

The Science of Decisions

Behavioural Economics · Practice Test · 18 Questions

1. What is the term for the tendency to rely too heavily on the first piece of information offered when making a decision?

- A) Anchoring bias
- B) Loss aversion
- C) The bandwagon effect
- D) Confirmation bias

2. Which concept describes why people feel the pain of losing something more strongly than the joy of gaining the same thing?

- A) Choice paralysis
- B) Loss aversion
- C) Endowment effect
- D) Sunk cost fallacy

3. What is the name for the human tendency to follow the actions or beliefs of a larger group of people?

- A) Hindsight bias
- B) Availability heuristic
- C) The bandwagon effect
- D) Framing effect

4. When a person overvalues an object simply because they own it, this is known as:

- A) The endowment effect
- B) The halo effect
- C) The scarcity principle
- D) Optimism bias

5. What is the term for the tendency to search for, interpret, and remember information that confirms your existing beliefs?

- A) Sunk cost fallacy
- B) Confirmation bias
- C) Availability heuristic
- D) Framing effect

6. The tendency to judge the probability of an event based on how easily examples come to mind is called:

- A) Loss aversion
- B) Anchoring
- C) Availability heuristic
- D) Social proof

7. What is the 'Sunk Cost Fallacy'?

- A) Spending more because you already invested time or money
- B) Choosing the cheapest item
- C) Saving money for later
- D) Ignoring prices entirely

8. Which effect suggests that people react differently to a choice depending on whether it is presented as a loss or a gain?

- A) The decoy effect
- B) The framing effect
- C) The peak-end rule
- D) The paradox of choice

9. What is it called when having too many options makes it harder for a person to make a final decision?

- A) Choice overload
- B) The scarcity principle
- C) Mental accounting
- D) Reciprocity

10. What is the name of the principle where people place a higher value on items that are rare or in short supply?

- A) The bandwagon effect
- B) The scarcity principle
- C) The anchoring bias
- D) The halo effect

11. The tendency for people to believe that positive traits in one area (like being attractive) imply positive traits in others (like being smart) is known as:

- A) The halo effect
- B) The contrast effect
- C) The framing effect
- D) The availability heuristic

12. What describes the tendency to overestimate one's own abilities or the likelihood of positive events?

- A) Optimism bias
- B) Negativity bias
- C) Hindsight bias
- D) Choice overload

13. What is the 'Peak-End Rule' in psychology?

- A) Judging an experience by its start and finish
- B) Judging an experience based on its most intense point and its end
- C) Making decisions only at the end of a week
- D) Choosing the first option presented

14. What is the phenomenon where people perceive a stimulus differently based on what it is compared to?

- A) The contrast effect
- B) The endowment effect
- C) The anchoring bias
- D) The bandwagon effect

15. What term describes the tendency to believe that an event was predictable after it has already occurred?

- A) Hindsight bias
- B) Confirmation bias
- C) Optimism bias
- D) Availability heuristic

16. What is 'Mental Accounting'?

- A) The habit of categorizing money into different 'buckets' based on where it came from
- B) Calculating interest rates
- C) Saving money in a bank
- D) The process of trading goods

17. The tendency to focus on information that is easily accessible in memory is an example of what?

- A) Heuristics
- B) Economic rationalism
- C) Barter systems
- D) Opportunity cost

18. Which bias explains why people often prefer the status quo (keeping things as they are) over making a change?

- A) Default bias
- B) Confirmation bias
- C) Hindsight bias
- D) Framing bias