

# Economics pre-final Quiz

40 Questions

## 1. Price elasticity of demand measures:

- 1/12  A Producer profits
- 10/12  B Responsiveness of quantity demanded to price changes
- 1/12  C Government intervention
- 0/12  D Market equilibrium

## 2. Demand is elastic when:

- 0/10  A  $PED < 0$
- 3/10  B  $PED = 0$
- 7/10  C  $PED > 1$
- 0/10  D  $PED = 1$

## 3. Demand is inelastic when:

- 3/10  A  $PED > 1$
- 0/10  B  $PED = \infty$
- 1/10  C  $0 < PED < 1$
- 6/10  D  $PED < 0$

## 4. A perfectly inelastic demand curve is:

- 0/10  A Horizontal
- 4/10  B Vertical
- 3/10  C Downward sloping
- 3/10  D U-shaped

## 5. If price rises by 10% and quantity demanded falls by 20%, PED equals:

- 3/7  A 0.5
- 2/7  B 1
- 2/7  C 2
- 0/7  D 10

**6. Luxury goods usually have:**

- 2/7  A Income elasticity greater than 1
- 0/7  B Negative income elasticity
- 3/7  C Zero elasticity
- 2/7  D Perfectly inelastic demand

**7. Inferior goods have:**

- 2/7  A Positive income elasticity
- 3/7  B Negative income elasticity
- 1/7  C Unit elasticity
- 1/7  D Infinite elasticity

**8. Cross-price elasticity for substitute goods is:**

- 1/7  A Negative
- 4/7  B Positive
- 2/7  C Zero
- 0/7  D Infinite

**9. Which factor makes demand more elastic?**

- 2/7  A Necessity good
- 1/7  B Few substitutes
- 3/7  C Large time horizon
- 1/7  D Small share of income

**10. Price elasticity of supply depends mainly on:**

- 1/7  A Government taxes
- 3/7  B Consumer income
- 1/7  C Advertising
- 2/7  D Flexibility of producers

**11. Profit equals:**

- 1/7  A Revenue + Cost
- 4/7  B Revenue - Cost
- 2/7  C Cost - Revenue
- 0/7  D Price x Cost

**12. Explicit costs are:**

- 1/7  A Opportunity costs
- 3/7  B Non-monetary costs
- 3/7  C Costs requiring direct payments
- 0/7  D Social costs

**13. Economists include:**

- 3/7  A Both explicit and implicit costs
- 2/7  B Only explicit costs
- 2/7  C Only implicit costs
- 0/7  D Neither explicit nor implicit costs

**14. In the short run:**

- 2/7  A All inputs are variable
- 3/7  B Some inputs are fixed
- 0/7  C No costs exist
- 2/7  D Firms cannot produce

**15. The production function shows:**

- 3/7  A Relationship between costs and taxes
- 3/7  B Relationship between inputs and outputs
- 1/7  C Government intervention
- 0/7  D Market demand

**16. Marginal product of labour measures:**

- 0/7  A Total output
- 0/7  B Output per worker
- 4/7  C Additional output from one more worker
- 3/7  D Total costs

**17. Diminishing marginal product means:**

- 0/7  A Output always rises
- 6/7  B Each additional worker adds less output
- 1/7  C Firms stop producing
- 0/7  D Cost disappear

**18.** Fixed costs:

- 1/7 **A** Change with output
- 1/7 **B** Are always zero
- 3/7 **C** Do not vary with output
- 2/7 **D** Equal marginal costs

**19.** Marginal cost measures:

- 1/7 **A** Average production
- 5/7 **B** Additional cost of one extra unit
- 1/7 **C** Fixed cost per worker
- 0/7 **D** Total profit

**20.** The efficient scale of the firm occurs:

- 0/6 **A** Where MC is the highest
- 2/6 **B** At minimum ATC
- 4/6 **C** Where AFC is zero
- 0/6 **D** Where profit is negative

**21.** Welfare economics studies:

- 0/6 **A** Inflation only
- 2/6 **B** Government budgets
- 3/6 **C** Economic well-being
- 1/6 **D** Banking systems

**22.** Consumer surplus equals:

- 0/6 **A** Price minus cost
- 4/6 **B** Willingness to pay minus price paid
- 0/6 **C** Revenue minus costs
- 2/6 **D** Tax minus subsidy

**23.** Producers surplus equals:

- 3/6 **A** Selling price minus variable cost
- 2/6 **B** Total revenue minus taxes
- 0/6 **C** Fixed cost minus variable cost
- 1/6 **D** Demand minus supply

**24.** The demand curve reflects:

- 3/6 **A** Producers costs
- 3/6 **B** Consumer willingness to pay
- 0/6 **C** Government intervention
- 0/6 **D** Inflation

**25.** The supply curve reflects:

- 1/6 **A** Consumer utility
- 2/6 **B** Tax rates
- 1/6 **C** Imports
- 2/6 **D** Marginal cost of production

**26.** Total surplus equals:

- 0/6 **A** Consumer surplus only
- 1/6 **B** Producers surplus only
- 4/6 **C** Consumer surplus + producers surplus
- 1/6 **D** Revenue-taxes

**27.** A market is efficient when:

- 0/6 **A** Taxes are high
- 6/6 **B** Total surplus is maximised
- 0/6 **C** Consumers pay nothing
- 0/6 **D** Supply exceeds demand

**28.** Pareto efficiency means:

- 2/5 **A** Everyone earns equal income
- 1/5 **B** Government controls markets
- 2/5 **C** Nobody can be made better off without hurting someone else
- 0/5 **D** Prices are fixed

**29.** Laissez-faire refers to:

- 0/5 **A** Heavy regulation
- 3/5 **B** Government ownership
- 1/5 **C** Non-intervention in markets
- 1/5 **D** Trade restrictions

**30.** Market failures may occur because of:

- 0/5  A Perfect competition
- 1/5  B Externalities
- 2/5  C Efficient pricing
- 2/5  D Consumer surplus

**31.** A good is excludable if:

- 1/5  A Everyone can consume it freely
- 2/5  B People can be prevented from using it
- 1/5  C It is non-rival
- 1/5  D It is subsidised

**32.** A good is rival if:

- 3/5  A One person's use reduces another's use
- 0/5  B It is free
- 0/5  C Government provides it
- 2/5  D Nobody consumes it

**33.** Public goods are:

- 0/5  A Rival and excludable
- 2/5  B Rival and non-excludable
- 2/5  C Non-rival and non-excludable
- 1/5  D Non-rival and excludable

**34.** Which is an example of a public good?

- 1/5  A Bread
- 1/5  B Netflix
- 0/5  C Street lighting
- 3/5  D Cinema ticket

**35.** The free-rider problem occurs because:

- 2/5  A Goods are too expensive
- 0/5  B People can benefit without paying
- 2/5  C Supply exceeds demand
- 1/5  D Firms maximise profits

**36. Common resources tend to be:**

- 1/5  A Underused
- 2/5  B Efficiently allocated
- 0/5  C Overused
- 2/5  D Perfectly regulated

**37. "Tragedy of the commons" refers to:**

- 0/5  A Underproduction of private goods
- 3/5  B Overuse of common resources
- 1/5  C Inflation problems
- 1/5  D Monopoly pricing

**38. Merit goods are**

- 2/5  A Goods with benefits underestimated by consumers
- 2/5  B Goods consumers overvalue
- 0/5  C Always public goods
- 1/5  D Illegal goods

**39. Education is considered a merit good because:**

- 2/5  A It creates social benefit
- 0/5  B It is rival
- 2/5  C It is luxury
- 1/5  D It causes inflation

**40. Cigarettes are considered:**

- 0/5  A Merit goods
- 1/5  B Public goods
- 0/5  C Club goods
- 4/5  D De-merit goods