

MGMT 704: Economics for Managers  
Allen Parkman  
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Second Quiz

Name: \_\_\_\_\_

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. An abundant harvest for farmers may not be good news for them.

T F 2. A government imposed price floor for wheat that is binding would be expected to result in a surplus of wheat in markets.

T F 3. If a country is introduced to world trade and the world price is higher than the domestic price of a good, we would expect the country to become an importer of that good.

T F 4. If marginal cost is below average total cost, we would expect average total cost to be declining.

T F 5. A competitive firm will shut down if the market price falls below average total cost.