

Basic Economic Concepts — Free Preview Multiple Choice Questions (5 Questions)

1. An economy is currently producing on its production possibilities curve (PPC). Which of the following must be true?
  - A) The economy is experiencing unemployment
  - B) Resources are being used inefficiently
  - C) The economy is using all resources efficiently
  - D) Opportunity costs are zero
2. If a country has an absolute advantage in producing both cars and computers, it:
  - A) Should specialize in producing the good for which it has a comparative advantage
  - B) Cannot gain from trade with other countries
  - C) Should produce both goods equally
  - D) Has no opportunity cost in production
3. A concave (bowed-out) PPC reflects:
  - A) Constant opportunity cost
  - B) Decreasing opportunity cost
  - C) Increasing opportunity cost
  - D) Zero opportunity cost
4. If the price of a good rises, and the quantity demanded falls, this illustrates:
  - A) Law of Supply
  - B) Law of Demand
  - C) Substitution effect only
  - D) Income effect only
5. Which of the following would shift the PPC outward?
  - A) A decrease in unemployment
  - B) Technological improvement in production
  - C) A decrease in consumer demand
  - D) A decrease in opportunity cost

## Basic Economic Concepts — Free Preview Multiple Choice Questions Answer Key

1. **C:** A point on the PPC means the economy is using its available resources fully and efficiently.
2. **A:** Even with absolute advantage in both goods, a country should specialize based on comparative advantage to gain from trade.
3. **C:** A bowed-out PPC shows that opportunity cost rises as more of one good is produced.
4. **B:** The law of demand states that higher prices lead to lower quantity demanded, holding other factors constant.
5. **B:** Technological improvement increases productive capacity, shifting the PPC outward.

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