Microeconomics Fundamentals

Microeconomics · Practice Test · 8 Questions

1. What does the economic Law of Demand state occurs when the price of a good increases, assuming all other factors remain constant?

A) The quantity demanded decreases
B) The quantity demanded increases
C) The market supply automatically decreases
D) The demand curve shifts to the right

2. Which group of terms correctly identifies the four primary economic factors of production used to produce goods and services?

A) Money, Stocks, Bonds, and Property
B) Land, Labour, Capital, and Enterprise
C) Raw materials, Finished goods, Wholesale, and Retail
D) Taxes, Subsidies, Tariffs, and Interest

3. In microeconomics, how is the term 'opportunity cost' formally defined?

A) The total financial expenditure required to manufacture a product
B) The loss of purchasing power caused by inflation over time
C) The value of the next best alternative foregone when making a choice
D) The fixed cost of machinery divided by total output volume

4. What economic term describes the state where the quantity of a product demanded by consumers equals the quantity supplied by producers?

A) Surplus
B) Shortage
C) Equilibrium
D) Price ceiling

5. In microeconomics, what term refers to goods that are consumed together, where a price increase for one leads to a decrease in demand for the other?

A) Substitute goods
B) Complementary goods
C) Inferior goods
D) Capital goods

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6. According to the Law of Supply, how do producers typically react to an increase in the market price of a product, ceteris paribus?

A) They increase the quantity supplied
B) They decrease the quantity supplied
C) They stop supply completely
D) They hold quantity supplied unchanged

7. Which market structure is characterized by a single firm being the sole seller of a product with no close substitutes?

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

8. What does the price elasticity of demand measure in microeconomics?

A) The exact total profit earned at a given price level
B) The responsiveness of quantity demanded to a change in price
C) The physical flexibility of consumer products in logistics
D) The rate of price inflation in consumer retail markets

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