

Fundamentals of Basic Economics

Economics · Practice Test · 8 Questions

1. What is the fundamental economic problem that all societies face?

- A) Inflation
- B) Unemployment
- C) Scarcity
- D) Recession

2. Which of the following best describes a 'good' in economics?

- A) A service that is provided
- B) A tangible item that satisfies wants or needs
- C) An abstract concept that is not produced
- D) A desire that cannot be fulfilled

3. What does the law of demand state?

- A) As price increases, the quantity demanded increases.
- B) As price decreases, the quantity demanded decreases.
- C) As price increases, the quantity demanded decreases.
- D) As income increases, the quantity demanded decreases.

4. In a market economy, what primarily determines the prices of goods and services?

- A) Government regulations
- B) Central planning
- C) The forces of supply and demand
- D) Tradition and custom

5. What is a 'resource' in economics?

- A) A finished product sold to consumers
- B) Anything used to produce goods and services
- C) A financial investment
- D) A desire for a particular item

6. Which term refers to the cost of the next best alternative forgone when a choice is made?

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

7. What is the main role of money in an economy?

- A) To create scarcity
- B) To provide a medium of exchange
- C) To increase opportunity costs
- D) To limit production

8. What is the basic definition of 'production' in economics?

- A) The consumption of goods and services
- B) The distribution of finished products
- C) The creation of goods and services from resources
- D) The accumulation of wealth