

## Hardest Questions from Final Exam Prep (Exam 2 & 3 Content)

### Practice Exam 3 (S24)

[Source: Practice Exam 3 (S24)] Question 2 (17%) If you love your job, the opportunity cost of working is \_\_\_\_\_ the opportunity cost of working if you dislike your job.

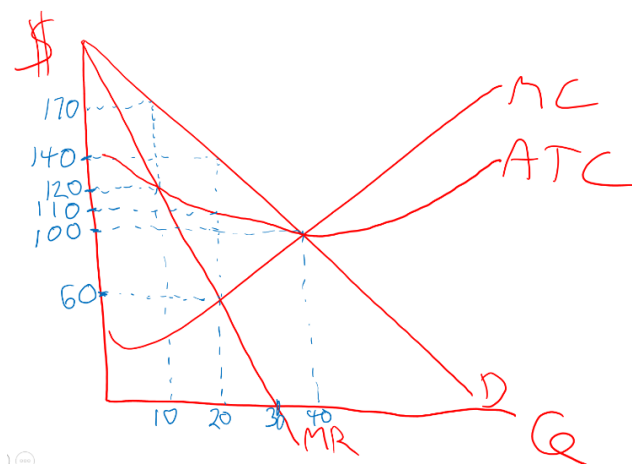
- higher than
- lower than
- the same as

[Source: Practice Exam 3 (S24)] Question 8 (31%) (Figure: Marginal Revenue) What is the marginal revenue of the sixth unit in the following example?



- Calculate and compare with the solution.

[Source: Practice Exam 3 (S24)] Question 16 (37%) What is the MOST profit this firm can earn?



- Calculate and compare with the solution.

**[Source: Practice Exam 3 (S24)] Question 15 (41%) Suppose a firm in an imperfectly competitive market sees an increase in its fixed costs. How will it respond to maximize profits?**

- it will change nothing
- it will increase its price
- it will increase its quantity
- it will increase both price and quantity

**[Source: Practice Exam 3 (S24)] Question 3 (50%) Elon Musk develops a new brain implant that makes all TESLA workers 20% more productive. All else equal, this means that TESLA's....**

- demand for labor will shift out resulting in more workers
- demand for labor will shift back resulting in fewer workers
- supply of labor will shift out resulting in more workers
- supply of labor will shift back resulting in fewer workers.
- average wage paid will decrease.

**[Source: Practice Exam 3 (S24)] Question 29 (52%) What info do you need to calculate a firm's profit? (choose all the things that you need but ONLY those things that you need)**

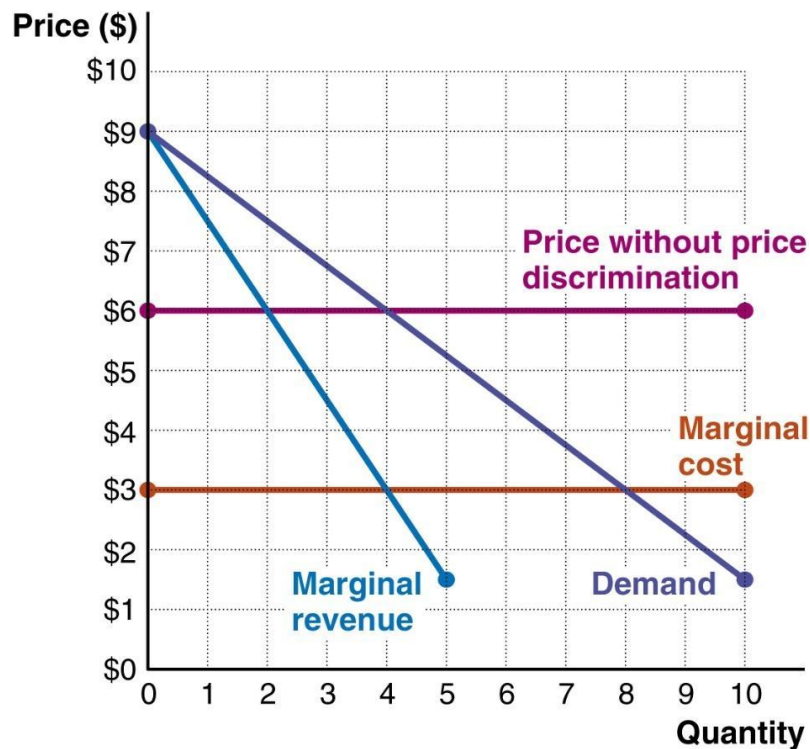
- marginal cost
- price
- average total cost
- average fixed cost
- quantity

**[Source: Practice Exam 3 (S24)] Question 23 (54%) Consider a prisoner's dilemma type game. If repeated, the result is more likely to be the same as the one-shot game (over and over again) if...**

- the game is repeated an unknown number of times
- the game is repeated a known, pre-determined number of times.
- the game is repeated for all of eternity.

**[Source: Practice Exam 3 (S24)] Question 17 (56%) Belinda runs the only bakery in town and so has a monopoly position in the cake market. She initially makes and sells the**

quantity of cakes at which her marginal cost equals her marginal revenue. After a period of time, however, she decides to use her market power to negotiate the selling price of each cake with its buyer. If she were to sell each cake at a price equal to the marginal benefit of the purchaser, Belinda's producer surplus (same as profit here) would go from [Select] to [Select]. Total surplus (profit plus consumer surplus here) would go from [Select] to [Select].



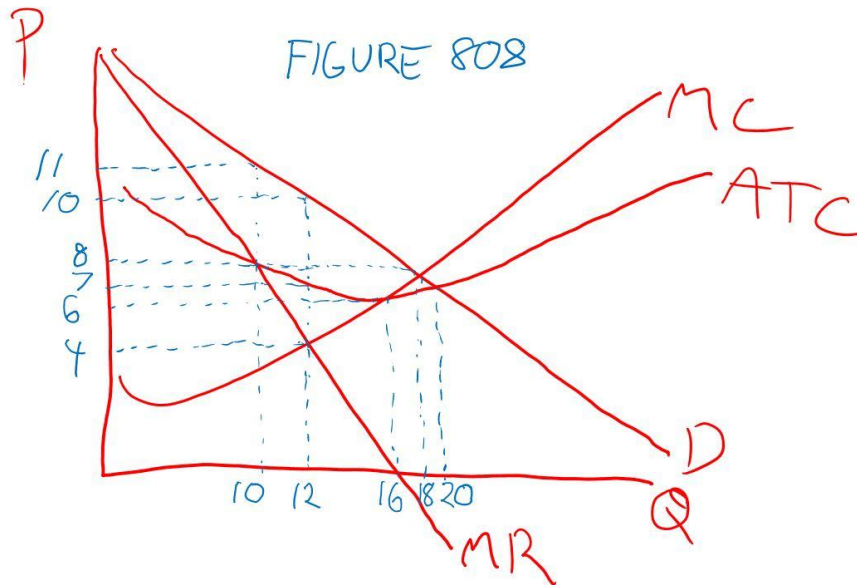
- Options are: 3, 6, 12, 18, 24, No Answer.

[Source: Practice Exam 3 (S24)] Question 4 (59%) A decrease in the price of capital will \_\_\_\_\_ the demand for labor if capital and labor are substitutes, and it will \_\_\_\_\_ the demand for labor if capital and labor are complementary inputs.

- increase; decrease
- increase; increase
- decrease; decrease
- decrease; increase

### Practice Exam 3 New

[Source: Practice Exam 3 New] Question 23 (32%) Consider figure 808. Assuming the firm is maximizing profit, what is the firm's profit? (no dollar signs, just a number)



- Calculate and compare with the solution.

**[Source: Practice Exam 3 New] Question 28 (32%)** Suppose that there is a large group of people in Madison who can teach skiing or ice skating. Now suppose it doesn't snow at all this winter. This causes a fall in demand for ski instructors AND an increase in the number of people who want to learn how to ice skate. What do you think would happen to the equilibrium wage and employment (quantity of labor) for ice skating instructors? (Hint: what happens to the supply of and demand for ice skating instructors?)

- quantity increases, the effect on wages is not certain.
- quantity increases, wage increases
- quantity increases, wage falls
- wage rises, effect on quantity is uncertain
- wage rises, quantity falls
- wage falls, quantity falls

**[Source: Practice Exam 3 New] Question 22 (51%)** Which of the following characteristics may describe an Oligopoly? (pick all that MAY apply)

- Few firms
- Homogeneous products
- Differentiated products
- many small firms

- one firm
- barriers to entry

[Source: Practice Exam 3 New] Question 32 (52%) Suppose a firm's total cost curve has this equation:

$$TC = 100 + Q^2/2$$

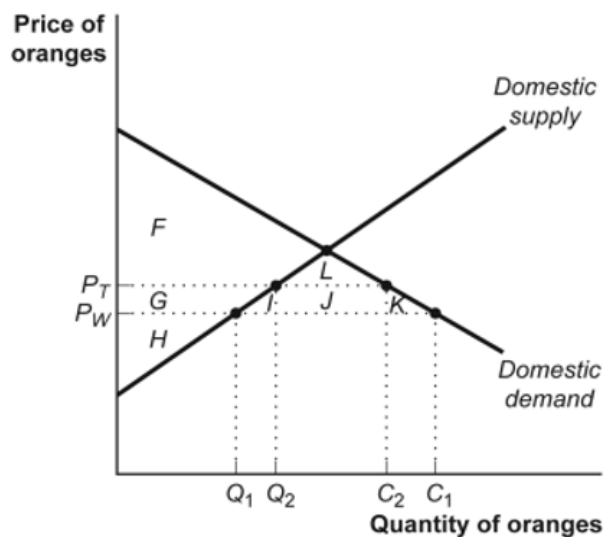
What is this firm's variable cost if  $Q=10$ ? (enter number only - no dollar signs)

- Calculate and compare with the solution.

### Practice Exam 2 New

[Source: Practice Exam 2 New] Question 17 (44%) (Figure: A Tariff on Oranges in South Africa) If the government removes the above tariff on imported oranges, the price of oranges in South Africa would fall from to and there would be a net [addition/reduction] to total economic surplus of [Area].

**Figure: A Tariff on Oranges in South Africa**



- addition;  $G + I + J + K$
- addition;  $I + J + K$
- addition;  $I + K$
- reduction;  $G + I + J + K$
- reduction;  $I + K$
- addition;  $G$

**[Source: Practice Exam 2 New] Question 24 (50%) Betty has never worked but has two kids and almost no income. Which of these programs would she be eligible for? (pick all that apply)**

- TANF
- Snap (food stamps)
- unemployment compensation
- social security
- Medicaid

**[Source: Practice Exam 2 New] Question 4 (57%) A tax on buyers would not cause a decrease in quantity sold if:**

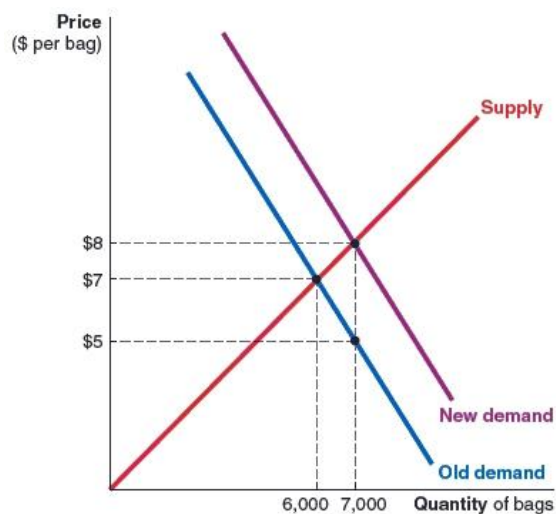
- demand is inelastic.
- there are few competing products.
- supply is perfectly elastic.
- supply is perfectly inelastic.

**[Source: Practice Exam 2 New] Question 32 (57%) Suppose Demand:  $P = 48 - 4Q$ .**

**If price rises from 8 to 16, what is the elasticity of demand?**

- 0.33
- 3
- 0.5
- 2
- 0.2
- 5

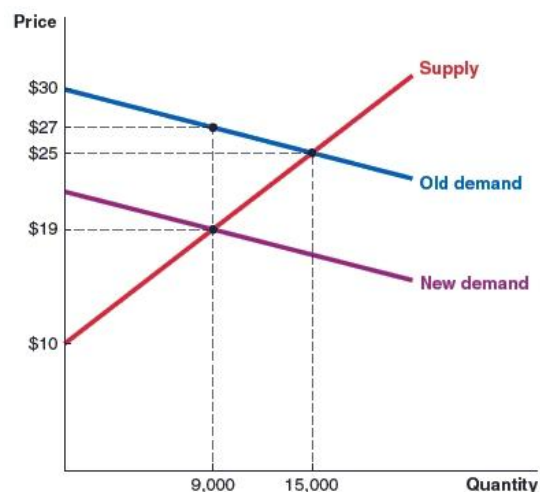
**[Source: Practice Exam 2 New] Question 9 (58%) (Figure: Market for Reusable Jute Shopping Bags) Refer to the market for reusable jute shopping bags that is shown in the figure. The original equilibrium price is \$7 per bag. "Old Demand" is the demand without the subsidy, "New Demand" adds the subsidy. After the subsidy is implemented, the amount that buyers pay is:**



- \$8.
- \$6.
- \$7.
- \$5.

### Practice Exam 2 Old

[Source: Practice Exam 2 Old] Question 11 (52%) (Figure: Market for Pesticides) In the market for pesticides shown here, the original equilibrium price is \$25. In an effort to reduce the usage of pesticides, a tax is then placed on the buyers in this market. Who bears the statutory burden of this tax?



- the seller
- the buyer

- the government
- the people who make the law on taxes

[Source: Practice Exam 2 Old] Question 16 (53%).

Table: Marla and Jason		
	Hours it takes to cook:	
	Lasagna	Chicken curry
Marla	4	3
Jason	3	1

The table provides data on how long it takes Marla and Jason to cook lasagna and cook chicken curry. Marla: 4 hrs Lasagna, 3 hrs Chicken Curry Jason: 3 hrs Lasagna, 1 hr Chicken Curry Marla's opportunity cost of making lasagna is [Select] and Jason's opportunity cost is [Select].

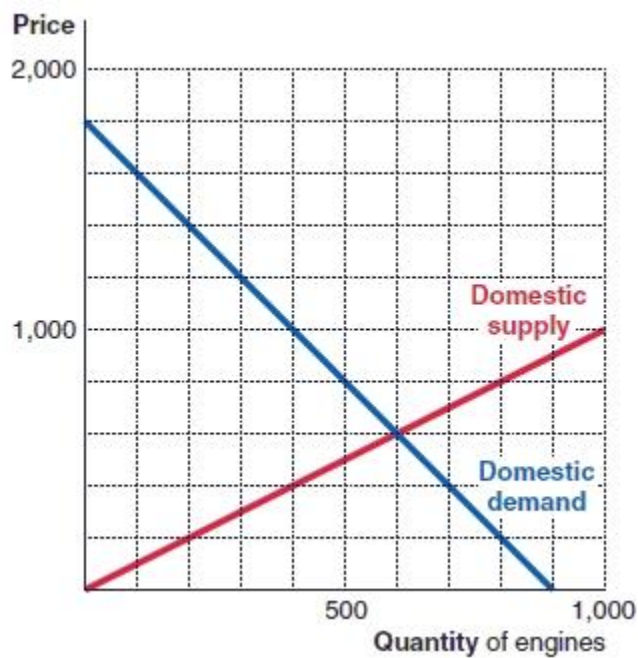
- .75 of an hour; .33 of an hour
- .75 of a chicken curry; .33 of a chicken curry
- 1.33 hours; three hours
- 1.33 chicken curries; three chicken curries

[Source: Practice Exam 2 Old] Question 38 (57%) The table provides data on how long it takes Marla and Jason to cook lasagna or chicken curry. Marla: 4 hrs Lasagna, 3 hrs Chicken Curry Jason: 3 hrs Lasagna, 1 hr Chicken Curry Which statement explains who has a comparative advantage in cooking lasagna?

- Marla because she has a lower opportunity cost than Jason.
- Jason because he has a lower opportunity cost than Marla.
- Marla because she can cook lasagna faster than Jason.
- Jason because he can cook lasagna faster than Marla.



**[Source: Practice Exam 2 Old] Question 6 (60%) (Figure: Market for Engines) According to the figure, if there is international trade in this market, and the world price of engines is \$800, the value of the domestic producer surplus is:**



- \$360,000.
- \$180,000.
- \$640,000.
- \$320,000.

Source	Question #	Solution
Practice Exam 3 (S24)	2	lower than
Practice Exam 3 (S24)	8	-2.00
Practice Exam 3 (S24)	16	600.00
Practice Exam 3 (S24)	15	it will change nothing
Practice Exam 3 (S24)	3	demand for labor will shift out resulting in more workers
Practice Exam 3 (S24)	29	price, average total cost, quantity
Practice Exam 3 (S24)	23	the game is repeated a known, pre-determined number of times.
Practice Exam 3 (S24)	17	12; 24 (Producer Surplus); 24; 18 (Total Surplus)
Practice Exam 3 (S24)	4	decrease; increase
Practice Exam 3 New	23	36.00
Practice Exam 3 New	28	quantity increases, the effect on wages is not certain.
Practice Exam 3 New	22	Few firms AND Homogeneous products AND Differentiated products AND barriers to entry

Source	Question #	Solution
Practice Exam 3 New	32	50.00
Practice Exam 2 New	17	addition; I+K
Practice Exam 2 New <sup>15</sup>	24 <sup>16</sup>	TANF, Snap (food stamps), Medicaid
Practice Exam 2 New <sup>19</sup>	4 <sup>20</sup>	supply is perfectly inelastic.
Practice <sup>23</sup> Exam 2 New	32	0.33
Practice Exam 2 New	9	\$5.
Practice Exam 2 Old	11	the buyer
Practice Exam 2 Old	16	1.33 chicken curries; three chicken curries
Practice Exam 2 Old	38	Marla because she has a lower opportunity cost than Jason.
Practice Exam 2 Old	6	\$320,000.