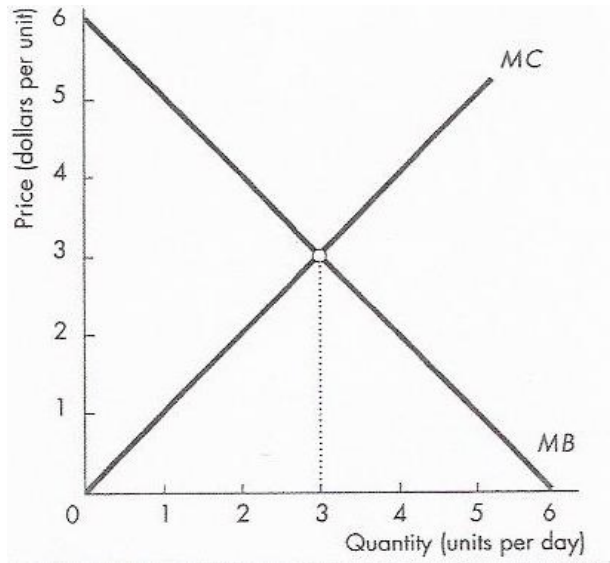


Sample Efficiency Test Questions

Textbook Chapter 5

1. Allocative efficiency occurs when
 - a. The marginal benefit of a good is zero
 - b. The marginal benefit from a good exceeds its marginal cost by as much as possible
 - c. It is not possible to produce more of one good without giving up the production of another good or service that is more highly valued
 - d. The marginal cost of a good is set equal to zero
 - e. The marginal cost from a good exceeds its marginal benefit by as much as possible



2. If only people who benefit from the good are the demanders and if the only people who bear the cost producing the good are its suppliers, what is the efficient amount of output in the graph above?
 - a. 0 units, where MB exceeds MC by as much as possible
 - b. 3 units, where MB equals MC
 - c. 6 units, where MC exceeds MB by as much as possible
 - d. None of the above
3. Susan is willing to pay \$3 for the second slice of pizza she eats. The price she actually pays is \$2 per slice. Susan's consumer surplus for this slice of pizza equals
 - a. \$3
 - b. \$2
 - c. \$1.50
 - d. \$1
 - e. None of the above
4. Because of decreasing marginal benefit, the consumer surplus from the first unit of a good is _____ the consumer surplus of the second unit.
 - a. Greater than
 - b. Equal to
 - c. Less than
 - d. Not comparable to

5. The cost of producing one more unit of a good is a good's
 - a. Price
 - b. Marginal benefit
 - c. Marginal cost
 - d. Producer surplus

6. The producer surplus from a good is equal to the
 - a. Maximum amount a consumer is willing to pay for the good minus the price that actually must be paid
 - b. Actual price of the good minus the maximum amount a consumer is willing to pay for the good
 - c. Opportunity cost of producing the good minus its price
 - d. Price of the good minus its opportunity cost of production

7. If the marginal cost of the sixth slice of pizza is greater than the marginal benefit, then the output level is
 - a. Efficient, and more pizza should be produced
 - b. Efficient and less pizza should be produced
 - c. Inefficient and more pizza should be produced
 - d. Inefficient and less pizza should be produced
 - e. Efficient and no more pizza should be produced

8. The value of the good minus the price paid for it is the
 - a. Producer surplus of the good
 - b. Consumer surplus of the good
 - c. Total surplus of the good
 - d. Exchange surplus from the good

9. If the marginal cost of the last unit of a good produced exceeds the marginal benefit, then
 - a. The amount produced is efficient
 - b. Less than the efficient amount is being produced
 - c. More than the efficient amount being produced
 - d. As time passes, consumers will increase their benefit from the good

10. If the marginal benefit of the good is 5 units and the marginal cost of the good is 10 units, what should this firm do?
 - a. Produce more
 - b. Produce less
 - c. Produce the same
 - d. Exit the industry
 - e. None of the above