

Microeconomics Fundamentals

Microeconomics · Practice Test · 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