# Microeconomics Fundamentals

Microeconomics · Answer Key · 18 Questions

**1. What is the economic term for the limited availability of a resource in comparison to the unlimited wants of society?**

A) Inflation
**B) Scarcity**
C) Deflation
D) Surplus

**2. In a competitive market, what happens to the price of a good when demand increases while supply remains constant?**

A) Price decreases
B) Price stays the same
**C) Price increases**
D) Price becomes negative

**3. Which factor refers to the cost of the next best alternative that is given up when a choice is made?**

A) Sunk cost
**B) Opportunity cost**
C) Fixed cost
D) Variable cost

**4. What is the primary objective of a for-profit firm in a market economy?**

A) Maximizing revenue
**B) Maximizing profit**
C) Minimizing employees
D) Maximizing social welfare

**5. If a product is considered a 'normal good', how does an increase in consumer income typically affect the demand for that product?**

**A) Demand increases**
B) Demand decreases
C) Demand remains unchanged
D) Demand becomes zero

**6. What does the 'Law of Supply' state about the relationship between price and quantity supplied?**

A) As price rises, quantity supplied falls

**B) As price rises, quantity supplied rises**

C) As price falls, quantity supplied rises

D) There is no relationship

**7. What is the equilibrium price in a market?**

A) Where supply exceeds demand

B) Where demand exceeds supply

**C) Where quantity demanded equals quantity supplied**

D) Where the government sets the price

**8. Which market structure is characterized by a single seller providing a unique product with no close substitutes?**

A) Perfect competition

**B) Monopoly**

C) Oligopoly

D) Monopolistic competition

**9. What are the 'factors of production' typically categorized as in economics?**

A) Stocks, bonds, and cash

**B) Land, labour, capital, and enterprise**

C) Goods, services, and taxes

D) Imports, exports, and tariffs

**10. What term describes the additional satisfaction or benefit a consumer gains from consuming one more unit of a good?**

A) Total utility

**B) Marginal utility**

C) Average utility

D) Diminishing return

**11. When the government sets a price floor above the equilibrium price, what is the most likely result?**

A) A shortage

**B) A surplus**

C) Increased competition

D) Lower production costs

**12. What is the term for a market structure where a few large firms dominate the industry?**

A) Monopoly
B) Perfect competition
**C) Oligopoly**
D) Monopsony

**13. If the price of a substitute good increases, what happens to the demand for the original good?**

A) Demand decreases
**B) Demand increases**
C) Demand stays the same
D) The good becomes an inferior good

**14. What is meant by 'division of labour'?**

**A) Assigning different tasks to different workers to increase efficiency**
B) Hiring only part-time workers
C) Dividing the profits among shareholders
D) Reducing the number of working hours

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

A) Raw material costs
B) Electricity usage
**C) Monthly building rent**
D) Shipping expenses

**16. What is the economic definition of a 'service'?**

A) A physical object that can be touched
**B) An intangible act performed for others**
C) A natural resource
D) A form of government tax

**17. What happens to the quantity demanded of a product when its price increases, assuming all other factors remain constant?**

A) Quantity demanded increases
**B) Quantity demanded decreases**
C) Quantity demanded stays the same
D) Demand shifts to the right

**18. In economics, what is the 'market' defined as?**

A) A physical place with stalls

**B) Any arrangement where buyers and sellers exchange goods or services**

C) A government office for trade

D) A collection of retail shops in a mall