

CHAPTER-1 | Introductory Microeconomics

QUIZ-01

1. What is the basic cause of the central economic problems in any economy?

- A. Unlimited wants
- B. Unlimited resources
- C. Scarcity of resources
- D. Poor production techniques (C)

Explanation: The central problems arise due to the scarcity of resources in comparison to unlimited human wants.

2. Which of the following best illustrates the concept of opportunity cost?

- A. Saving money in a bank
- B. Choosing between two job offers
- C. Producing all goods with machines
- D. Consuming more goods in present (B)

Explanation: Opportunity cost is the value of the next best alternative forgone, such as choosing one job offer over another.

3. In a centrally planned economy, decisions regarding production and distribution are made by:

- A. Private firms
- B. Consumers
- C. The government
- D. Market forces (C)

Explanation: In a centrally planned economy, all economic decisions are made by the central authority or government.

4. The shape of the production possibility frontier is :

- A. Circular
- B. Upward sloping
- C. Concave
- D. Linear (C)

Explanation: The PPF is concave due to increasing opportunity costs.

5. What is represented by a point below the production possibility frontier?

- A. Full employment of resources
- B. Efficient allocation
- C. Economic growth
- D. Underutilization of resources (D)

Explanation: A point below the PPF indicates that resources are not being fully or efficiently utilized.

6. Which is not a central problem of an economy?

- A. What to produce
- B. How to produce
- C. When to produce
- D. For whom to produce (C)

Explanation: The three central problems are: what to produce, how to produce, and for whom to produce.

7. In which type of economy do prices guide economic decisions?

- A. Mixed economy
- B. Market economy
- C. Centrally planned economy
- D. Traditional economy (B)

Explanation: In a market economy, price signals determine resource allocation and production decisions.

8. Microeconomics focuses on:

- A. Inflation and unemployment
- B. Total national income
- C. Aggregate demand
- D. Behaviour of individual units (D)

Explanation: Microeconomics studies the behavior of individual consumers, firms, and markets.

9. Which of the following is an example of a good in economics?

- A. Education
- B. Health care
- C. Teacher's service
- D. A shirt (D)

Explanation: A shirt is a tangible item used to satisfy wants, making it a 'good'.

10. What kind of analysis studies the functioning of economic mechanisms?

- A. Normative analysis
- B. Welfare analysis
- C. Positive analysis
- D. Strategic analysis (C)

Explanation: Positive analysis studies how economic mechanisms work without passing value judgments.