1. What is the market price?

   a) The price at which a monopoly sets to maximize profit
   b) The price at which a seller wants to sell a product
   c) The price prevailing in a competitive market
   d) The price fixed by the government to control inflation
   e) The price advertised in marketing campaigns

ANSWER - The price prevailing in a competitive market

2. What defines the market price in a competitive market?

   a) The price set by the government
   b) The highest price a seller is willing to accept
   c) The lowest price a buyer is willing to pay
   d) The price at which quantity demanded equals quantity supplied
   e) The average price of similar products in neighbouring markets

ANSWER - The price at which quantity demanded equals quantity supplied

3. Which statement best describes a perfectly competitive market?

   a) It is a market where only a few sellers dominate the market share.
   b) It is a market with many buyers and sellers, each having a significant impact on price.
   c) It is a market where entry and exit barriers are high, limiting new firms from entering.
   d) It is a market with many buyers and sellers, so that no single buyer or seller has a significant impact on price.
   e) It is a market where the government regulates prices to maintain fairness.

ANSWER - It is a market with many buyers and sellers, so that no single buyer or seller has a significant impact on price.

4. Which statement best describes a monopoly market?

   a) It is a market with many buyers and sellers, each having a significant impact on price.
   b) It is a market where products are differentiated, allowing firms to have some degree of market power.
   c) It is a market with identical products sold by numerous small firms.
   d) It is a market where firms collaborate to control prices and output levels.
   e) It is a market dominated by a single seller with significant control over price.

ANSWER - It is a market dominated by a single seller with significant control over price.

5. What defines arbitrage?

a) Purchasing goods at a higher price and selling them at a lower price.
b) Trading goods within the same market to stabilize prices.
c) Buying goods at a lower price in one market and selling them at a higher price in another market.
d) Selling goods internationally to maximize profit margins.
e) Speculating on future price movements in financial markets.

ANSWER - Buying goods at a lower price in one market and selling them at a higher price in another market.

6. What is microeconomics?

a) The study of the economy as a whole, including topics like inflation and unemployment.
b) The study of individual economic units such as households and firms.
c) The analysis of international trade and its impact on domestic economies.
d) The study of government policies and their effect on economic growth.
e) The examination of financial markets and their role in allocating resources.

ANSWER - The study of individual economic units such as households and firms.

7. What defines a demand curve?

a) It illustrates the relationship between consumer preferences and market prices.
b) It depicts the quantity of goods suppliers are willing to sell at various price levels.
c) It shows the correlation between production costs and market demand.
d) It represents the relationship between the quantity of a good that consumers are willing to buy and its price.
e) It outlines the impact of government regulations on consumer purchasing behaviour.

ANSWER - It represents the relationship between the quantity of a good that consumers are willing to buy and its price.

8. What defines a supply curve?

a) It illustrates the relationship between the quantity of a good that producers are willing to sell and its price.
b) It depicts the quantity of goods consumers are willing to buy at various price levels.
c) It shows the correlation between production costs and market demand.
d) It represents the relationship between consumer preferences and market prices.
e) It outlines the impact of government subsidies on consumer purchasing behaviour.

ANSWER - It illustrates the relationship between the quantity of a good that producers are willing to sell and its price.

9. What is the equilibrium price?

a) The price at which demand exceeds supply
b) The price at which supply exceeds demand
c) The price at which quantity supplied equals quantity demanded
d) The price at which quantity supplied is greater than quantity demanded
e) The price at which quantity demanded is greater than quantity supplied

ANSWER - The price at which quantity supplied equals quantity demanded

10. What is a surplus in economics?

a) When quantity demanded exceeds quantity supplied
b) When price is below equilibrium
c) When there is a shortage of goods
d) When quantity supplied exceeds quantity demanded
e) When there is a perfectly competitive market

ANSWER - When quantity supplied exceeds quantity demanded

11. What is a shortage in economics?

a) When quantity supplied exceeds quantity demanded
b) When there is an excess of goods in the market
c) When price is below equilibrium
d) When there is an imbalance between producers and consumers
e) When quantity demanded exceeds quantity supplied

ANSWER - When quantity demanded exceeds quantity supplied

12. Which of the following is not a measure of elasticity of demand?

a) Price elasticity of demand
b) Income elasticity of demand
c) Cross elasticity of demand
d) Time elasticity of demand
e) Arc elasticity of demand

ANSWER - Time elasticity of demand

13. What is completely inelastic demand?

a) Demand that is unaffected by changes in price
b) Demand that changes proportionally with changes in price
c) Demand that is perfectly elastic
d) Demand that varies significantly over time
e) Demand that is determined by seasonal factors

ANSWER - Demand that is unaffected by changes in price

14. Which statement about demand-supply analysis in microeconomics is incorrect?

a) It examines the relationship between price and quantity demanded or supplied
b) It helps determine equilibrium price and quantity in a market
c) It primarily focuses on the behaviour of individual consumers and producers
d) It measures the total revenue of a firm
e) It studies the impact of government regulations on market outcomes

ANSWER - It measures the total revenue of a firm

15. What is the theory of consumer behaviour primarily concerned with?

a) How consumers allocate incomes among different goods and services to maximize their well-being
b) How firms maximize their profits
c) How governments allocate resources in an economy
d) How prices are determined in a market
e) How businesses advertise their products

ANSWER - How consumers allocate incomes among different goods and services to maximize their well-being

16. What does the marginal rate of substitution measure in economics?

a) The rate at which consumers switch between different brands
b) The rate at which a consumer is willing to substitute one good for another while maintaining the same level of satisfaction
c) The rate at which producers substitute labour for capital
d) The rate at which prices change in response to shifts in demand
e) The rate at which government interventions affect market equilibrium

ANSWER - The rate at which a consumer is willing to substitute one good for another while maintaining the same level of satisfaction

17. What does utility represent in economics?

a) The total revenue earned by a firm
b) The numerical score representing consumer satisfaction from a market basket
c) The amount of profit generated by a business
d) The quantity of goods supplied in a market
e) The price elasticity of demand for a product

ANSWER - The numerical score representing consumer satisfaction from a market basket

18. What is a cardinal utility function in economics?

a) A function that measures the satisfaction consumers derive from consuming goods and services
b) A function that determines the equilibrium price in a market
c) A function that calculates the total utility of a consumer
d) A function that describes the demand curve for a product
e) A function that measures the elasticity of demand

ANSWER - A function that measures the satisfaction consumers derive from consuming goods and services

19. What is an ordinal utility function in economics?

a) A function that measures the satisfaction consumers derive from consuming goods and services
b) A function that determines the equilibrium price in a market
c) A function that ranks preferences of consumers without quantifying the level of satisfaction
d) A function that calculates the total utility of a consumer
e) A function that measures the elasticity of demand

ANSWER - A function that ranks preferences of consumers without quantifying the level of satisfaction

20. What does the individual demand curve represent in economics?

a) The curve showing the relationship between the quantity of a good demanded by all consumers and its price
b) The curve showing the relationship between the quantity of a good supplied by all producers and its price

c) The curve showing the relationship between the quantity of a good demanded by a single consumer and its price
d) The curve showing the relationship between the quantity of a good demanded and its total revenue
e) The curve showing the relationship between the quantity of a good demanded and its elasticity

ANSWER - The curve showing the relationship between the quantity of a good demanded by a single consumer and its price

21. What curve shows the relationship between the quantity of a good consumed and income in economics?

a) Production possibility curve
b) Engel curve
c) Supply curve
d) Demand curve
e) Indifference curve

ANSWER - Engel curve

22. What is price elasticity of demand in economics?

a) A measure of how much quantity demanded changes in response to changes in price
b) A measure of how much quantity supplied changes in response to changes in price
c) A measure of how much total revenue changes in response to changes in price
d) A measure of how much consumer preferences change in response to changes in price
e) A measure of how much market share changes in response to changes in price

ANSWER - A measure of how much quantity demanded changes in response to changes in price

23. What is economic cost in economics?

a) The total expenses, including both explicit and implicit costs, incurred by a firm
b) The explicit expenses, such as wages and rent, incurred by a firm
c) The cost to a firm of utilizing economic resources in production, including opportunity cost
d) The profit earned by a business
e) The total revenue generated by a business

ANSWER - The cost to a firm of utilizing economic resources in production, including opportunity cost

24. What is opportunity cost in economics?

a) The total expenses, including both explicit and implicit costs, incurred by a firm
b) The explicit expenses, such as wages and rent, incurred by a firm
c) The value of the next best alternative foregone
d) The profit earned by a business
e) The total revenue generated by a business

ANSWER - The value of the next best alternative foregone

25. What is accounting cost in economics?

a) The total expenses, including both explicit and implicit costs, incurred by a firm
b) The explicit expenses, such as wages and rent, incurred by a firm
c) The profit earned by a business
d) The total revenue generated by a business
e) The actual expenses incurred by a firm plus depreciation charges for capital equipment

ANSWER - The actual expenses incurred by a firm plus depreciation charges for capital equipment

26. What does amortization refer to in accounting and finance?

a) The policy of treating a one-time expenditure as an annual cost spread out over some number of years
b) The process of converting assets into cash
c) The process of dividing profits among shareholders
d) The process of valuing a company's inventory
e) The process of determining the value of intangible assets

ANSWER - The policy of treating a one-time expenditure as an annual cost spread out over some number of years

27. What is economies of scale in economics?

a) The situation in which output can be doubled for less than doubling of cost
b) The situation in which output and cost increase proportionally
c) The situation in which fixed costs remain constant as production increases
d) The situation in which average variable costs decrease as production increases
e) The situation in which total costs decrease as production decreases

ANSWER - The situation in which output can be doubled for less than doubling of cost

28. What is diseconomies of scale in economics?

a) The situation in which output can be doubled for less than doubling of cost
b) The situation in which output and cost increase proportionally
c) The situation in which fixed costs remain constant as production increases
d) The situation in which average variable costs decrease as production increases
e) The situation in which a doubling of output requires more than a doubling of cost

ANSWER - The situation in which a doubling of output requires more than a doubling of cost

29. What is a monopsony market in economics?

a) A market with many sellers and many buyers
b) A market with a single buyer and many sellers
c) A market with a single seller and many buyers
d) A market where goods are sold at auction
e) A market where there is only one seller of a particular good or service

ANSWER - A market with a single buyer and many sellers

30. What is a market with only one seller and one buyer called in economics?

a) Monopoly market
b) Monopsony market
c) Oligopoly market
d) Bilateral monopoly
e) Bilateral oligopoly

ANSWER - Bilateral monopoly