High School Microeconomics Fundamentals

Microeconomics · Practice Test · 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.

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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.

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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.