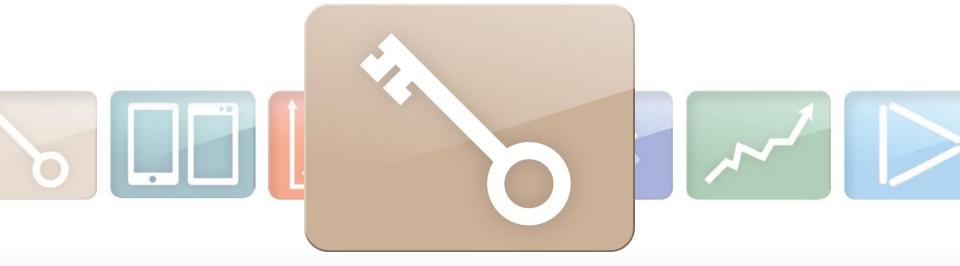
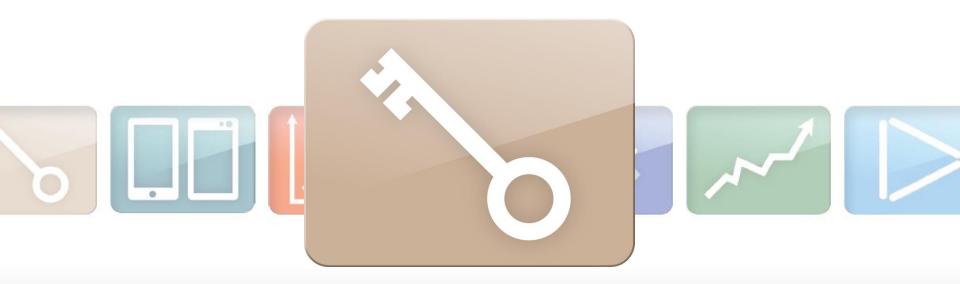
# Fundamentals Part A



## Introduction to Microeconomics and Macroeconomics

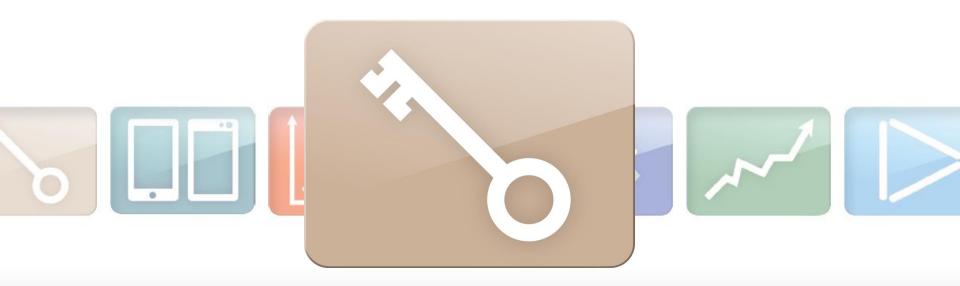


- Microeconomics focuses on:
  - A) the big picture of the economy.
  - B) how governments, individuals, and businesses make decisions when faced with scarcity.
  - C) how governments, individuals, and businesses make decisions when resources are unlimited.
  - D) how to make money on investments.

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  - D) how to make money on investments.

The correct answer is B.

## Resources



#### Resources are:

- A) relatively plentiful in all countries.
- B) relatively evenly distributed in all countries.
- C) relatively scarce in all countries.
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The correct answer is C.

## Scarcity

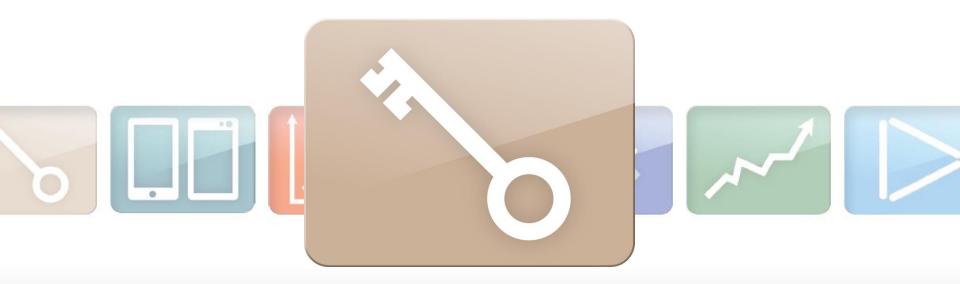


- A recurring theme in economics is that people
  - A. have unlimited resources but limited economic wants.
  - B. can increase resources by limiting their economic wants.
  - C. have limited economic wants and limited resources.
  - D. have unlimited economic wants but limited resources.

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The correct answer is D

## Opportunity Cost

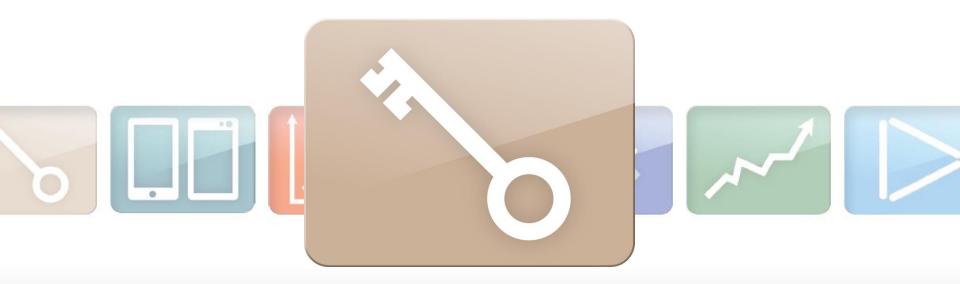


- Economic reasoning is based on the premise that:
  - A. all decisions or actions are costless.
  - B. only economic decisions or actions have a cost associated with them.
  - C. only non-economic decisions or actions have a cost associated with them.
  - D. all decisions or actions have a cost associated with them.

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  - D. all decisions or actions have a cost associated with them.

#### The correct answer is D

## The Role of Incentives

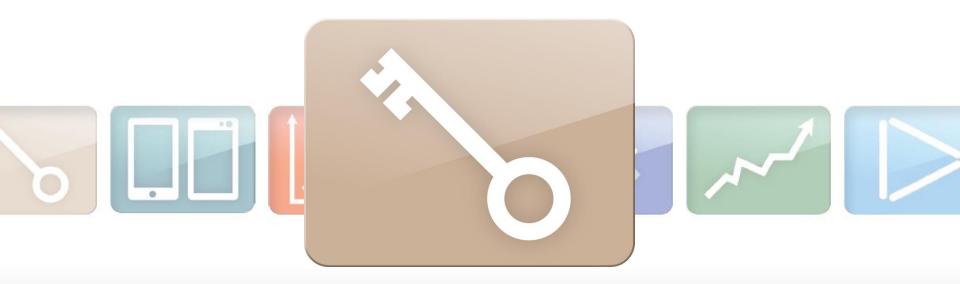


- To say that "people respond to incentives" is to say that
  - A. changes in costs (but not changes in benefits) influence people's decisions and their behavior.
  - B. Changes in benefits (but not changes in costs) influence people's decisions and their behavior.
  - C. changes in benefits or changes in costs influence people's decisions and their behavior
  - D. tradeoffs can be eliminated by rational people who think at the margin.

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#### The correct answer is C

## Rational Decision Making

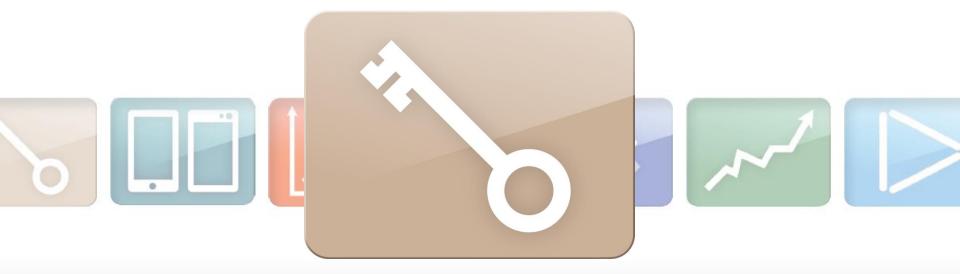


- A rational decision:
  - A) considers the relative scarcity of resources.
  - B) is the best decision for a person.
  - C) is the option chosen.
  - D) results from the comparison of marginal benefit and marginal cost.

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The correct answer is D.

## Marginal Benefits and Marginal Costs

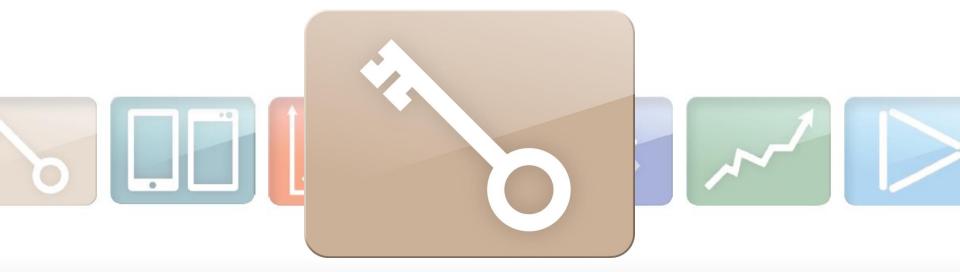


- When studying human behavior, economists assume rational self-interest. This means that people
  - A. have all the information they need to make a decision.
  - B. are quite selfish and are not concerned about others.
  - C. always make the right decisions.
  - D. make decisions based on some desired outcome.

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The correct answer is D.

## Marginal Benefits and Costs in Equilibrium



- Michelle wants to purchase a new phone. Michelle will purchase the phone if:
  - A) she compares the total cost to her income.
  - B) she has enough income to purchase the phone.
  - C) the marginal cost of the phone is greater than its marginal benefit.
  - D) the marginal benefit of the phone is greater than its marginal cost.

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  - D) the marginal benefit of the phone is greater than its marginal cost.

The correct answer is D.

- The main significance of the equilibrium between marginal benefit and marginal cost is:
  - A) the market involved in the options is balanced.
  - B) an irrational decision has been made.
  - C) a rational decision has been made.
  - D) None of the above

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The correct answer is C.