

Mgt 704: Economics for Managers
Allen Parkman
Practice Quiz

This is a true-false and why examination with each question worth five points. There is one point for the correct response and four points for the correct reason(s). Be brief, but not vague. Feel free to illustrate your answer with a graph. However, each answer should include a sentence. **Include a definition of all the underlined economic terms in your answers.** If you find any of these questions confusing or ambiguous, do not hesitate to ask me for clarification.

T F 1. No society produces inside its production possibilities curve.

The production possibilities curve shows the various combinations of outputs that society can produce with its given set of resources. Due to unemployment or inefficiencies, society can end up inside its production possibilities curve.

T F 2. A reduction in the price of an input will shift the industry supply curve to the right.

A supply curve consists of the quantities of a commodity that suppliers are willing to supply at different prices. It shifts due to changes in input prices, technology, and expectations. Therefore, a reduction in the price of an input will reduce the costs of production, thereby, making suppliers willing to supply more at any price. The supply curve will shift to the right.