

Fundamentals of Microeconomics

Microeconomics · Practice Test · 15 Questions

1. Which law states that, all else being equal, as the price of a good increases, the quantity supplied of that good also increases?

- A) Law of Diminishing Returns
- B) Law of Supply
- C) Law of Demand
- D) Law of Comparative Advantage

2. What is the term for a market structure characterized by a single seller of a product with no close substitutes?

- A) Oligopoly
- B) Perfect Competition
- C) Monopolistic Competition
- D) Monopoly

3. In economics, what do 'explicit costs' represent?

- A) The value of the next best alternative foregone
- B) Tangible out-of-pocket expenses paid by a firm
- C) The psychological satisfaction of the consumer
- D) Implicit opportunity costs

4. What is the point where the quantity demanded equals the quantity supplied in a market?

- A) Market Equilibrium
- B) Profit Maximization
- C) Deadweight Loss
- D) Marginal Utility

5. Which economic concept explains why the additional satisfaction derived from consuming successive units of a good eventually decreases?

- A) Law of Supply
- B) Law of Diminishing Marginal Utility
- C) Elasticity of Demand
- D) Economies of Scale

6. What does the 'Price Elasticity of Demand' measure?

- A) The change in price based on production costs
- B) The responsiveness of quantity demanded to a change in price
- C) The total profit margin of a firm
- D) The relationship between supply and government regulation

7. Which type of good experiences an increase in demand when consumer income rises?

- A) Inferior good
- B) Giffen good
- C) Normal good
- D) Veblen good

8. What is the term for the additional cost incurred by producing one more unit of a good?

- A) Average Total Cost
- B) Fixed Cost
- C) Marginal Cost
- D) Sunk Cost

9. In a perfectly competitive market, how are prices determined?

- A) By the government
- B) By the largest firm
- C) By market forces of supply and demand
- D) By trade unions

10. What occurs when a market outcome is inefficient and does not maximize total surplus?

- A) Market Equilibrium
- B) Market Failure
- C) Perfect Competition
- D) Pareto Optimality

11. Which cost remains constant regardless of the level of output produced?

- A) Variable Cost
- B) Marginal Cost
- C) Total Cost
- D) Fixed Cost

12. What is the term for a situation where a small number of firms dominate the market?

- A) Monopoly
- B) Monopsony
- C) Oligopoly
- D) Perfect Competition

13. What does the 'Substitution Effect' describe?

- A) The change in consumption resulting from a change in relative prices
- B) The change in consumption resulting from a change in purchasing power
- C) The shift in production technology
- D) The movement along the supply curve

14. Which of the following is considered an 'opportunity cost'?

- A) The price paid for raw materials
- B) The potential wage income lost by starting a private business
- C) The interest paid on a bank loan
- D) The tax paid to the government

15. What term describes the additional revenue gained from selling one additional unit of a good?

- A) Average Revenue
- B) Total Revenue
- C) Marginal Revenue
- D) Economic Profit