Foundations of Microeconomics

Microeconomics · Practice Test · 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