

**AP Micro Unit I: Basic Economic Concepts
Practice Questions**

1. The crucial problem of economics is
 - A. Establishing a fair tax system.
 - B. Providing social goods and services
 - C. Developing a price mechanism that reflects the relative scarcities of products and resources.
 - D. Allocating scarce productive resources to satisfy wants
 - E. Enacting a set of laws that protects resources from overuse.

2. When one decision is made, the next best alternative not selected is called
 - A. economic resources
 - B. opportunity cost
 - C. scarcity
 - D. comparative disadvantage
 - E. production

3. Which of the following is true of the concept of increasing opportunity costs?
 - A. It is unimportant in command economies because of central planning.
 - B. It suggests that the use of resources to produce a set of goods and services means that as more of one is produced, some of the other must be sacrificed.
 - C. It is irrelevant if the production possibilities curve is convex to the origin
 - D. It suggests that unlimited wants can be fulfilled.
 - E. It means that resources are plentiful and opportunities to produce greater amounts of goods and services are unlimited.

4. In the circular flow diagram, which of the following is true?
 - A. Businesses pay wages, rent, interest, and profits to households in return for use of factors of production.
 - B. Businesses purchase goods and services from households in return for money payments.
 - C. Households pay wages, rent, interest, and profits to businesses in return for use of factors of production.
 - D. The relationship between households and businesses exist only in a traditional society.
 - E. The relationship between households and businesses exists only in command economy.

5. Which of the following would be considered scarce?
 - I. Education
 - II. Gold
 - III. Time
 - A. I only
 - B. II only
 - C. III only
 - D. I and II only
 - E. I, II and III

6. Economists are likely to disagree most often over
- A. opportunity costs
 - B. normative statements
 - C. positive statements
 - D. normative and positive statements
 - E. they seldom disagree over either normative or positive statements
7. In which way does a straight-line production possibilities curve differ from a concave production possibilities curve?
- A. A straight-line production possibilities curve has a decreasing opportunity cost.
 - B. A straight-line production possibilities curve has a constant opportunity cost.
 - C. A straight-line production possibilities curve has an increasing opportunity cost.
 - D. A straight-line production possibilities curve does not show opportunity cost
 - E. Upward-sloping production possibilities curve.
8. The law of increasing opportunity cost is reflected in the shape of the
- A. Production possibilities curve concave to the origin ("bowed-out")
 - B. Production possibilities curve convex to the origin ("bowed-in")
 - C. Horizontal production possibilities curve
 - D. Straight-line production possibilities curve
 - E. Upward-sloping production possibilities curve
9. Which of the following would cause a leftward shift of the production possibilities curve?
- A. An increase in unemployment
 - B. An increase in inflation
 - C. An increase in capital equipment
 - D. A decrease in consumer demand
 - E. A decrease in working-age population
10. Which of the following would cause an outward or rightward shift in the production possibilities curve?
- A. An increase in unemployment
 - B. An increase in inflation
 - C. An increase in capital equipment
 - D. A decrease in natural resources
 - E. A decrease in the number of workers
11. Which of the following is true according to the circular flow model?
- A. Firms are suppliers in both the product and factor markets.
 - B. Households are demanders in the product markets and suppliers in the factor markets.
 - C. Households are demanders in both the product and factor markets.
 - D. Households are demanders in neither the product and factor markets.
 - E. The government is a demander in the product market only.

12. According to the theory of comparative advantages, a good should be produced where
- A. Its explicit costs are least.
 - B. Its opportunity costs are least.
 - C. The cost of real resources used is least.
 - D. Production can occur with the greatest increase in employment.
 - E. Production can occur with the lowest increase in employment.
13. In a typical circular flow diagram there are
- I. product markets
 - II. resource markets
 - III. households
 - IV. businesses
- A. I only
 - B. II only
 - C. I and II only
 - D. I, II and III only
 - E. I, II, III and IV
14. It is most accurate to say
- A. Normative statements focus on facts while positive statements involve value judgments.
 - B. Normative statements involve value judgements while positive statements focus on facts.
 - C. Normative and positive statements both focus on facts and neither involve value judgments.
 - D. Normative and positive statements both involve value judgements and neither focuses on facts.
 - E. Normative statements involve value judgements and focus on facts while positive statements only focus on facts.
15. Societal attempts to “solve” the economic problem of scarcity have included which of the following
- A. Tradition based resource allocation solutions
 - B. Command based resource allocation solutions
 - C. Market based resource allocation solutions
 - D. Resources allocation solutions based on a mixture of the above
 - E. All of the above could be considered solutions to the scarcity problem in economics

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Answers

1. D
2. B
3. B
4. A
5. E
6. B
7. B
8. A
9. E
10. C
11. B
12. B
13. E
14. B
15. E