrow represents the flow of land, labor, and capital? a. |A| b. |B|c.|C|d.|D| 4. Refer to Figure 2-1. Which arrow represents the flow of income payments? a. |A|b.|B|c.| $C \mid$ d. | $D \mid 5$. Refer to Figure 2-1. Julio buys a new pair of shoes at a shoe store. To which of the arrows does this transaction directly contribute? a. | A
only| b. | A and B| c. | C only| d. | C and D| 6. Refer to Figure 2-1. Enid completes her first week of employment working as a hairdresser at a salon.

On Friday of that week, she receives her first paycheck. To which of the arrows does this transaction directly contribute? a. | B only| b. | A and B|c. | C only| d. | C and D| Fall 2012 Econ 201 Microeconomics Exam 1 Part 3: Suppose that in 24 hours, Kito can produce either 1) 3 baskets and 0 birdhouses, 2) 0 baskets and 12 birdhouses, or 3) some combination of both. In 24 hours Penda can produce either 1) 16 baskets and 0 birdhouses, 2) 0 baskets and 12 birdhouses, or some combination of both. 1. Graph the production possibilities frontier for baskets/birdhouses production of the two




 $\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|\|$. Assume that Kito and Penda each choose to produce a combination of baskets and birdhouses. Label the point on each person's graph if she were to divide her time equally between the production of baskets and birdhouses. 3 .

Which person has the absolute advantage in the production of Birdhouses? Baskets? || 4 . What is the opportunity cost of 1 basket for Kito? 1 basket for Penda? 1 birdhouse for Kito? 1 birdhouse for Penda? 5. Which person has a comparative advantage in Baskets? Birdhouses? 6. Which person should specialize in the production and export (sell) of baskets and should import
(buy) birdhouses? Which person should specialize in the production and export of birdhouses and should import baskets? 7. If one person were to sell birdhouses to the other, what is the lowest amount of baskets one person would be willing to accept and what is the highest amount of baskets the other person would be willing to pay?

