

Foundations of Microeconomics

Microeconomics · Answer Key · 10 Questions

1. What is the fundamental economic problem that occurs when human wants exceed the available resources?

- A) Inflation
- B) Scarcity**
- C) Surplus
- D) Recession

2. In microeconomics, which term describes the value of the next best alternative that is given up when making a choice?

- A) Sunk cost
- B) Fixed cost
- C) Opportunity cost**
- D) Marginal cost

3. According to the Law of Demand, what usually happens to the quantity demanded of a good when its price decreases?

- A) It stays the same
- B) It decreases
- C) It fluctuates randomly
- D) It increases**

4. Which of the following is considered one of the four 'Factors of Production' in economic theory?

- A) Currency
- B) Entrepreneurship**
- C) Advertising
- D) Consumerism

5. In a market economy, what is the point called where the quantity supplied exactly matches the quantity demanded?

- A) Shortage
- B) Price Floor
- C) Equilibrium**
- D) Deficit

6. Which economic factor refers to the human-made tools, machines, and buildings used to produce other goods and services?

A) Capital

B) Labor

C) Land

D) Utility

7. What does the Law of Supply state about the behavior of producers as the price of a product rises?

A) They stop production

B) They produce less

C) They produce more

D) Price does not affect production

8. Which type of incentive is specifically designed to discourage a certain behavior or choice?

A) Reward

B) Subsidy

C) Bonus

D) Disincentive

9. What is the primary focus of microeconomics as a field of study?

A) National debt and taxes

B) Individual consumers and firms

C) International trade agreements

D) Total national output

10. What term is used to describe the division of tasks so that workers focus on a specific part of the production process?

A) Specialization

B) Diversification

C) Competition

D) Consumption