

6. Which of the following statement about currency appreciation is CORRECT?
- Currency appreciation tends to create pressure of inflation.
 - Currency appreciation surely hurts the long-run performance of exporting industries.
 - Currency depreciation is the results of excess supply of domestic currency.
 - None of the above.
7. Which of the following statement is WRONG if the government imposes sales tax on gasoline?
- The consumers will pay higher price for gasoline per unit.
 - The loss in producers' and consumers' surplus will be totally offset by tax revenue.
 - The equilibrium gasoline output level will decline.
 - The producers will bear relatively larger percentage of the tax when the demand for gasoline becomes more elastic.

Part II. Your grade on the following questions depends mainly on the quality of your reasoning, not conclusions. Please clearly show how the answers are derived.

1. True or False, briefly explain your answer. In terms of general relations among total, average, and marginal quantities, which of the following statements are necessarily true? (10%)
- When the total function is rising, the marginal function is rising.
 - When the total function is rising, the marginal function lies above it.
 - When the average function is falling, the marginal function lies below it.
 - When the marginal function is rising, the average function is also rising.
2. In a market economy, prices play both a rationing role and signaling role. Explain each role and illustrate it by example. (15%)
3. Two major issues concerned in Economics are problems of equilibrium and optimization. Identify which of the followings are equilibrium problems, which are optimization problem? (10%)
- John and Mary have had three girls in a row, should they give up or try again for a boy?
 - Over the years, why is the price of strawberry more variable than the price of rice?
 - Would a gold discovery in Tainan raise the rent of apartment in the city?
 - Is it more profitable for a business to offer special occasional special discounts, or to stick with moderate prices year-round?