

ARIZONA STATE UNIVERSITY (ASU) ECN212 MICROECONOMIC PRINCIPLES EXAM 1 PRACTICE (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. What effect does an increase in the price of one substitute have on another?**
 - A. It decreases demand for the substitute
 - B. It has no effect on the substitute
 - C. It increases demand for the other substitute
 - D. It causes a market surplus of both goods
- 2. What is total surplus in an economic context?**
 - A. Producer surplus
 - B. The combination of consumer and producer surplus
 - C. The total demand for a good
 - D. The total output of goods
- 3. How is elasticity of demand calculated?**
 - A. By the total revenue divided by quantity demanded
 - B. By the change in demand over the change in price
 - C. By the percentage change in price over the percentage change in quantity demanded
 - D. By the percentage change in quantity demanded divided by the percentage change in price
- 4. What is a marginal curve often referred to in the context of microeconomics?**
 - A. Demand curve
 - B. Supply curve
 - C. Cost curve
 - D. Utility curve
- 5. What is the result of having a price ceiling set below the market equilibrium price?**
 - A. It creates an optimal market balance
 - B. It leads to excess supply
 - C. It causes a shortage in the market
 - D. It has no impact on the market

- 6. Which statement best describes the elasticity of demand?**
- A. It measures consumer loyalty to brands
 - B. It quantifies the sensitivity of quantity demanded to price changes
 - C. It considers only long-term consumer habits
 - D. It reflects only past buying trends
- 7. Which of these is NOT a typical intervention by government to encourage market efficiency?**
- A. Taxation on negative externalities
 - B. Subsidies for positive externalities
 - C. Establishing monopolies
 - D. Regulation of market practices
- 8. What can be concluded if demand is said to be inelastic?**
- A. Total revenue decreases when prices increase
 - B. Consumers respond minimally to price increases
 - C. Consumers will always buy less regardless of price
 - D. The market is reaching economic equilibrium
- 9. Which of the following is true about substitutes?**
- A. They are always less expensive
 - B. They satisfy similar consumer needs
 - C. They are exclusively used in different markets
 - D. They increase demand for complementary goods
- 10. What does increased competition generally do to prices in an industry?**
- A. Increases prices
 - B. Decreases prices
 - C. Has no effect on prices
 - D. Stabilizes prices

Answers

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1. C
2. B
3. D
4. B
5. C
6. B
7. C
8. B
9. B
10. B

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Explanations

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1. What effect does an increase in the price of one substitute have on another?

- A. It decreases demand for the substitute
- B. It has no effect on the substitute
- C. It increases demand for the other substitute**
- D. It causes a market surplus of both goods

An increase in the price of one substitute typically leads to an increase in the demand for the other substitute. This occurs because consumers tend to switch their preferences towards the relatively cheaper substitute when the price of one option rises. For instance, if the price of coffee increases, consumers may buy more tea, which serves as a substitute. This shift in consumer behavior highlights the concept of substitutable goods, where an increase in the price of one results in a greater demand for alternatives, demonstrating the interconnected nature of consumer choices in a market. This relationship between substitutes helps in understanding supply and demand dynamics and is a key principle in microeconomic theory.

2. What is total surplus in an economic context?

- A. Producer surplus
- B. The combination of consumer and producer surplus**
- C. The total demand for a good
- D. The total output of goods

Total surplus in economics is defined as the sum of consumer surplus and producer surplus. Consumer surplus refers to the difference between what consumers are willing to pay for a good or service and what they actually pay, reflecting the additional benefit consumers receive from purchasing a good at a lower price. Producer surplus, on the other hand, is the difference between the price producers receive for a good and the minimum price they would be willing to accept to produce it, capturing the advantage that suppliers gain from selling at a market price higher than their costs. When we consider total surplus, we are looking at the overall economic efficiency and the net benefit to society from the production and consumption of goods and services. A larger total surplus indicates a more efficient allocation of resources, where both consumers and producers are benefiting from market transactions. This reflects the welfare of society as a whole, is maximized when resources are allocated efficiently, and is consequently foundational for assessing economic wellbeing. Other options, such as producer surplus alone, total demand for a good, or total output of goods, do not capture the whole picture of economic welfare because they do not integrate both the benefits received by consumers and producers collectively. Only by considering both surpluses can we truly understand total surplus and its implications for economic efficiency

3. How is elasticity of demand calculated?

- A. By the total revenue divided by quantity demanded
- B. By the change in demand over the change in price
- C. By the percentage change in price over the percentage change in quantity demanded
- D. By the percentage change in quantity demanded divided by the percentage change in price**

The calculation of the elasticity of demand focuses on the responsiveness of quantity demanded to changes in price. It is specifically determined by measuring how much the quantity demanded of a good responds to a change in its price. The correct approach involves taking the percentage change in quantity demanded and dividing it by the percentage change in price. This formula provides a numerical value that indicates whether demand is elastic or inelastic, guiding how consumers will react to price changes. This definition is essential in various market contexts, especially when evaluating how significant price fluctuations will affect consumer behavior. A high elasticity indicates that consumers are very responsive to price changes, while a low elasticity suggests they are less responsive. It's a crucial concept for businesses and policymakers alike, as it helps in understanding market strategies and consumer choices.

4. What is a marginal curve often referred to in the context of microeconomics?

- A. Demand curve
- B. Supply curve**
- C. Cost curve
- D. Utility curve

In the context of microeconomics, a marginal curve is typically associated with the supply curve. This is because the supply curve represents the relationship between the quantity of a good that producers are willing to sell and the price of that good. The marginal cost of production is the cost incurred by producing one additional unit of a good or service. Producers will continue to supply additional units only as long as the price they receive is at least equal to the marginal cost of production. Therefore, the upward-sloping supply curve reflects this principle, indicating that as the price increases, producers are willing to supply more goods because the marginal benefit of selling an additional unit outweighs the marginal cost of producing it. This connection between the supply curve and marginal analysis is crucial in understanding how markets function, as it helps explain how prices are determined and how resources are allocated in an economy.

5. What is the result of having a price ceiling set below the market equilibrium price?

- A. It creates an optimal market balance
- B. It leads to excess supply
- C. It causes a shortage in the market**
- D. It has no impact on the market

The correct response indicates that setting a price ceiling below the market equilibrium price leads to a shortage in the market. A price ceiling is essentially a legal maximum price that can be charged for a good or service. When this ceiling is established below the equilibrium price, the price that sellers can charge is limited, which prevents them from adjusting to the higher demand that exists at the equilibrium level. As a result, at this lower price, more consumers are willing to buy the good because it is more affordable. However, suppliers may be less willing to produce and offer the good at this reduced price, as it may not cover their costs, leading to a decrease in supply. The combination of increased demand and reduced supply creates a situation where the quantity demanded exceeds the quantity supplied, resulting in a shortage of the good. This outcome illustrates the impact of government intervention in markets, where price controls can disrupt the natural balance achieved by supply and demand dynamics. It highlights the repercussions of relying on mechanisms like price ceilings to manage prices without considering their broader market implications.

6. Which statement best describes the elasticity of demand?

- A. It measures consumer loyalty to brands
- B. It quantifies the sensitivity of quantity demanded to price changes**
- C. It considers only long-term consumer habits
- D. It reflects only past buying trends

The correct choice accurately describes elasticity of demand as the measure of how much the quantity demanded of a good or service responds to changes in its price. Specifically, elasticity quantifies this relationship, providing insight into the degree to which consumers will adjust their purchasing behavior according to price fluctuations. For instance, if a product's price increases and consumers significantly reduce their quantity demanded, this indicates high elasticity. Conversely, if quantity demanded remains relatively unchanged despite price changes, this suggests low elasticity. Other options do not capture the essence of elasticity effectively. While consumer loyalty to brands is relevant to market behavior, it does not directly relate to the mathematical concept of elasticity. Additionally, elasticity considers both short-term and long-term responses of consumers, making it broader than just long-term habits. Lastly, while past buying trends might influence current demand, they do not define the elasticity of demand, which focuses more on immediate responses to price changes.

7. Which of these is NOT a typical intervention by government to encourage market efficiency?

- A. Taxation on negative externalities
- B. Subsidies for positive externalities
- C. Establishing monopolies**
- D. Regulation of market practices

Establishing monopolies is not a typical intervention by the government aimed at encouraging market efficiency, but rather the opposite. Market efficiency generally arises in competitive environments where multiple firms can enter and exit the market freely, leading to optimal resource allocation. Governments typically intervene to address inefficiencies, such as those caused by externalities or market power, hence they may tax negative externalities to discourage harmful behaviors, provide subsidies for positive externalities to encourage beneficial activities, and regulate market practices to ensure fair competition. In contrast, creating or sustaining monopolies tends to reduce consumer choice, lead to higher prices, and generally creates inefficiencies within the market. Therefore, the correct answer highlights an action that works against the principles of promoting efficient market operations, while the other choices represent standard government interventions aimed at correcting market failures or promoting welfare.

8. What can be concluded if demand is said to be inelastic?

- A. Total revenue decreases when prices increase
- B. Consumers respond minimally to price increases**
- C. Consumers will always buy less regardless of price
- D. The market is reaching economic equilibrium

When demand is described as inelastic, it indicates that consumers do not significantly change their quantity demanded when there is a change in price. Specifically, even if prices rise, the decrease in the quantity demanded is minimal because consumers still find the product necessary or valuable, and thus their purchasing behavior remains consistent despite the price changes. This characteristic of inelastic demand suggests that consumers prioritize the need for the product over cost considerations, often leading them to purchase similar quantities regardless of price fluctuations. This behavior is typical for essential goods or those with few substitutes. In contrast, the other statements do not accurately reflect the nature of inelastic demand. Total revenue may not necessarily decrease with higher prices if demand is inelastic; in fact, it can increase as consumers buy nearly the same quantity at a higher price. Saying that consumers will always buy less regardless of price does not characterize inelastic demand; rather, it describes elastic demand. Lastly, the concept of economic equilibrium pertains to the balance of supply and demand in the market and is not directly linked to the elasticity of demand. Thus, the conclusion that consumers respond minimally to price increases is the most accurate representation of inelastic demand.

9. Which of the following is true about substitutes?

- A. They are always less expensive
- B. They satisfy similar consumer needs**
- C. They are exclusively used in different markets
- D. They increase demand for complementary goods

Substitutes are goods that satisfy similar consumer needs or preferences, which is why the correct choice focuses on this aspect. When consumers find that one good can be used in place of another, they consider these goods as substitutes. For example, if the price of coffee rises, consumers might choose to buy tea instead, as both beverages can fulfill a similar desire for a warm drink. The other options do not accurately capture the nature of substitutes. Saying substitutes are always less expensive is misleading, as a substitute can sometimes be more costly or equally priced. The idea that substitutes are exclusively used in different markets is also incorrect, as substitutes can coexist in the same market. Lastly, the statement regarding substitutes increasing the demand for complementary goods does not hold true, as substitutes typically relate to goods that can replace each other rather than work alongside them. Therefore, recognizing that substitutes satisfy similar consumer needs is essential in understanding their role in economic principles.

10. What does increased competition generally do to prices in an industry?

- A. Increases prices
- B. Decreases prices**
- C. Has no effect on prices
- D. Stabilizes prices

Increased competition in an industry typically leads to a decrease in prices. This occurs because, as more firms enter the market, they compete for consumers by lowering prices to attract more buyers. When multiple suppliers are offering similar products or services, they often seek to differentiate themselves through pricing strategies. In a competitive market, if one company lowers its prices, others may follow suit to maintain their market share. This downward pressure on prices can benefit consumers by providing them with more choices and lower costs. Additionally, competition encourages firms to become more efficient in their production processes to keep costs down, further contributing to lower prices. Overall, the dynamics of supply and demand, coupled with competitive behaviors, tend to drive prices lower as firms respond to the presence of rivals in the market.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

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We wish you the very best on your exam journey. You've got this!

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