

High School Microeconomics Fundamentals

Microeconomics · Answer Key · 20 Questions

1. What does the law of demand state?

- A) As the price of a good increases, the quantity supplied increases.
- B) As the price of a good increases, the quantity demanded decreases, assuming all other factors remain constant.**
- C) As income increases, the demand for a good decreases.
- D) As the price of a good decreases, the quantity supplied decreases.

2. Which of the following is a characteristic of a perfectly competitive market?

- A) Few sellers and differentiated products.
- B) High barriers to entry and exit.
- C) Many buyers and sellers, with homogeneous products.**
- D) Significant government intervention in pricing.

3. What is the primary determinant of the elasticity of demand for a good?

- A) The number of sellers in the market.
- B) The availability of close substitutes.**
- C) The cost of production for the good.
- D) The level of government regulation.

4. Opportunity cost is best defined as:

- A) The total cost of producing a good or service.
- B) The monetary price paid for a good or service.
- C) The value of the next-best alternative forgone when a choice is made.**
- D) The profit earned from a business venture.

5. In microeconomics, what does 'ceteris paribus' mean?

- A) All factors are changing simultaneously.
- B) Only one factor is changing, while all others are held constant.**
- C) The market is in equilibrium.
- D) The analysis is subjective.

6. What is the main goal of a firm in a capitalist economy?

- A) To minimize total revenue.
- B) To maximize social welfare.
- C) To maximize profits.**
- D) To reduce competition.

7. Which type of cost is not directly related to the quantity of output produced?

- A) Variable cost.
- B) Marginal cost.
- C) Fixed cost.**
- D) Total cost.

8. A normal good is defined as a good for which demand:

- A) Decreases as income decreases.
- B) Increases as income increases.**
- C) Is unaffected by changes in income.
- D) Decreases as income increases.

9. What is the term for the additional revenue generated by selling one more unit of a good?

- A) Average revenue.
- B) Total revenue.
- C) Marginal revenue.**
- D) Profit.

10. When the demand for a product is perfectly inelastic, a price increase will result in:

- A) A decrease in quantity demanded.
- B) No change in quantity demanded.**
- C) An increase in quantity demanded.
- D) A proportional decrease in quantity demanded.

11. What is a primary characteristic of a monopoly?

- A) Many firms producing slightly differentiated products.
- B) A single seller with significant market power.**
- C) Free entry and exit for firms.
- D) Perfect information for all market participants.

12. The point where the supply and demand curves intersect represents:

- A) The maximum price consumers are willing to pay.
- B) The minimum price producers are willing to accept.
- C) The equilibrium price and quantity.**
- D) A situation of market surplus.

13. An inferior good is a good for which demand:

- A) Increases as income increases.
- B) Decreases as income increases.**
- C) Is unaffected by changes in income.
- D) Increases as the price increases.

14. What does the concept of 'diminishing marginal returns' suggest?

- A) As more of a variable input is added, total output will eventually decrease.
- B) As more of a variable input is added, the additional output gained from each extra unit of input will eventually decrease.**
- C) Increasing all inputs will lead to proportionally larger increases in output.
- D) Fixed inputs become more productive with increased use.

15. In the short run, a firm will continue to produce if its price is greater than or equal to:

- A) Total cost.
- B) Fixed cost.
- C) Average total cost.
- D) Average variable cost.**

16. Which of the following is an example of a positive externality?

- A) Pollution from a factory.
- B) A public health vaccination program.**
- C) Noise from a construction site.
- D) Traffic congestion.

17. A product with high price elasticity of demand means that consumers are:

- A) Very sensitive to price changes.**
- B) Not very sensitive to price changes.
- C) Only willing to buy at a specific price.
- D) Unaware of price changes.

18. What is the main difference between a public good and a private good?

- A) Public goods are excludable, while private goods are non-excludable.
- B) Public goods are rivalrous, while private goods are non-rivalrous.
- C) Public goods are non-excludable and non-rivalrous, while private goods are excludable and rivalrous.**
- D) Public goods have a higher opportunity cost than private goods.

19. When the government imposes a price ceiling below the equilibrium price, what is the likely outcome?

A) A market surplus.

B) A market shortage.

C) Increased producer surplus.

D) Higher prices for consumers.

20. What is marginal utility?

A) The total satisfaction gained from consuming all units of a good.

B) The additional satisfaction gained from consuming one more unit of a good.

C) The cost of producing an additional unit of a good.

D) The price of a good divided by its utility.