

# **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)**