Microeconomics Fundamentals

Microeconomics · Answer Key · 25 Questions

1. What term describes the quantity of a good that producers are willing and able to sell at a given price?

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

2. What is the relationship between price and quantity demanded according to the Law of Demand?

A) Direct
B) Inverse
C) Proportional
D) Neutral

3. What is the point where the quantity supplied equals the quantity demanded?

A) Market equilibrium
B) Surplus
C) Shortage
D) Deadweight loss

4. Which term refers to the additional satisfaction a consumer gains from consuming one more unit of a good?

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

5. What is defined as the value of the next best alternative foregone when a choice is made?

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

6. In a perfectly competitive market, how many sellers are typically present?

A) One
B) A few
C) Many
D) None

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7. Which type of market structure is dominated by a single seller?

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

8. What are costs that do not change with the level of output produced?

A) Marginal costs
B) Variable costs
C) Fixed costs
D) Total costs

9. What describes a situation where the quantity demanded exceeds the quantity supplied?

A) Surplus
B) Equilibrium
C) Shortage
D) Inflation

10. What is the measure of the responsiveness of quantity demanded to a change in price?

A) Price elasticity of demand
B) Marginal rate of substitution
C) Law of diminishing returns
D) Production possibility frontier

11. Which of the following is considered a factor of production?

A) Money
B) Price
C) Land
D) Profit

12. What occurs when the price of a good is set above the equilibrium price?

A) Surplus
B) Shortage
C) Market clearing
D) Efficiency

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13. What is the total revenue minus total explicit costs known as?

A) Accounting profit
B) Economic profit
C) Marginal revenue
D) Fixed revenue

14. What is the shape of a typical production possibility frontier graph?

A) Straight line
B) Downward sloping curve
C) Upward sloping curve
D) Vertical line

15. Which factor of production refers to human effort used in the production of goods and services?

A) Capital
B) Land
C) Labour
D) Entrepreneurship

16. What is a market structure with only a few large firms called?

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

17. What happens to the supply curve when production technology improves significantly?

A) Shifts left
B) Shifts right
C) Becomes vertical
D) Becomes horizontal

18. What are goods that are used together, such as printers and ink cartridges, called?

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

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19. What is a good called if its demand increases as consumer income decreases?

A) Normal good
B) Inferior good
C) Superior good
D) Complementary good

20. Which of these is an example of an explicit cost?

A) Wages paid to employees
B) Foregone salary
C) Depreciation of owned equipment
D) Value of time

21. What describes the benefit an individual gets from a good or service?

A) Price
B) Utility
C) Cost
D) Profit

22. What happens to equilibrium price when demand increases while supply remains constant?

A) Decreases
B) Increases
C) Remains the same
D) Becomes negative

23. What describes a market with many sellers offering slightly differentiated products?

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

24. What refers to the input that cannot be changed in the short run?

A) Variable factor
B) Fixed factor
C) Marginal factor
D) Total factor

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25. What is the study of how individual households and firms make decisions called?

A) Macroeconomics
B) Microeconomics
C) Econometrics
D) Development economics