

ECO 101 – Microeconomics

1. Economics is the study of how societies use _____ resources to produce goods and services.

- A) Unlimited**
- B) Scarce**
- C) Abundant**
- D) Infinite**

2. Microeconomics focuses on:

- A) National output**
- B) Unemployment**
- C) Firms and households**
- D) Inflation**

3. Macroeconomics deals with:

- A) Firm pricing**
- B) Aggregate economy**
- C) Family budgets**
- D) Market competition**

4. Which of the following is NOT a factor of production?

- A) Land**
- B) Labor**
- C) Capital**
- D) Money**

5. The three basic economic questions are:

- A) What, How, For whom**
- B) When, why, How**
- C) Who, When, What**
- D) What, Who, Why**

6. The fundamental economic problem is:

- A) Inflation**
- B) Scarcity**
- C) Recession**
- D) Employment**

7. Opportunity cost is best defined as:

- A) The cost of production**
- B) The value of the next best alternative forgone**
- C) The monetary cost only**
- D) None of the above**

8. A point inside the PPF represents:

- A) Inefficiency**
- B) Efficiency**
- C) Unattainable**
- D) Maximum production**

9. A point outside the PPF represents:

- A) Inefficiency**
- B) Efficiency**
- C) Unattainable**
- D) Fully efficient**

10. When moving from one point to another along PPF, the opportunity cost is:

- A) Zero**
- B) Constant always**
- C) The forgone production of the other good**
- D) Not measurable**

11. Which of the following can shift the PPF outward?

- A) War**
- B) Improved technology**
- C) Resource depletion**
- D) Natural disaster**

12. The law of demand states that as price rises, quantity demanded:

- A) Increases**
- B) Decreases**
- C) Remains the same**
- D) Doubles**

13. An increase in population will likely:

- A) Decrease demand**
- B) Increase demand**
- C) Not affect demand**
- D) Shift supply left**

14. A good whose demand decreases as income increases is:

- A) Normal good**
- B) Inferior good**
- C) Complement**
- D) Substitute**

15. A movement along the demand curve is caused by:

- A) Change in income**
- B) Change in taste**
- C) Change in price**
- D) Change in population**

16. A rightward shift of the supply curve indicates:

- A) Increase in supply**
- B) Decrease in supply**
- C) Constant supply**
- D) Change in demand**

17. Price elasticity of demand measures:

- A) Change in price over time**
- B) Responsiveness of demand to price changes**
- C) Change in income**
- D) Cost of production**

18. If $E > 1$, demand is:

- A) Inelastic**
- B) Unit elastic**
- C) Elastic**
- D) Perfectly inelastic**

19. If $E = 0$, demand is:

- A) Perfectly inelastic**
- B) Perfectly elastic**
- C) Unit elastic**
- D) Elastic**

20. If $E = \infty$, demand is:

- A) Perfectly inelastic
- B) Perfectly elastic
- C) Unit elastic
- D) Elastic

21. Income elasticity of demand ($IED > 0$) indicates:

- A) Inferior good
- B) Normal good
- C) Giffen good
- D) None

22. If $IED < 0$, the good is:

- A) Normal
- B) Inferior
- C) Elastic
- D) Unit elastic

23. Which of the following best defines economics?

- A) The study of money
- B) The study of scarcity and choice
- C) The study of production only
- D) The study of finance

24. Which of the following is a microeconomic topic?

- A) Inflation
- B) Unemployment rate
- C) Price of coffee
- D) GDP growth

25. Which of the following is considered capital?

- A) Cash**
- B) Machines**
- C) Land**
- D) Labor**

26. An entrepreneur is someone who:

- A) Works for wages**
- B) Manages and organizes resources**
- C) Lends capital to firms**
- D) Buys government bonds**

27. In a mixed economy:

- A) Only government decides production**
- B) Only private sector operates**
- C) Both government and private sector share control**
- D) No regulation exists**

28. Which is an example of a macroeconomic variable?

- A) Price of wheat**
- B) National unemployment rate**
- C) Cost of renting an apartment**
- D) Salary of a teacher**

29. If producing more of one good requires producing less of another, this illustrates:

- A) Efficiency**
- B) Economic growth**
- C) Opportunity cost**
- D) Free choice**

30. Points on the PPF curve show:

- A) Unused resources**
- B) Efficient combinations**
- C) Economic decline**
- D) Impossible production**

31. The slope of the PPF measures:

- A) Efficiency**
- B) Opportunity cost**
- C) Price level**
- D) Income**

32. If an economy operates inside the PPF, it means:

- A) Full efficiency**
- B) Unemployment or underutilization of resources**
- C) Overproduction**
- D) Inflation**

33. A movement along the PPF shows:

- A) Change in efficiency**
- B) Trade-off between two goods**
- C) Increase in resources**
- D) Economic growth**

34. Demand shows the relationship between:

- A) Price and quantity supplied**
- B) Price and quantity demanded**
- C) Income and cost**
- D) Profit and loss**

35. A rise in the price of coffee will likely increase demand for tea. Tea is a:

- A) Normal good**
- B) Inferior good**
- C) Substitute good**
- D) Complement good**

36. Which of the following will cause a decrease in demand?

- A) Increase in population**
- B) Increase in income (for inferior good)**
- C) Advertising success**
- D) Fall in substitute price**

37. Which of the following will shift the supply curve to the left?

- A) Improved technology**
- B) Fall in input costs**
- C) Increase in wages**
- D) Government subsidies**

38. If market price is above equilibrium:

- A) There is excess demand**
- B) There is excess supply**
- C) Quantity demanded = Quantity supplied**
- D) No effect**

39. If a 10% increase in price leads to a 20% fall in quantity demanded, demand is:

- A) Elastic**

- B) Inelastic**
- C) Unit elastic**
- D) Perfectly inelastic**

40. If demand is perfectly inelastic, the demand curve is:

- A) Upward sloping**
- B) Horizontal**
- C) Vertical**
- D) Downward sloping**

41. If $E < 1$, demand is:

- A) Elastic**
- B) Inelastic**
- C) Unit elastic**
- D) Perfectly elastic**

42. If IED (income elasticity of demand) < 0 , the good is:

- A) Normal**
- B) Inferior**
- C) Luxury**
- D) Necessity**

43. The price elasticity of supply is usually:

- A) Positive**
- B) Negative**
- C) Zero**
- D) Always equal to one**

44. When elasticity equals zero, the demand curve is:

- A) Flat**
- B) Vertical**
- C) Horizontal**
- D) Upward sloping**

45. If supply is perfectly elastic, the supply curve is:

- A) Vertical**
- B) Upward sloping**
- C) Horizontal**
- D) Curved**

46. When supply elasticity > 1, supply is considered:

- A) Inelastic**
- B) Elastic**
- C) Perfectly elastic**
- D) Perfectly inelastic**

47. If both demand and supply shift right, equilibrium quantity will:

- A) Increase**
- B) Decrease**
- C) Stay constant**
- D) Be indeterminate**

True or false

- 1. Scarcity means that resources are limited but wants are unlimited. (True/False)**
- 2. In a command economy, prices are determined by market forces. (True/False)**
- 3. A change in consumer income causes a movement along the demand curve. (True/False)**
- 4. Entrepreneurship involves organizing and managing other factors of production. (True/False)**
- 5. Efficiency means minimizing waste and maximizing output. (True/False)**
- 6. PPF stands for Production Possibility Frontier. (True/False)**
- 7. A shift outward of the PPF indicates economic growth. (True/False)**
- 8. Points on the PPF represent efficient use of resources. (True/False)**
- 9. Moving along the PPF involves opportunity cost. (True/False)**
- 10. Economic growth causes the PPF to shift inward. (True/False)**
- 11. A substitute is a good used together with another good. (True/False)**
- 12. An increase in input prices will shift the supply curve to the right. (True/False)**
- 13. Market equilibrium occurs when quantity demanded equals quantity supplied. (True/False)**
- 14. Technology improvement leads to a decrease in supply. (True/False)**

- 15. Complementary goods are used together. (True/False)**
- 16. Elasticity of demand is always positive. (True/False)**
- 17. Perfectly inelastic demand means quantity demanded changes with price. (True/False)**
- 18. Luxury goods often have elastic demand. (True/False)**
- 19. When $E = 1$, total revenue remains unchanged after a price change. (True/False)**
- 20. Medicines have highly elastic demand. (True/False)**
- 21. Macroeconomics focuses on the behavior of individual households and firms. (True/False)**
- 22. Labor refers to all human effort, both physical and mental, used in production. (True/False)**
- 23. A command economy relies entirely on market forces. (True/False)**
- 24. Scarcity is a temporary problem that can be eliminated completely. (True/False)**
- 25. Opportunity cost exists because resources are unlimited. (True/False)**
- 26. Economic growth shifts the PPF inward. (True/False)**
- 27. An improvement in technology shifts the PPF outward. (True/False)**
- 28. All combinations outside the PPF are currently unattainable. (True/False)**
- 29. Resources such as land and capital are perfectly interchangeable between all goods. (True/False)**
- 30. A change in consumer income causes a movement along the demand curve. (True/False)**

- 31. Complementary goods are used together, like printers and ink cartridges. (True/False)**
- 32. When price rises, producers are willing to supply more — this is the law of supply. (True/False)**
- 33. At equilibrium price, there is a shortage in the market. (True/False)**
- 34. Government-imposed price ceilings often create shortages. (True/False)**
- 35. Elastic demand means consumers are not responsive to price changes. (True/False)**
- 36. Perfectly elastic demand means quantity demanded changes slightly with price. (True/False)**
- 37. When demand is unit elastic, total revenue changes in the same direction as price. (True/False)**
- 38. Luxury items usually have high elasticity of demand. (True/False)**
- 39. Inelastic goods have few substitutes. (True/False)**
- 40. Elasticity helps measure how consumers respond to changes in economic variables. (True/False)**