Introduction to Microeconomics Concepts

Microeconomics · Answer Key · 18 Questions

1. What is the fundamental economic problem that forces individuals and societies to make choices?

A) Unlimited wants
B) Scarcity
C) Abundance of resources
D) Lack of technology

2. Which of the following best describes the concept of opportunity cost?

A) The total cost of producing a good
B) The price of a good
C) The value of the next-best alternative forgone when a choice is made
D) The cost of advertising a product

3. In a market economy, who primarily makes the decisions about what goods and services are produced?

A) The government
B) Central planners
C) Consumers and producers
D) International organisations

4. What does the law of demand state?

A) As the price of a good increases, the quantity demanded decreases, ceteris paribus
B) As the price of a good decreases, the quantity demanded increases, ceteris paribus
C) As the price of a good increases, the quantity demanded increases, ceteris paribus
D) As the price of a good decreases, the quantity demanded decreases, ceteris paribus

5. What does the law of supply state?

A) As the price of a good increases, the quantity supplied increases, ceteris paribus
B) As the price of a good decreases, the quantity supplied decreases, ceteris paribus
C) As the price of a good increases, the quantity supplied decreases, ceteris paribus
D) As the price of a good decreases, the quantity supplied increases, ceteris paribus

6. What is the point where the quantity demanded of a good equals the quantity supplied?

A) Market surplus
B) Market shortage
C) Equilibrium
D) Price ceiling

7. What is a substitute good?

A) A good that is consumed with another good
B) A good that can be used in place of another good
C) A good that is no longer produced
D) A good that is produced by the same company

8. What is a complementary good?

A) A good that is used independently of another good
B) A good that is produced by a competitor
C) A good that is consumed with another good
D) A good that is more expensive than another

9. Which term describes a market structure with a single seller of a unique product with no close substitutes?

A) Oligopoly
B) Monopolistic competition
C) Perfect competition
D) Monopoly

10. What does 'ceteris paribus' mean when used in economics?

A) All other things are changing
B) All other things are held constant
C) The situation is impossible
D) The data is unreliable

11. Which of the following is a factor of production?

A) Consumer goods
B) Money
C) Labour
D) Profit

12. What is the term for the additional satisfaction a consumer gains from consuming one more unit of a good?

A) Total utility
B) Marginal utility
C) Average utility
D) Diminishing returns

13. Which of the following is an example of a fixed cost for a business?

A) Wages for production workers
B) Raw materials
C) Rent for a factory building
D) Electricity used by machinery

14. What is a price ceiling?

A) A maximum price set by the government that can be charged for a good or service
B) A minimum price set by the government that can be charged for a good or service
C) The highest price a consumer is willing to pay
D) The average price of a good over time

15. What is the main characteristic of a perfectly competitive market?

A) Many buyers and sellers, identical products, and easy entry/exit
B) Few sellers and differentiated products
C) One seller and high barriers to entry
D) Many buyers and sellers, but differentiated products

16. Which of the following is a characteristic of a natural monopoly?

A) It is created by government regulation
B) It is the only firm in the industry because of economies of scale
C) It is the result of aggressive marketing
D) It is a temporary market condition

17. What happens to the equilibrium price and quantity of a good if there is an increase in consumer income, assuming the good is a normal good?

A) Price decreases, quantity decreases
B) Price increases, quantity increases
C) Price decreases, quantity increases
D) Price increases, quantity decreases

18. What is the primary goal of a firm in most microeconomic models?

A) To minimise costs
B) To maximise profits
C) To increase market share
D) To employ as many people as possible