AP Microeconomics Practice

Choose one answer per question. Circle A, B, C, or D.

1. Two points on a straight segment of an art room's production possibilities frontier are 10 posters and 12 badges, and 14 posters and 4 badges. What is the opportunity cost of each additional poster along that segment?

A. 2 badges
B. 4 badges
C. 8 badges
D. ½ badge

2. A fictional market has many small sellers. Each offers a slightly different style of reusable lunch bag, and new sellers can enter easily. Which market structure best fits?

A. Oligopoly
B. Perfect competition
C. Monopolistic competition
D. Monopoly

3. Fern gives up 2 bookmarks to make a notebook. Moss gives up 5 bookmarks to make one. If Fern sells a notebook to Moss, which price gives each person a strict gain over producing independently?

A. 1 bookmark
B. 3 bookmarks
C. 2 bookmarks
D. 6 bookmarks

4. In a competitive market with downward-sloping demand and upward-sloping supply, both quantity demanded and quantity supplied increase at every price. What happens at the new equilibrium?

A. Quantity stays the same, and price must fall.
B. Quantity rises, and price must rise.
C. Quantity falls, and the price change depends on the size of the shifts.
D. Quantity rises, and the price change depends on the size of the shifts.

5. In a fictional market, quantity demanded is $46 - 2P$ and quantity supplied is $6 + 3P$, where P is price in dollars. What is the equilibrium?

A. Price $8 and quantity 38
B. Price $8 and quantity 30
C. Price $10 and quantity 26
D. Price $9 and quantity 33

6. As price rises from $10 to $14, quantity demanded falls from 90 to 70 on the same demand curve. What is the absolute value of price elasticity using the midpoint method?

A. 0.75
B. 1.33
C. 0.56
D. 1.00

7. Around a competitive market's equilibrium, demand is less price-elastic than supply in absolute terms. A small per-unit tax is collected from sellers. Which group bears the larger share of the tax as prices adjust?

A. Neither group bears a share
B. Sellers
C. Both groups bear equal shares
D. Buyers

8. The price of printer paper rises by 20%. The quantity of binders demanded falls by 10%, with other conditions unchanged. What cross-price elasticity and relationship do these figures imply?

A. −2.0, complements
B. +0.5, substitutes
C. −0.5, complements
D. +2.0, substitutes

9. A price-taking pottery shop receives $11 per bowl. The marginal costs of its first four bowls are $4, $6, $9, and $13. It can make zero to four whole bowls and faces the same fixed cost at every output. Which quantity maximizes profit?

A. 3 bowls
B. 2 bowls
C. 4 bowls
D. 0 bowls

10. A price-taking firm faces a price of $4. Its minimum average variable cost is $5, and it must pay its fixed costs during the current period at any output. Which decision minimizes the firm's short-run loss?

A. Produce the greatest feasible output
B. Produce at the minimum average variable cost
C. Produce at the minimum average total cost
D. Produce zero units temporarily

11. A straight-line demand curve starts at a price of $20 when quantity is zero. At equilibrium, the price is $8 and the quantity is 12. What is consumer surplus?

A. $96
B. $48
C. $72
D. $144

12. A single-price monopolist faces prices of $20, $17, $14, and $11 when it sells 1, 2, 3, and 4 units, respectively. It can sell at most 4 whole units. Each unit adds $6 in cost and fixed cost is zero. Which price and quantity maximize profit?

A. $17 and 2 units
B. $14 and 3 units
C. $11 and 4 units
D. $20 and 1 unit

13. Fictional firms A and B each choose High or Low. If both choose High, each earns 7 payoff points. If only one chooses Low, it earns 9 and the other earns 2. If both choose Low, each earns 4. Which outcome is a Nash equilibrium?

A. A chooses Low and B chooses High
B. Both choose High
C. A chooses High and B chooses Low
D. Both choose Low

14. In a fictional market for tutoring sessions, marginal private benefit is 18 − Q and marginal private cost is 6 + Q. Marginal external benefit is 4 per session, and there is no external cost. What are the private-market quantity and the socially efficient quantity?

A. Private 6, efficient 8
B. Private 6, efficient 4
C. Private 8, efficient 6
D. Private 8, efficient 10

15. In a fictional competitive market with a continuous quantity Q, demand gives marginal benefit 30 − Q and marginal private cost is 6 + Q. Each unit imposes a $4 marginal external cost, and there are no external benefits. What is the deadweight loss from the unregulated outcome?

A. $16
B. $8
C. $4
D. $48