Microeconomics Fundamentals

Microeconomics · Practice Test · 12 Questions

1. What is the term for the additional satisfaction a consumer gains from consuming one more unit of a good or service?

A) Total utility
B) Marginal utility
C) Opportunity cost
D) Diminishing returns

2. In a competitive market, what occurs at the equilibrium price?

A) Quantity supplied exceeds quantity demanded
B) Quantity demanded exceeds quantity supplied
C) Quantity supplied equals quantity demanded
D) The government sets the price

3. Which of the following describes a situation where a single firm is the sole provider of a product or service with no close substitutes?

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

4. What is defined as the value of the next best alternative that is foregone when making a decision?

A) Sunk cost
B) Marginal cost
C) Opportunity cost
D) Fixed cost

5. Which economic principle states that as more units of a variable input are added to a fixed input, the additional output will eventually decrease?

A) Law of diminishing marginal returns
B) Law of demand
C) Economies of scale
D) Law of supply

6. What type of good experiences a decrease in demand when consumer income rises?

A) Normal good
B) Inferior good
C) Luxury good
D) Substitute good

7. Price elasticity of demand measures the responsiveness of quantity demanded to a change in what?

A) Supply
B) Production cost
C) Price
D) Consumer tastes

8. Which market structure is characterized by many firms selling differentiated products with low barriers to entry?

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

9. What does a demand curve typically show?

A) Direct relationship between price and quantity
B) Inverse relationship between price and quantity
C) Relationship between cost and profit
D) Relationship between income and savings

10. Which of the following is considered a fixed cost for a manufacturing firm?

A) Raw material costs
B) Labour wages
C) Electricity usage
D) Annual insurance premiums

11. If two goods are complements, an increase in the price of one will likely cause what to happen to the demand for the other?

A) Increase
B) Decrease
C) Remain unchanged
D) Fluctuate randomly

12. What is the term for the point where the cost of producing one additional unit equals the revenue gained from selling that unit?

A) Profit maximization point
B) Break-even point
C) Total revenue point
D) Fixed cost threshold