

Middle School Economics Mastery

Economics · Practice Test · 18 Questions

1. What is the primary definition of 'opportunity cost' in economics?

- A) The total monetary expenditure of a business venture
- B) The value of the next best alternative foregone when a choice is made
- C) The interest rate charged by a central bank
- D) The total profit minus total expenses

2. Which economic concept describes the point where the quantity supplied equals the quantity demanded?

- A) Comparative advantage
- B) Market equilibrium
- C) Elasticity of demand
- D) Deadweight loss

3. In a command economy, who holds the primary authority to determine the prices of goods and services?

- A) Private corporations
- B) Individual consumers
- C) The central government
- D) International trade organizations

4. What does the 'Law of Demand' state regarding the relationship between price and quantity demanded?

- A) As price increases, quantity demanded increases
- B) As price increases, quantity demanded decreases
- C) There is no relationship between price and quantity
- D) As supply increases, price increases

5. Which of the following is considered a 'factor of production'?

- A) Government subsidies
- B) Capital goods
- C) Consumer savings
- D) Stock market dividends

6. What is 'scarcity' in the context of economics?

- A) A temporary decrease in consumer interest
- B) The fundamental problem that resources are limited while wants are infinite
- C) A government policy to limit production
- D) The result of high taxation on businesses

7. What term refers to the increase in the general level of prices for goods and services over time?

- A) Deflation
- B) Inflation
- C) Stagflation
- D) Appreciation

8. Which market structure is characterized by a single seller providing a unique product with no close substitutes?

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

9. What is the primary function of the Reserve Bank of Australia (RBA)?

- A) To set personal income tax rates
- B) To manage the nation's currency and set official interest rates
- C) To provide loans to private citizens
- D) To regulate international export tariffs

10. What term describes the process of specializing in the production of a specific good to increase efficiency?

- A) Diversification
- B) Division of labour
- C) Globalisation
- D) Protectionism

11. Which of the following describes 'human capital'?

- A) The machinery used to manufacture goods
- B) The total amount of money in an economy
- C) The skills, education, and experience possessed by the workforce
- D) The physical infrastructure of a country

12. What is 'fiscal policy' primarily concerned with?

- A) The management of money supply by the central bank
- B) The use of government spending and taxation to influence the economy
- C) The regulation of stock market trades
- D) The fixing of international exchange rates

13. What defines an 'oligopoly' market structure?

- A) Many small firms selling identical products
- B) A single firm controlling the entire market
- C) A few large firms dominating the market
- D) No barriers to entry for new businesses

14. In economics, what does 'utility' measure?

- A) The cost of producing a unit of output
- B) The total revenue of a business
- C) The satisfaction or benefit a consumer derives from a good or service
- D) The time required to manufacture a product

15. What is the difference between a 'good' and a 'service'?

- A) Goods are intangible; services are tangible
- B) Goods are physical objects; services are actions performed for others
- C) Services are essential; goods are luxuries
- D) There is no economic difference between them

16. What does a 'trade surplus' indicate?

- A) A country imports more than it exports
- B) A country exports more than it imports
- C) The currency value has decreased significantly
- D) The unemployment rate is at zero

17. Which economic concept explains why a country might produce goods for which it has a lower opportunity cost than its trading partners?

- A) Absolute advantage
- B) Comparative advantage
- C) Protectionism
- D) Market failure

18. What is 'liquidity' in financial terms?

- A) The ability to convert an asset into cash without significant loss of value
- B) The total debt of a corporation
- C) The amount of physical inventory held by a retailer
- D) The rate of interest paid on savings accounts