

Economics pre-midterm Quiz 30 Questions

1. Economics is primarily the study of:

- 24/37 A How society manages scarce resources
- 6/37 B How businesses maximize profits
- 7/37 C How governments control markets
- 0/37 D How consumers avoid taxes

2. Scarcity means:

- 2/36 A People have limited wants
- 1/36 B Resources are unlimited
- 33/36 C Resources are limited but wants are unlimited
- 0/36 D Production is always efficient

3. Which of the following best describes **opportunity cost**?

- 2/36 A Monetary cost of a product
- 27/36 B The value of the next best alternative given up
- 4/36 C Cost of production
- 3/36 D The profit from selling a good

4. A rational decision maker will choose an action when:

- 5/36 A Marginal cost equals average cost
- 25/36 B Marginal benefit exceeds marginal cost
- 3/36 C Marginal cost exceeds marginal benefit
- 3/36 D Total cost equals total benefit

5. Trade between countries usually results in:

- 2/36 A Lower living standards
- 17/36 B Mutual benefits
- 13/36 C Government control
- 4/36 D Market failure

6. Market failure may occur because of:

- 27/36 A Externalities or market power
- 6/36 B High competition
- 2/36 C Consumer satisfaction
- 1/36 D Free trade

7. The **law of demand** states that:

- 4/36 A When price rises, demand rises
- 3/36 B Demand is independent of price
- 3/36 C Quantity demanded equals quantity supplied
- 26/36 D When price rises, quantity demanded falls

8. Which of the following is **NOT a determinant of demand**?

- 7/35 A Income
- 6/35 B Tastes
- 19/35 C Technology
- 3/35 D Price of related goods

9. Two goods are **substitutes** if:

- 3/34 A They are consumed together
- 27/34 B An increase in the price of one increases demand for the other
- 4/34 C Both goods are necessities
- 0/34 D Their demand is unrelated

10. Two goods are **complements** if:

- 22/34 A An increase in price of one reduces demand for the other
- 8/34 B They compete in the same market
- 4/34 C They have identical prices
- 0/34 D They are unrelated goods

11. When the price of a good changes, we observe:

- 13/34 A A shift in demand curve
- 13/34 B A movement along the demand curve
- 2/34 C A shift in supply curve
- 6/34 D A change in market structure

12. If consumers expect the price of a good to rise in the future, demand today will likely:

- 4/34 A Decrease
- 1/34 B Stay the same
- 3/34 C Become perfectly elastic
- 26/34 D Increase

13. The **law of supply** states:

- 14/34 A Quantity supplied decreases when price rises
- 16/34 B Quantity supplied increases when price rises
- 2/34 C Supply is independent of price
- 2/34 D Supply always equals demand

14. A rise in the price of inputs will typically:

- 4/34 A Increase supply
- 1/34 B Increase demand
- 24/34 C Decrease supply
- 5/34 D Increase equilibrium price only

15. Market supply is:

- 1/34 A The supply of a single firm
- 18/34 B The sum of all individual supplies
- 14/34 C The equilibrium supply
- 1/34 D The government supply

16. A **shift in supply** occurs when:

- 18/33 A Non-price determinants change
- 7/33 B Price changes
- 4/33 C Demand increases
- 4/33 D Quantity demanded changes

17. Market equilibrium occurs when:

- 1/32 A Supply exceeds demand
- 2/32 B Demand exceeds supply
- 25/32 C Quantity demanded equals quantity supplied
- 4/32 D Prices stop changing

18. The **equilibrium price** is the price at which:

- 24/32 **A** Quantity supplied equals quantity demanded
- 2/32 **B** Firms maximize profit
- 6/32 **C** Government sets the price
- 0/32 **D** Demand is highest

19. If price is above equilibrium, the market experiences:

- 6/32 **A** Shortage
- 2/32 **B** Inflation
- 4/32 **C** Demand shift
- 20/32 **D** Surplus

20. If price is below equilibrium, the market experiences:

- 9/32 **A** Surplus
- 2/32 **B** Perfect competition
- 20/32 **C** Shortage
- 1/32 **D** Elastic demand

21. The **law of supply and demand** states that prices adjust to:

- 26/32 **A** Bring supply and demand into balance
- 4/32 **B** Maximize government revenue
- 2/32 **C** Increase demand
- 0/32 **D** Eliminate firms

22. If demand increases and supply remains constant, equilibrium:

- 4/32 **A** Price falls and quantity rises
- 13/32 **B** Price rises and quantity falls
- 2/32 **C** Price falls and quantity falls
- 13/32 **D** Price rises and quantity rises

23. If supply increases and demand remains constant, equilibrium:

- 3/32 **A** Price rises and quantity rises
- 18/32 **B** Price falls and quantity rises
- 8/32 **C** Price rises and quantity falls
- 3/32 **D** Price falls and quantity falls

24. Excess demand occurs when:

- 24/32 **A** Quantity demanded > quantity supplied
- 6/32 **B** Quantity supplied > quantity demanded
- 1/32 **C** Price is zero
- 1/32 **D** Market is competitive

25. Price elasticity of demand measures:

- 3/32 **A** Change in income
- 21/32 **B** Responsiveness of quantity demanded to price changes
- 5/32 **C** Responsiveness of supply to price
- 3/32 **D** Market equilibrium

26. Price elasticity of demand is calculated as:

- 5/32 **A** $\% \Delta \text{Price} / \% \Delta \text{Quantity}$
- 4/32 **B** Price \times Quantity
- 3/32 **C** Quantity / Price
- 20/32 **D** $\% \Delta \text{Quantity demanded} / \% \Delta \text{Price}$

27. If $\text{PED} > 1$, demand is:

- 2/32 **A** Inelastic
- 24/32 **B** Elastic
- 5/32 **C** Perfectly inelastic
- 1/32 **D** Unit elastic

28. If $\text{PED} = 1$, demand is:

- 6/32 **A** Elastic
- 3/32 **B** Inelastic
- 22/32 **C** Unit elastic
- 1/32 **D** Perfectly elastic

29. If $\text{PED} < 1$, demand is:

- 4/32 **A** Elastic
- 25/32 **B** Inelastic
- 2/32 **C** Perfectly elastic
- 1/32 **D** Unit elastic

30. If demand is **elastic**, an increase in price will:

10/32 **A** Increase total revenue

17/32 **B** Decrease total revenue

5/32 **C** Not change revenue

0/32 **D** Double revenue