

ECON 107

Introductory Quiz

This quiz will last 10 minutes.

1. (8 points) **Honor Statement:** Please read and sign the following statement:

I promise that my answers to this test are based on my own work without reference to any notes, books, or the assistance of any other person. I will also neither help others nor use a calculator or other electronic aid for calculation.

Name and Surname: _____
Student ID: _____
Signature: _____

2. (8 points total) About *sunk costs*:

- (a) (5 points) Define a sunk cost and give two examples with short explanations.

Definition 1 *A sunk cost is a cost that is not recoverable and therefore should not affect decision making.*

Solution 2 *Some examples are: debt, half finished construction projects (a bridge being best), time already spent waiting in line.*

- (b) (3 points) What is the *sunk cost fallacy*? Give an example.

Definition 3 *The sunk cost fallacy is paying attention to sunk costs when decision making.*

Solution 4 *The simplest example I can give of this is saying "but I bought the ticket, so I have to go to the concert." The only thing that has changed is that you don't have to pay for the concert yet, which makes it cheaper to go to the concert. If there is something more worthwhile to do—like studying economics—you should feel free to do that.*

3. (1 Point) **Midterm timing:** We have class Thursday morning, then another class the following Monday. Circle the day you think would be best for the midterm.

- (a) Thursday night
(b) Friday night
(c) Saturday before 6PM
(d) Sunday before 6PM

4. (*3 points*) Standard feedback questions:

- (a) Out of ten, my level of comprehension of the material covered this week is:
- (b) My favorite topic of the week was:
- (c) The topic I understood the least this week was: