

Pre-Assessment for AGEC 1

Fall 2008

Please answer questions 1 through 25 and complete the graph on the last page.

1. Opportunity costs are
 - a. the cost of buying a particular good
 - b. the foregone value of the next best alternative not chosen
 - c. the price you are willing to pay for a good
 - d. all of the above
 - e. none of the above

2. Production agriculture employs ___% of the US labor force.
 - a. 1 percent
 - b. 2 percent
 - c. 10 percent
 - d. 15 percent
 - e. 20 percent

3. If the price of lettuce goes up, which of the following is true for salad dressing, (its)
 - a. demand increases
 - b. demand decreases
 - c. demand doesn't change, but quantity demanded will increase
 - d. demand doesn't change, but quantity demanded will decrease
 - e. nothing changes

4. The agricultural sector generates about ___% of California's income.
 - a. 5 percent
 - b. 10 percent
 - c. 20 percent
 - d. 40 percent
 - e. 50 percent

5. The production function represents
 - a. the profit maximizing level of output for a producer
 - b. the amount of fixed and variable inputs needed to produce output
 - c. the technical relationship between costs and output
 - d. the technical relationship between inputs and output
 - e. the profit maximizing level of input use for a producer

6. The demand for fertilizer is called a derived demand because
 - a. producers demand fertilizer because consumers demand the products they (the producers) produce
 - b. consumers want the good and services that producers make using various inputs
 - c. input demand always exists
 - d. input prices have a direct relationship with quantity
 - e. none of the above

7. If society could solve the issue of _____ there would be no need for economics and business
 - a. resources
 - b. prices
 - c. scarcity
 - d. choices
 - e. poverty

8. Maximizing output maximizes profits
 - a. true
 - b. false

9. The primary goal of individual producers is
 - a. maximizing output
 - b. maximizing sales
 - c. maximizing profits
 - d. both a and b
 - e. all of the above

10. The largest sector in the agricultural economy, in terms of business volume, is the processing and marketing sector
 - a. true
 - b. false

11. If the price of soybean seed increases we can expect the supply of an alternative crop, like corn, to decrease
 - a. true
 - b. false

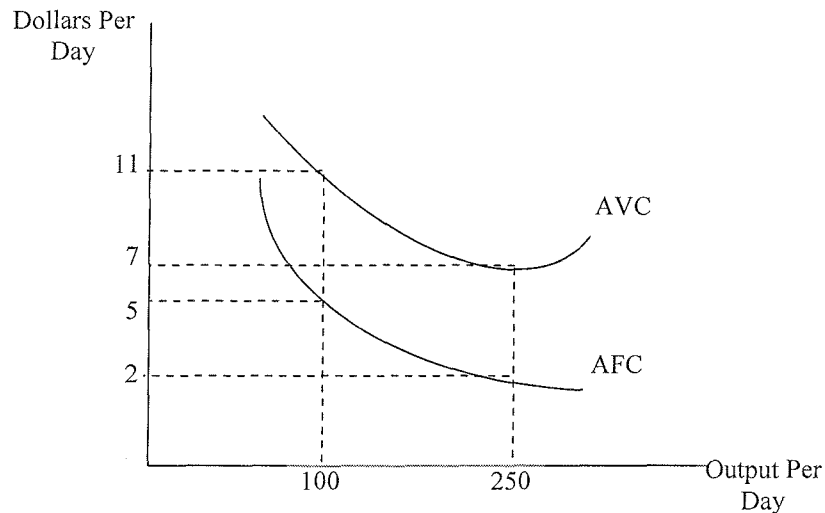
12. Agricultural economics is called a social science because it analyzes
 - a. money
 - b. governments
 - c. human behavior
 - d. society's problems
 - e. none of the above

13. The predominant trend (for all sectors) of the agricultural economy has been
 - a. fewer, but smaller businesses
 - b. fewer, but larger businesses
 - c. more, but smaller businesses
 - d. more, but larger businesses
 - e. any of the above could apply, it just depends on which sector

14. The purpose of a market is to
 - a. encourage people to buy goods and services
 - b. facilitate exchange
 - c. provide a physical place for buyers and sellers to interact
 - d. all of the above
 - e. none of the above

15. If the BSE (mad cow) outbreak scares consumers away from beef, the beef industry will experience _____ in price
- an increase
 - a decrease
 - no change
 - unable to determine
 - none of the above
16. Agriculture's dependence upon living organisms as its production source makes farming
- a safe and secure profession
 - non-profitable
 - heavily reliant upon government support
 - risky
 - all of the above
17. Organic farming is the most sustainable approach to conserving agricultural resources.
- true
 - false

Use the diagram below to answer questions 18 through 21.



18. At 100 units of output per day, average total cost will be
- \$ 5
 - \$ 11
 - \$ 16
 - \$ 19
 - \$ 25
19. At 250 units of output per day, marginal cost will be
- \$ 2
 - \$ 5
 - \$ 7
 - \$ 9
 - \$ 14

20. At 250 units of output per day, total cost will be
- \$ 500
 - \$ 1,250
 - \$ 1,750
 - \$ 2,250
 - \$ 3,500
21. The shutdown point occurs where price (dollars per day) is equal to
- 11
 - 7
 - 5
 - 2
 - not enough information to determine the answer
22. The development of the agribusiness sector is directly related to
- population
 - per capita income
 - agriculture's growth
 - government involvement
 - trade
23. When the Supply curve intersects with the Demand Curve, it is referred to as
- Static Solution
 - Dynamic Solution
 - Consumer Solution
 - Market Equilibrium
 - Market Saturation
24. A Supply shifter is
- Change in Tastes and Preferences
 - Change in Seasons
 - Change in Population
 - Change in Technology
 - Change in Price of Substitutes
25. Movement along the supply curve occurs when
- the Supply curve shifts
 - the Demand curve shifts
 - the intersection between two curves is complete
 - the weather changes
 - the price of an alternative commodity increases

On the diagram below, draw a graph showing the following and label all curves.

- a. Label both axes
- b. ATC (average total cost curve)
- c. MC (marginal cost curve)
- d. MR (marginal cost curve showing economic profit)
- e. Breakeven point labeled B
- f. Shutdown point labeled S
- g. Shade the region of economic profit
- h. Profit maximizing output labeled q^*
- i. Clearly indicate the firm's short run supply curve

