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| 1. The statement, "John buys more of good X as his income increases, ceteris paribus," means   |  |  |  | | --- | --- | --- | |  | a. | John's income is being held constant. | |  | b. | John's purchases of good X are being held constant. | |  | c. | John's income and purchases of this good are being held constant. | |  | d. | John's income is the only influence that is being allowed to change. | |  | e. | the price of this good is being allowed to change. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 2. When economists use the term *ceteris paribus*, they are indicating that   |  |  |  | | --- | --- | --- | |  | a. | the relationship between two economic variables cannot be determined. | |  | b. | the analysis is true for the individual but not for the economy as a whole. | |  | c. | all other variables except the ones specified are assumed to be constant. | |  | d. | their conclusions are based on normative economics rather than positive economic analysis. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 3. The term *ceteris paribus* means that   |  |  |  | | --- | --- | --- | |  | a. | everything is changing. | |  | b. | all variables except those specified are constant. | |  | c. | no one knows which variables will change and which will remain constant. | |  | d. | the basic postulate of economics does not apply for the case being considered. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 4. Economists use the term *ceteris paribus* to indicate that   |  |  |  | | --- | --- | --- | |  | a. | supply and demand are in balance. | |  | b. | other things are assumed to be constant. | |  | c. | the analysis is true for the individual but not for the economy as a whole. | |  | d. | their conclusions are based on normative economics rather than positive economic analysis. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 5. Which one of the following statements is correct?   |  |  |  | | --- | --- | --- | |  | a. | Policymakers have good intentions and therefore their proposals will create good outcomes. | |  | b. | Potential secondary effects do not need to be considered when deciding whether to implement a new government program. | |  | c. | A good outcome is guaranteed from a government program if it is created with good intentions. | |  | d. | Government programs can be implemented with good intentions but can lead to undesirable outcomes because of unintended consequences. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 6. Senator DuMonde favors a government program that he believes will help save endangered species. Economic analysis indicates that   |  |  |  | | --- | --- | --- | |  | a. | because Senator DuMonde has good intentions, his new program will have the desired results. | |  | b. | Senator DuMonde's new program could have unintended consequences that might result in an outcome different from what was intended. | |  | c. | regardless of any secondary effects, costs should not be considered when designing environmental legislation. | |  | d. | because Senator DuMonde's proposal is a government program, it will not have an opportunity cost. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 7. Legislation to protect red-cockaded woodpeckers created incentives that resulted in premature harvesting of trees the woodpeckers like to nest in. This is an example of which of the following?   |  |  |  | | --- | --- | --- | |  | a. | Association is not causation. | |  | b. | the fallacy of composition | |  | c. | the use of *ceteris paribus* conditions in economic analysis | |  | d. | Good intentions do not always lead to desirable outcomes. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 8. Your friend notices that U.S. auto production and U.S. population growth have moved together over several decades. He reasons that one way to slow population growth is for the government to order the auto makers to cut back on production. You gently point out to him that he   |  |  |  | | --- | --- | --- | |  | a. | is correct only when the economy is in a recession | |  | b. | has mistakenly inferred causation from observed correlation | |  | c. | has ignored secondary effects | |  | d. | has committed the fallacy of composition | |  | e. | is correct only when the United States enjoys economic growth |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 9. A student noted that the football team won by a larger margin when the third-string played more minutes. Therefore, he recommended that the third-stringers become the first team. His conclusion was probably erroneous because he   |  |  |  | | --- | --- | --- | |  | a. | confused positive and normative analysis. | |  | b. | committed the fallacy of composition. | |  | c. | failed to recognize that association is not causation. | |  | d. | confused macroeconomics with microeconomics. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 10. "After every fall election, the weather starts to turn cold, therefore elections cause cold weather." This statement   |  |  |  | | --- | --- | --- | |  | a. | confuses positive and normative analysis. | |  | b. | commits the fallacy of composition. | |  | c. | fails to recognize that association is not causation. | |  | d. | confuses macroeconomics with microeconomics. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 11. Someone notices that sunspot activity is high just prior to recessions and concludes that sunspots cause recessions. This person has   |  |  |  | | --- | --- | --- | |  | a. | confused association and causation. | |  | b. | misunderstood the ceteris paribus assumption. | |  | c. | used normative economics to answer a positive question. | |  | d. | built an untestable model. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 12. The fallacy of composition is the fallacious view that   |  |  |  | | --- | --- | --- | |  | a. | economic activity will benefit everyone. | |  | b. | what is true for the individual will also be true for the group. | |  | c. | it is possible for the whole to be greater than the sum of the individual parts. | |  | d. | association does not necessarily indicate causation. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 13. The fallacy of composition is the incorrect view that   |  |  |  | | --- | --- | --- | |  | a. | everything else is always held constant when a change occurs. | |  | b. | a small change in an economic variable will have unrecognizable but significant consequences on the economy. | |  | c. | when two events are associated, the one observed first must have caused the second. | |  | d. | if something is true for an individual, then it must also be true for the group. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 14. Which of the following best illustrates the fallacy of composition?   |  |  |  | | --- | --- | --- | |  | a. | If Jamal had more money, he could afford to buy more goods. | |  | b. | If Aisha stood up at a basketball game, she could get a better view of the game; if everyone stood up at a basketball game, everyone could have a better view of the game. | |  | c. | If the price of bread rose, consumers would buy less; if consumers bought less bread, the price of bread would rise. | |  | d. | High housing prices cause people to buy less housing, but an increase in income might cause them to buy more housing. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 15. "If Tom had twice as much money, he could consume twice as much. If everyone had twice as much money, they could consume twice as much." This quote illustrates   |  |  |  | | --- | --- | --- | |  | a. | the difference between positive and normative economics. | |  | b. | the fallacy of composition. | |  | c. | that association is not causation. | |  | d. | the law of unintended consequences. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 16. The fallacy of composition is the incorrect view that   |  |  |  | | --- | --- | --- | |  | a. | decisions are always made at the margin. | |  | b. | incentives matter only to those who behave selfishly. | |  | c. | if something is true for an individual, then it must also be true for the group. | |  | d. | the value of a good can be objectively measured by its cost of production. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 17. The basic difference between macroeconomics and microeconomics is that   |  |  |  | | --- | --- | --- | |  | a. | microeconomics is concerned with aggregate markets and the entire economy, while macroeconomics is concerned with specific individual markets. | |  | b. | macroeconomics is concerned with policy decisions, while microeconomics applies only to theory. | |  | c. | microeconomics is concerned with individual markets and the behavior of people and firms, while macroeconomics is concerned with aggregate markets and the entire economy. | |  | d. | macroeconomics is concerned with positive economics, while microeconomics is concerned with normative economics. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 18. When the Hometown football team is winning by a lot of points after halftime, they often play their second and third team players. One of the coaches notices that when the third team plays that Hometown wins by a bigger margin than when just the first team plays. He recommends that the third team see more playing time as a result. What is wrong with his way of thinking?   |  |  |  | | --- | --- | --- | |  | a. | association is not causation | |  | b. | it is a violation of ceteris paribus | |  | c. | the fallacy of composition | |  | d. | good intentions do not guarantee desirable outcomes |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Application | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 7/25/2017 2:35 PM | |

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| 19. The Latin phrase "ceteris paribus" means   |  |  |  | | --- | --- | --- | |  | a. | that one event causes another. | |  | b. | that one event is associated with, but not caused by, another. | |  | c. | that other potential causes are assumed to remain constant. | |  | d. | the way things should be. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 20. If you win the lottery this would be great for you, but if everyone simultaneously won the lottery this wouldn't be nearly as good, why?   |  |  |  | | --- | --- | --- | |  | a. | association is not causation | |  | b. | it is a violation of ceteris paribus | |  | c. | the fallacy of composition | |  | d. | what appear to be positive outcomes in society are actually normative. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | Pitfalls to Avoid in Economic Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |