Fundamentals of Economics

Economics · Practice Test · 15 Questions

1. What is the primary indicator used to measure the total value of goods and services produced within a country's borders in a specific time period?

A) Consumer Price Index
B) Gross Domestic Product
C) Balance of Trade
D) National Debt

2. In a market economy, what is the term for the price point where the quantity demanded equals the quantity supplied?

A) Equilibrium price
B) Maximum price
C) Floor price
D) Markup price

3. Which economic system is characterized by state ownership of the means of production and centralized planning?

A) Capitalism
B) Market economy
C) Command economy
D) Mixed economy

4. What does 'opportunity cost' represent in economic decision-making?

A) The monetary profit of a business
B) The value of the next best alternative foregone
C) The total cost of production including taxes
D) The tax paid on luxury goods

5. Which term describes a market structure where a single seller controls the entire supply of a good or service?

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

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6. What is the term for a sustained increase in the general price level of goods and services in an economy over time?

A) Deflation
B) Stagnation
C) Inflation
D) Recession

7. What are 'factors of production' in traditional economic theory?

A) Land, labour, capital, and enterprise
B) Taxes, tariffs, trade, and transport
C) Supply, demand, price, and quantity
D) Banks, currency, stocks, and bonds

8. What does the 'Law of Demand' state?

A) As price increases, quantity demanded increases
B) As price increases, quantity demanded decreases
C) As income increases, demand remains constant
D) As supply increases, demand decreases

9. What is a 'fiscal policy' primarily concerned with?

A) Controlling the money supply through interest rates
B) Government spending and taxation
C) The regulation of international trade
D) The management of corporate stock prices

10. Which entity is typically responsible for setting a country's base interest rates and managing its currency supply?

A) The Department of Treasury
B) The Central Bank
C) The Stock Exchange
D) The World Bank

11. What is meant by 'scarcity' in the context of economics?

A) The condition where demand exceeds supply
B) The lack of natural resources in a specific country
C) The fundamental problem of having unlimited wants but limited resources
D) The intentional withholding of goods from the market

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12. Which term refers to the total amount of a specific good or service available to consumers?

A) Demand
B) Supply
C) Consumption
D) Utility

13. What is the definition of a 'recession' in macroeconomic terms?

A) A period of rapid economic growth
B) Two consecutive quarters of declining GDP
C) A sudden increase in government spending
D) A steady rise in unemployment among youth

14. What do economists call the benefit received from consuming one additional unit of a good?

A) Total utility
B) Average product
C) Marginal utility
D) Opportunity benefit

15. Which economic concept suggests 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 increasing costs
C) Comparative advantage
D) Economies of scale

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