

OnRamps Economics College Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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. Socially optimal consumer surplus is represented by**
 - A. The triangle above $MC=0$**
 - B. The rectangle under price**
 - C. The area below demand and above price**
 - D. The triangle above the point where $MC=0$**

- 2. The output level at which a firm's average total costs are minimized is commonly referred to as the...**
 - A. Break-even point**
 - B. Efficient scale of production**
 - C. Shutdown point**
 - D. Profit-maximizing output**

- 3. Revenue-maximizing quantity occurs at the point where**
 - A. The spot where MC equals MR**
 - B. The spot where MR hits 0**
 - C. The spot where price equals marginal cost**
 - D. The spot where total revenue is minimized**

- 4. In perfectly competitive firms, there is zero profit. This is true only in the:**
 - A. Short run**
 - B. Long run**
 - C. At equilibrium**
 - D. When demand is constant**

- 5. What concept is Elinor Ostrom associated with?**
 - A. The tragedy of the commons in all cases.**
 - B. The non-tragedy of the commons, where local users manage resources effectively without external control.**
 - C. The necessity of centralized government for resource allocation.**
 - D. Market forces always solve resource depletion.**

- 6. Should a firm shut down immediately if it is making losses?**
- A. Only if fixed costs are high**
 - B. Yes**
 - C. Only if price falls further**
 - D. No**
- 7. Which of the following are explicit costs?**
- A. utility bills, rent, advertising, employee wages**
 - B. owners' labor, capital invested, use of owners property**
 - C. depreciation, interest, opportunity cost**
 - D. Taxes, fines, charity**
- 8. Do entry and exit occur in the short run, the long run, both, or neither?**
- A. Only in the short run**
 - B. Neither**
 - C. Both**
 - D. Only in the long run**
- 9. Which statement describes a public good?**
- A. It is excludable and not rival; example cable TV**
 - B. It is not excludable and not rival; example national defense**
 - C. It is excludable and rival; example private road**
 - D. It is not excludable but rival; example street lighting**
- 10. The price effect is greater than the output effect when which of the following is true?**
- A. Total revenue increases due to monopolists raising prices**
 - B. Total revenue decreases due to monopolists raising prices**
 - C. Total revenue remains constant despite price changes**
 - D. Total revenue always decreases with price changes**

Answers

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

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Explanations

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1. Socially optimal consumer surplus is represented by

- A. The triangle above $MC=0$
- B. The rectangle under price
- C. The area below demand and above price
- D. The triangle above the point where $MC=0$**

Socially optimal consumer surplus comes from the extra value consumers gain when production occurs at the efficient quantity, where price equals marginal cost. On a typical diagram with demand and a rising marginal cost, this welfare is seen as a triangular region formed between the demand curve and the baseline where marginal cost is zero, up to the socially optimal quantity. In other words, it's the triangle lying above the $MC = 0$ reference and below the demand curve up to the point where $P = MC$. This captures the total willingness to pay beyond zero production cost for exactly the units produced at the socially efficient level.

2. The output level at which a firm's average total costs are minimized is commonly referred to as the...

- A. Break-even point
- B. Efficient scale of production**
- C. Shutdown point
- D. Profit-maximizing output

Efficient scale of production is the output level where average total cost is minimized. ATC, which is total cost divided by the quantity produced, typically falls as fixed costs are spread over more units and then rises due to diminishing returns, forming a U-shaped curve. The bottom of this curve—the point where ATC is lowest—occurs when marginal cost equals average total cost. In the long run, the output level that minimizes long-run average total cost is called the efficient scale of production. This differs from break-even (revenue equals costs), the shutdown point (price relative to average variable cost), and profit-maximizing output (where marginal revenue equals marginal cost).

3. Revenue-maximizing quantity occurs at the point where

- A. The spot where MC equals MR
- B. The spot where MR hits 0**
- C. The spot where price equals marginal cost
- D. The spot where total revenue is minimized

Revenue-maximizing quantity occurs where marginal revenue is zero. Marginal revenue is the extra revenue from selling one more unit. With a downward-sloping demand, the price drop on all units bought means the additional revenue from the next unit eventually falls to zero and then becomes negative. When MR is positive, adding another unit raises total revenue; when MR is negative, it lowers total revenue. The highest total revenue is reached at the quantity where MR changes sign, i.e., MR equals zero. The other conditions describe different goals or outcomes (profit maximization with $MR = MC$, price = MC for efficiency, or minimizing total revenue), not revenue maximization.

4. In perfectly competitive firms, there is zero profit. This is true only in the:

- A. Short run**
- B. Long run**
- C. At equilibrium**
- D. When demand is constant**

In a perfectly competitive market, profits are driven to zero in the long run by free entry and exit. If firms earn positive profits in the short run, new firms enter, increasing supply and pushing the price down until those profits disappear. If firms incur losses, some exit, reducing supply and pushing the price up until losses vanish. In the long-run equilibrium, price equals the minimum of average total cost, with $MR = MC = P$, so economic profit is zero (firms earn only normal profits). That's why zero profit is a long-run outcome. Short-run profits or losses can occur, and saying it's true simply at equilibrium or only when demand is constant doesn't capture the adjustment through entry and exit that drives profits to zero in the long run.

5. What concept is Elinor Ostrom associated with?

- A. The tragedy of the commons in all cases.**
- B. The non-tragedy of the commons, where local users manage resources effectively without external control.**
- C. The necessity of centralized government for resource allocation.**
- D. Market forces always solve resource depletion.**

Elinor Ostrom showed that communities can effectively manage shared resources without external control. Through many real-world examples, she demonstrated that local users can design and enforce rules, monitor usage, and apply graduated sanctions, allowing the resource to be sustained over time. This work reveals that the tragedy of the commons isn't inevitable; with appropriate institutional arrangements—clear boundaries, inclusive rulemaking, active monitoring, accessible conflict resolution, and scalable governance for larger resources—local governance can prevent overuse and ensure fair access. It also highlights that neither centralized government nor market forces alone are guaranteed solutions, but that well-crafted local rules can often manage common resources successfully.

6. Should a firm shut down immediately if it is making losses?

- A. Only if fixed costs are high**
- B. Yes**
- C. Only if price falls further**
- D. No**

In the short run, a firm decides whether to shut down by comparing price to average variable cost. If the revenue from selling output covers variable costs (price is at least as high as average variable cost), the firm should keep producing because it reduces losses by contributing to fixed costs rather than paying them all without earning any revenue. Fixed costs are sunk in the short run, so continuing to operate minimizes total losses as long as you're covering variable costs. Only if the price falls below average variable cost should the firm shut down, since then producing would incur losses larger than just paying fixed costs. So, even with losses, not shutting down immediately is the better choice as long as price covers variable costs. In the long run, persistent losses might lead to exiting the market, but not in the immediate shutdown decision.

7. Which of the following are explicit costs?

- A. utility bills, rent, advertising, employee wages**
- B. owners' labor, capital invested, use of owners property**
- C. depreciation, interest, opportunity cost**
- D. Taxes, fines, charity**

Explicit costs are the actual out-of-pocket payments a business makes to purchase inputs used in production; they require cash to someone outside the firm and show up on the accounting profit line. The items in this case—utility bills, rent, advertising, and employee wages—are all payments to external parties for resources the business uses, so they are classic explicit costs. Other options mix in resources supplied by the owners or non-cash/voluntary outlays. Owner's labor, owner-provided capital, and use of the owner's property represent opportunity costs—the value of foregone alternatives when owners use their own resources. Depreciation is a noncash expense that reflects wearing down of capital, often treated as an implicit cost in economic analysis. Opportunity cost is the broad idea behind implicit costs. Taxes and fines are cash payments, but they are not costs tied to producing goods in the same way as payments to workers or suppliers; charity is a voluntary outlay not required for production. The items in the first option match the definition of explicit costs, which is why that choice is correct.

- 8. Do entry and exit occur in the short run, the long run, both, or neither?**
- A. Only in the short run**
 - B. Neither**
 - C. Both**
 - D. Only in the long run**

Entry and exit mean changes in the number of firms in an industry. In the short run, some inputs are fixed, so firms can't perfectly adjust capacity, but that doesn't stop entrants from starting up or existing firms from leaving if they can mobilize resources quickly or if the profitability outlook changes. A new firm might enter by leasing equipment or using available space, while a firm facing losses can shut down and exit. In the long run, all inputs are variable, so entry and exit occur more freely as firms respond to profits or losses and market conditions converge toward zero economic profit in a competitive market. So, entry and exit can happen in both the short run and the long run, with the short-run dynamics being more constrained but still possible.

- 9. Which statement describes a public good?**
- A. It is excludable and not rival; example cable TV**
 - B. It is not excludable and not rival; example national defense**
 - C. It is excludable and rival; example private road**
 - D. It is not excludable but rival; example street lighting**

Public goods are defined by two properties: non-excludability and non-rivalry. That means once the good is provided, you can't easily prevent people from benefiting, and one person's use does not reduce another's ability to use it. National defense is the classic example: everyone in the country benefits, and protecting one person doesn't diminish protection for others. Because markets struggle to supply goods that people can't be easily charged for or that everyone uses without reducing others' consumption, governments often provide public goods. This description—not excludable and not rival, with national defense as the example—best fits a public good. The other options describe different types of goods: excludable and non-rival (club or information goods like cable TV), excludable and rival (private goods like a private road), or not excludable but rival (a common resource such as certain scarce fisheries or street lighting when overused).

10. The price effect is greater than the output effect when which of the following is true?

- A. Total revenue increases due to monopolists raising prices**
- B. Total revenue decreases due to monopolists raising prices**
- C. Total revenue remains constant despite price changes**
- D. Total revenue always decreases with price changes**

When a monopolist raises price, the overall effect on total revenue depends on how responsive buyers are to price changes. The price effect is the extra revenue earned from charging more per unit, while the output effect is the revenue loss from selling fewer units. If demand is inelastic at the current quantity, the percentage increase in price is larger than the percentage drop in quantity, so total revenue rises—the price effect dominates the output effect. Monopolists can raise prices because they face a downward-sloping demand curve, but they will only see higher total revenue when the demand is not very responsive to price changes. This is why total revenue increasing with a price rise signals the price effect outweighing the output effect. If demand were elastic, the loss in units would outweigh the higher price and total revenue would fall; if demand were unit elastic, total revenue would stay the same.

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:

<https://onrampseconomicscollege.examzify.com>

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

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