

Name: _____ Per: _____
Microeconomics Sample Test

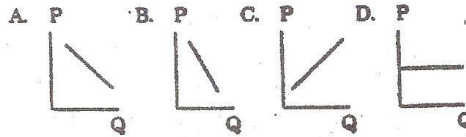
1. Imagine these scenes. Yesterday you walked past a large department store with very few customers. Today you noticed that the same store has a large "Sale" sign in the window and many customers are buying huge quantities of merchandise. This is an example of what economic principle?

- a. Strength
- b. The law of supply
- c. An externality
- d. The law of demand

2. Products or services that have uses similar to those of other goods or services are called:

- a. Substitutes.
- b. Complements.
- c. Cheap.
- d. Inferior.

3. Imagine you own a company which manufactures "Erase", a skin cream lotion that makes facial wrinkles disappear. Which of the following graphs would accurately depict the demand for your product?



4. Sometimes farmers decide to destroy a crop by plowing it under because the cost of harvesting the crop is greater than the revenue to be gained from the sale. Economic analysis would describe this decision as:

- a. Marginal.
- b. A sunk cost.
- c. Stupid.
- d. Inefficient.

5. The market clearing price is best described as:

- a. The price which is too high for the average consumer.
- b. The price that equates the quantities suppliers and demanders are willing and able to buy and sell.
- c. A low price that clears the market of goods and services so rapidly that many consumers cannot purchase the items they are willing and able to pay for.
- d. The price the rich want to pay.

6. When a product like insulin (a drug to help people with diabetes) has few substitutes and is considered very important to one's life, the public's demand for the product is described as:

- a. Elastic.
- b. Delastic.
- c. Inelastic.
- d. Bombastic.

7. In a market economy, prices are established by:

- a. Producers and consumers as they make economic choices.
- b. Producers when they make economizing choices.
- c. Consumers when they make economizing choices.
- d. Government officials when they make economizing choices.