

## Unit 1: Introduction to Microeconomics

### Core Concepts & Central Problems of the Economy

1. The study of how individuals and firms make decisions to allocate limited resources is called:
  - a) Macroeconomics
  - b) Microeconomics
  - c) Economic Policy
  - d) Public Finance
2. The opportunity cost of a good is:
  - a) The money spent on it
  - b) The goods sacrificed to produce it
  - c) The time taken to produce it
  - d) The tax imposed on it
3. The concept of **Economic Choice** is based on:
  - a) Unlimited resources and limited wants
  - b) Limited resources and unlimited wants
  - c) Perfect equality in resource distribution
  - d) A constant supply of all goods and services
4. If a country decides to use more resources for producing consumer goods instead of capital goods, this decision relates to:
  - a) what to produce?
  - b) How to produce?
  - c) For whom to produce?
  - d) Who will own the resources?
5. The basic economic problem of scarcity arises because:
  - a) Resources are limited while human wants are unlimited
  - b) The government controls resource allocation
  - c) People do not want to work
  - d) There is inflation in the economy
6. The problem of "**How to produce?**" deals with:
  - a) Whether to produce goods for domestic or foreign markets
  - b) Deciding on the allocation of income among different groups
  - c) Choosing between labour-intensive and capital-intensive production methods
  - d) Determining government tax policies
7. The production possibility curve (PPC) shifts outward when:
  - a) Resources are wasted
  - b) There is economic growth
  - c) The economy operates inefficiently
  - d) There is an increase in consumer spending
  
8. Microeconomics primarily focuses on:
  - a) The overall performance of the national economy

- b) The functioning of individual markets and decision-making by consumers and firms
  - c) The interactions between multiple economies
  - d) Fiscal and monetary policies
9. Which of the following topics is included in the study of microeconomics?
- a) Government fiscal policy
  - b) The concept of opportunity cost in decision-making
  - c) National unemployment rates
  - d) The analysis of GDP growth rates
10. Which of the following best defines the scope of microeconomics?
- a) It studies the behaviour of individual firms and consumers in the economy
  - b) It examines the economy as a whole and analyses aggregate variables such as national income
  - c) It focuses on government policies and international trade
  - d) It studies long-term economic growth and development
11. **Positive microeconomics** focuses on:
- a) What ought to be in an economy
  - b) The study of facts and cause-and-effect relationships in economic behaviour
  - c) Personal opinions about economic policies
  - d) Making normative judgments about the economy
12. **Normative microeconomics** focuses on:
- a) Describing economic events as they are
  - b) Policy recommendations based on subjective judgments
  - c) Scientific analysis of economic activities
  - d) Explaining consumer behaviour through facts
13. Which of the following is an example of **descriptive microeconomics**?
- a) A study on how consumers respond to price changes in the mobile phone industry
  - b) Analysing how government spending affects GDP growth
  - c) Evaluating the effect of monetary policy on inflation
  - d) Measuring the level of economic inequality in a country
14. Market Failure occurs when:
- a) Resources are allocated efficiently in all markets
  - b) Externalities, monopolies, or information asymmetry distort the optimal allocation of resources
  - c) Governments intervene to regulate prices
  - d) All firms in a market are price-takers
15. The Price Mechanism in a market economy helps:
- a) Ensure equitable distribution of income
  - b) Signal scarcity and guide resource allocation
  - c) Regulate government intervention
  - d) Determine government spending priorities
16. Production Efficiency is achieved when:
- a) Marginal cost equals marginal benefit
  - b) The economy produces at the lowest possible cost
  - c) Consumer demand is fully satisfied
  - d) There is perfect competition in the market
17. Allocative Efficiency occurs when:
- a) The economy is producing the goods most desired by society
  - b) Firms maximize their profits

- c) Resources are allocated in a way that minimizes production costs
  - d) The government controls the allocation of resources
18. **Ceteris paribus** means:
- a) Other things remaining changed
  - b) Other things remaining variable
  - c) Other things remaining constant
  - d) Other things being partially variable
19. The Production Possibility Curve (PPC) shows that when an economy operates inside the curve, it indicates:
- a) Full employment of resources
  - b) Underutilization of resources
  - c) Economic efficiency
  - d) Technological advancement
20. **Opportunity Cost and Decision Making:** A farmer has a piece of land that can be used for either growing wheat or rice. If the farmer chooses to grow wheat, they forego earning ₹50,000 from rice. The opportunity cost of growing wheat is:
- a) ₹50,000
  - b) ₹25,000
  - c) ₹75,000
  - d) ₹100,000
21. Which of the following best defines the scope of microeconomics?
- a) It studies the behavior of individual firms and consumers in the economy
  - b) It examines the economy as a whole
  - c) It focuses on government policies and international trade
  - d) It studies long-term economic growth and development
22. What is Microeconomics?
- a) The study of national income and its distribution
  - b) The study of individual markets and decision-making of consumers and firms
  - c) The study of money supply and inflation
  - d) The study of government fiscal policies
23. **Which of the following is an example of applied microeconomics?**
- a) Studying the impact of a tax increase on cigarette consumption
  - b) Analyzing the causes of economic recessions
  - c) Investigating how trade deficits affect exchange rates
  - d) Studying the long-term economic development of a country
24. **Which type of microeconomics studies the impact of specific policy decisions on consumers and firms?**
- a) Positive microeconomics
  - b) Normative microeconomics
  - c) Applied microeconomics
  - d) Theoretical microeconomics
25. **Microeconomics is different from macroeconomics because it focuses on:**
- a) National income and inflation rates
  - b) Individual firms, consumers, and specific markets
  - c) Government fiscal and monetary policies
  - d) Economic growth and international trade

26. Microeconomics focuses on the behavior of:
- a) Entire industries and economies
  - b) Individual consumers, firms, and markets
  - c) International trade policies
  - d) Government taxation and spending
27. Which of the following is the primary concern of microeconomics?
- a) National income and unemployment
  - b) Government policies and inflation
  - c) Individual consumer choices and firm behavior
  - d) Economic growth and development
28. The study of how a **firm decides the quantity of a product to produce** falls under:
- a) Macroeconomics
  - b) Microeconomics
  - c) Public finance
  - d) Global economics
29. The **problem of choice** arises in economics due to:
- a) Unlimited resources and limited wants
  - b) Limited resources and unlimited wants
  - c) Government regulation
  - d) The absence of production technology
30. A **rational consumer** makes decisions based on:
- a) Emotional preferences
  - b) Maximizing utility with given income and resources
  - c) Following government policies blindly
  - d) Purchasing the most expensive goods available
31. The **fundamental concept** that microeconomics is based on is:
- a) Economic growth
  - b) Unemployment rate
  - c) Scarcity and choice
  - d) Money supply
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32. Microeconomics is also known as:
- a) Theory of income and employment
  - b) Price and value theory
  - c) Trade policy theory
  - d) Economic development theory
33. Which of the following is a **microeconomic** issue?
- a) A country's inflation rate
  - b) National economic growth rate
  - c) A consumer deciding how much of a product to buy
  - d) The impact of monetary policy on an economy
34. Which of the following statements represents a **positive economic analysis**?
- a) The government should increase taxes on high-income groups
  - b) Increasing subsidies for farmers will improve economic equality
  - c) If the price of coffee increases, demand for tea will increase
  - d) The minimum wage should be raised to help workers
35. **Normative microeconomics** is concerned with:
- a) Describing economic behavior as it is

- b) Suggesting what ought to be done based on value judgments
  - c) Analyzing past economic trends
  - d) Studying only consumer behavior
36. **Which of the following is an example of applied microeconomics?**
- a) Studying the impact of a new tax on small businesses
  - b) Analyzing national inflation trends
  - c) Understanding exchange rate fluctuations
  - d) Examining global economic growth
37. **Descriptive microeconomics** focuses on:
- a) Evaluating economic policies
  - b) Collecting and presenting factual economic data
  - c) Making policy recommendations
  - d) Proposing market regulations
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38. The main objective of economic efficiency is to:
- a) Maximize production at any cost
  - b) Allocate scarce resources in the best possible manner
  - c) Reduce competition in the market
  - d) Ensure equal distribution of income
39. **Allocative efficiency** is achieved when:
- a) All firms earn equal profits
  - b) Resources are distributed based on consumer preferences
  - c) There is no scarcity of goods and services
  - d) The government controls all production
40. **Productive efficiency** means that:
- a) Firms are maximizing their output using the least-cost combination of resources
  - b) All consumers get equal access to goods
  - c) The economy is growing at a steady rate
  - d) Firms are producing more luxury goods than necessary
41. Market failure occurs when:
- a) Supply exceeds demand
  - b) Demand exceeds supply
  - c) Resources are **not allocated efficiently**
  - d) There is **no competition** in the market
42. Which of the following is an example of market failure?
- a) A firm earning excessive profits
  - b) Unemployment increasing in a country
  - c) A factory polluting a nearby river without bearing the cost
  - d) The government setting a maximum price for goods
43. The price mechanism in a free market economy:
- a) Ensures fair income distribution
  - b) Allocates resources based on supply and demand
  - c) Is controlled entirely by the government
  - d) Eliminates the need for producers

44. A firm's **opportunity cost** refers to:
- The tax paid to the government
  - The revenue earned from production
  - The next best alternative foregone
  - The total profit made in a year
45. The **Production Possibility Curve (PPC)** represents:
- The relationship between two goods that an economy can produce efficiently
  - The demand and supply of labor in an economy
  - The national income of a country
  - The level of taxation in an economy
46. If an economy operates **inside** the PPC, it indicates:
- Full employment of resources
  - Underutilization of resources
  - Maximum economic growth
  - A perfectly competitive market
47. The problem of "**For whom to produce?**" is concerned with:
- Determining which resources should be used for production
  - Deciding the distribution of goods and services in an economy
  - Analyzing the most efficient production technology
  - The government's taxation policy
48. A **rational decision-maker** is one who:
- Makes choices without considering costs and benefits
  - Maximizes benefits while minimizing costs
  - Always chooses the cheapest product available
  - Makes decisions based only on emotions
49. Which of the following is a **central problem of an economy?**
- How to eliminate competition
  - What goods and services to produce
  - How to ensure government control of all industries
  - How to provide free goods to consumers
50. A country's **economic problem of scarcity** can be best explained as:
- Unlimited wants and limited resources
  - Lack of trade policies
  - High inflation and unemployment
  - Insufficient consumer spending
51. When a **firm decides whether to use labor-intensive or capital-intensive production**, it is addressing:
- The problem of **what to produce**
  - The problem of **how to produce**
  - The problem of **for whom to produce**
  - The problem of **how to allocate income**
52. In microeconomic decision-making, the term "**economic efficiency**" refers to:
- Producing maximum goods using the least amount of resources
  - Equal distribution of income among all individuals
  - Producing only luxury goods
  - Reducing competition in the market