

Foundations of Microeconomics

Microeconomics · Answer Key · 8 Questions

1. Which market structure is characterized by a single seller providing a unique product with high barriers to entry?

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

2. What does the law of diminishing marginal returns state occurs as more units of a variable input are added to a fixed input?

- A) Total output eventually decreases
- B) Marginal product eventually declines**
- C) Average cost becomes constant
- D) Fixed costs increase

3. In economics, what is the term for the value of the next best alternative that is given up when a decision is made?

- A) Sunk cost
- B) Explicit cost
- C) Opportunity cost**
- D) Accounting cost

4. What type of good experiences an increase in demand when a consumer's income increases?

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

5. Which of the following describes a situation where the quantity supplied of a good is perfectly unresponsive to changes in price?

- A) Perfectly elastic supply
- B) Unit elastic supply
- C) Perfectly inelastic supply**
- D) Relatively elastic supply

6. What is the point at which the quantity demanded of a product equals the quantity supplied?

A) Market equilibrium

B) Price ceiling

C) Shortage

D) Surplus

7. Which economic concept refers to the responsiveness of quantity demanded to a change in the price of the good?

A) Income elasticity of demand

B) Cross-price elasticity of demand

C) Price elasticity of demand

D) Marginal utility

8. What is the relationship where, holding all else constant, as the price of a good increases, the quantity supplied increases?

A) Law of demand

B) Law of supply

C) Law of diminishing utility

D) Law of scarcity