

Understanding Behavioural Economics

Behavioural Economics · Practice Test · 20 Questions

1. What is behavioural economics?

- A) A study of how people spend money on luxuries
- B) A way to predict everyone's financial future
- C) The study of how psychology affects people's economic decisions
- D) A system for making only rational choices

2. When people make a decision, they don't always think logically. What is this called?

- A) Rational thinking
- B) Predictable behaviour
- C) Irrational behaviour
- D) Economic forecasting

3. What is 'anchoring' in behavioural economics?

- A) Fixing a price too high
- B) Using the first piece of information to make a decision
- C) Avoiding risk at all costs
- D) Waiting for the best deal

4. If a shop advertises a T-shirt for \$30, but then offers a 'special deal' for \$20, what psychological trick might they be using?

- A) Loss aversion
- B) Framing
- C) Anchoring
- D) Herding

5. What does 'framing' mean in behavioural economics?

- A) Setting a limit on spending
- B) How the way information is presented affects a choice
- C) Buying only what you need
- D) Ignoring emotions when spending

6. Imagine a sign saying '90% fat-free' versus '10% fat'. Which framing might make a food seem healthier?

- A) 10% fat
- B) Both are the same
- C) 90% fat-free
- D) Neither makes a difference

7. What is 'loss aversion'?

- A) Wanting to make a profit
- B) Disliking losses more than we like gains
- C) Avoiding any kind of change
- D) Being happy with what you have

8. If you are offered a choice between losing \$10 or having a 50% chance of losing \$20, what might loss aversion suggest you would do?

- A) Take the 50% chance to lose \$20
- B) Definitely lose \$10
- C) Flip a coin to decide
- D) Ask for advice

9. What is 'herding behaviour'?

- A) Making decisions independently
- B) Following the actions of a larger group
- C) Carefully researching every option
- D) Trying to be unique

10. Why might someone buy a popular toy that's advertised everywhere, even if they didn't originally want it?

- A) Because it's logically the best choice
- B) Due to herding behaviour
- C) They enjoy being alone
- D) It's a rational decision

11. What is 'present bias'?

- A) Thinking about future rewards only
- B) Valuing immediate rewards more than future rewards
- C) Planning for retirement early
- D) Saving money for a long-term goal

12. If you have a choice between eating a healthy salad now or a chocolate bar now, but you know you'll be healthier if you eat the salad, what does present bias suggest you might choose?

- A) The salad, because it's healthier
- B) The chocolate bar, because it's a treat now
- C) A mix of both
- D) You would wait to decide

13. What does it mean to be 'bounded rational'?

- A) Always making perfect decisions
- B) Making decisions based on limited information and time
- C) Having unlimited money to spend
- D) Ignoring all feelings when deciding

14. When a person decides to buy a product after only looking at a few options because they are tired, they are demonstrating:

- A) Unlimited rationality
- B) Bounded rationality
- C) Perfect memory
- D) Future-planning skills

15. What is the 'endowment effect'?

- A) Giving things away for free
- B) Overvaluing something once you own it
- C) Buying things you don't need
- D) Sharing your possessions

16. If you get a free sample of a drink and then feel you can't give it away, this might be an example of:

- A) Extreme generosity
- B) The endowment effect
- C) Rational evaluation
- D) Future planning

17. What is 'default bias'?

- A) Choosing the most expensive option
- B) Sticking with the pre-selected option
- C) Always making a new choice
- D) Avoiding any settings

18. When signing up for a service, if you are automatically enrolled unless you actively choose not to be, this uses the principle of:

- A) Active choice
- B) Default bias
- C) Rational decision-making
- D) Informed consent

19. What are 'nudges' in behavioural economics?

- A) Forcing people to make specific choices
- B) Subtle suggestions that influence behaviour without restricting options
- C) Punishing people for bad decisions
- D) Making complex choices easier

20. Placing healthy food options at eye-level in a cafeteria is an example of a:

- A) Mandate
- B) Nudge
- C) Penalty
- D) Restriction