

Rutgers Introduction to Microeconomics Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

- 1. What is an example of a fixed input?**
 - A. Raw materials used in production**
 - B. Labor hours that can be adjusted**
 - C. Machinery that cannot be changed short term**
 - D. The quantity of product to be sold**
- 2. What does the quantity effect refer to?**
 - A. The impact on total revenue when one less unit is sold**
 - B. One more unit sold, increasing total revenue by the price at which it is sold**
 - C. The total cost of producing an additional unit**
 - D. Decrease in revenue when the price is dropped**
- 3. What does a high-risk investment typically involve?**
 - A. Stable and predictable returns**
 - B. A complete lack of uncertainty**
 - C. A chance of losing a significant amount of money**
 - D. Guaranteed positive outcomes**
- 4. Which scenario best illustrates the prisoner's dilemma?**
 - A. Both players cooperate for mutual benefit**
 - B. Both players cheat to maximize individual gain**
 - C. One player cooperates while the other cheats**
 - D. Neither player makes a decision**
- 5. What does the supply and demand model illustrate?**
 - A. The behavior of a monopoly market**
 - B. How competitive markets behave**
 - C. The relationship between supply and fixed costs**
 - D. The impact of government regulation on prices**
- 6. Which of the following statements about average fixed cost is true?**
 - A. It increases with increased production**
 - B. It is constant regardless of output**
 - C. It decreases as production increases**
 - D. It is irrelevant to production decisions**

- 7. What does human capital encompass?**
- A. Physical assets owned by individuals**
 - B. The improvement in labor produced by education and knowledge**
 - C. The wealth accumulated over a lifetime**
 - D. Government investments in workforce development**
- 8. What is the definition of a government transfer program?**
- A. An initiative aimed at environmental protection**
 - B. A government payment to an individual or family**
 - C. A community based service for the elderly**
 - D. A tax incentive for low-income households**
- 9. What is price discrimination?**
- A. Charging the same price to all consumers**
 - B. Offering discounts to all customers equally**
 - C. Charging different prices to different consumers for the same good**
 - D. Setting a fixed price for all goods**
- 10. What is a duopoly?**
- A. An oligopoly with multiple firms**
 - B. An oligopoly consisting of only two firms**
 - C. A market with no competition**
 - D. A single firm controlling the market**

Answers

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

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Explanations

1. What is an example of a fixed input?

- A. Raw materials used in production
- B. Labor hours that can be adjusted
- C. Machinery that cannot be changed short term**
- D. The quantity of product to be sold

A fixed input refers to resources that cannot be easily changed in the short term and remain constant regardless of the level of output. Machinery is a prime example of a fixed input because it typically involves significant investment and is used for a longer timeframe in the production process. When a firm commits to machinery, it cannot quickly adjust this resource based on demand fluctuations. In contrast, raw materials are variable inputs as they can be adjusted depending on production needs. Labor hours can often be modified as well, making labor a variable input. The quantity of product to be sold is a decision variable that firms can adjust based on market conditions, rather than an input into the production process. Therefore, machinery represents a fixed input due to its essential role in production that remains unchanged in the short term.

2. What does the quantity effect refer to?

- A. The impact on total revenue when one less unit is sold
- B. One more unit sold, increasing total revenue by the price at which it is sold**
- C. The total cost of producing an additional unit
- D. Decrease in revenue when the price is dropped

The quantity effect describes the change in total revenue that results from selling one additional unit of a good or service, which specifically highlights the revenue generated from that additional unit. When one more unit is sold, total revenue increases by the price at which that unit is sold. This concept is essential in understanding the relationship between price, quantity sold, and total revenue in microeconomics. In a market scenario, when producers increase the quantity sold, the immediate revenue impact can be directly linked to the price of that additional unit. This illustrates how volume and pricing strategies interact to influence overall profitability. It's important to note that while the other options discuss various aspects of revenue and cost, they do not accurately represent the quantity effect itself. The quantity effect is specifically about the revenue increase from one more unit sold, linking tightly to price in a straightforward manner.

3. What does a high-risk investment typically involve?

- A. Stable and predictable returns
- B. A complete lack of uncertainty
- C. A chance of losing a significant amount of money**
- D. Guaranteed positive outcomes

A high-risk investment typically involves the possibility of losing a significant amount of money. Investors who choose high-risk options often do so with the understanding that while there is the potential for high returns, the volatility of these investments means that they may also experience substantial losses. This characteristic defines high-risk investment opportunities, where the trade-off between risk and return is evident—higher potential returns are accompanied by a greater chance of adverse outcomes. The other options provided, such as stable and predictable returns, a complete lack of uncertainty, and guaranteed positive outcomes, describe characteristics of low-risk investments. Low-risk investments are designed to protect the principal amount while providing modest, consistent returns without the significant volatility found in high-risk options.

4. Which scenario best illustrates the prisoner's dilemma?

- A. Both players cooperate for mutual benefit
- B. Both players cheat to maximize individual gain**
- C. One player cooperates while the other cheats
- D. Neither player makes a decision

The scenario that best illustrates the prisoner's dilemma is one where both players cheat to maximize individual gain. In the classic prisoner's dilemma, the situation is structured such that two individuals can either choose to cooperate or betray (or "cheat" on) each other. The optimal outcome for both players arises when they cooperate, yet if both choose to cheat, they both end up worse off than if they had cooperated. When both players opt to betray each other, even though it is in their long-term best interest to cooperate, this results in the scenario where both players suffer the consequences of their actions. This outcome emphasizes the conflict between individual self-interest and mutual benefit, which is the core of the prisoner's dilemma. Thus, the essence of the dilemma lies in the fact that while each player has an incentive to betray for higher immediate gains, cooperation would yield a better overall result for both, showcasing the tension and complexity found within strategic decision-making.

5. What does the supply and demand model illustrate?

- A. The behavior of a monopoly market
- B. How competitive markets behave**
- C. The relationship between supply and fixed costs
- D. The impact of government regulation on prices

The supply and demand model is a fundamental concept in microeconomics that illustrates how competitive markets operate. It depicts the interaction between suppliers, who provide goods and services, and consumers, who want to purchase them. In a competitive market, the price of a good is determined by the equilibrium point where the quantity supplied equals the quantity demanded. This model helps to explain how prices are set and how they fluctuate in response to changes in market conditions, such as shifts in consumer preferences or changes in production costs. By using the supply and demand framework, economists can analyze various factors that impact market dynamics, including consumer behavior, resource allocation, and market efficiency. This understanding is crucial for making sense of how real-world markets function, especially in situations where numerous buyers and sellers interact without monopolistic influences. The other options focus on specific scenarios that do not represent the broader application of the supply and demand model. The behavior of monopolies is not illustrated by this model because monopolies do not operate within the same competitive framework as described by supply and demand. The relationship between supply and fixed costs speaks more to production theory rather than to market behavior overall, while the impact of government regulation on prices generally requires a different analytical approach that may not rely solely on the supply and demand

6. Which of the following statements about average fixed cost is true?

- A. It increases with increased production
- B. It is constant regardless of output
- C. It decreases as production increases**
- D. It is irrelevant to production decisions

Average fixed cost refers to the fixed costs of production (costs that do not change with the level of output) divided by the quantity of output produced. As production increases, the total fixed costs remain constant, but when spread over a larger number of units, the average fixed cost decreases. This principle reflects the notion of economies of scale, where fixed costs are distributed over more units, leading to a lower average cost per unit. For instance, if a factory has fixed costs such as rent and salaries, these costs will remain the same irrespective of how many units are produced. However, if the factory produces 100 units, the average fixed cost per unit will be lower than if it only produces 10 units, since the same total fixed cost is spread over more products. Thus, as production volume increases, average fixed cost decreases, illustrating the relationship between production levels and fixed costs.

7. What does human capital encompass?

- A. Physical assets owned by individuals
- B. The improvement in labor produced by education and knowledge**
- C. The wealth accumulated over a lifetime
- D. Government investments in workforce development

Human capital refers to the collective skills, knowledge, and experience possessed by individuals within a society or organization, which can be utilized to create economic value. The concept emphasizes the contributions of education and training in enhancing an individual's ability to perform work effectively. By improving labor through education and knowledge, human capital increases productivity and innovation, ultimately leading to economic growth. This answer perfectly encapsulates the essence of human capital, focusing on how education and knowledge contribute to enhancing the capabilities of workers. Factors such as experience from past work, formal education, and skill development all fall under this umbrella, making individuals more productive and adaptable in the workforce. In contrast, the other options focus on different concepts such as physical assets, wealth accumulation, and government investments. While these are important economic factors, they do not directly capture the meaning of human capital as defined by the enhancement of labor through education and knowledge.

8. What is the definition of a government transfer program?

- A. An initiative aimed at environmental protection
- B. A government payment to an individual or family**
- C. A community based service for the elderly
- D. A tax incentive for low-income households

A government transfer program refers specifically to a monetary payment made by the government to individuals or families, typically aimed at providing financial assistance. These payments do not require any exchange of goods or services in return, distinguishing them from other types of government spending that might involve transactions or regulatory incentives. Transfer programs can include various forms of support, such as unemployment benefits, social security payments, and welfare programs designed to assist those in need. While environmental initiatives, community services, and tax incentives may play important roles in public policy, they do not constitute government transfer programs as they do not focus solely on direct cash payments to individuals or families. Instead, they encompass broader objectives or services that don't align with the direct financial assistance provided by transfer payments.

9. What is price discrimination?

- A. Charging the same price to all consumers
- B. Offering discounts to all customers equally
- C. Charging different prices to different consumers for the same good**
- D. Setting a fixed price for all goods

Price discrimination refers to the practice of charging different prices to different consumers for the same good or service. This approach is typically based on varying factors such as the consumers' willingness to pay, age, location, or purchase volume. The essence of price discrimination lies in the seller's ability to maximize revenue by capturing consumer surplus—essentially, charging some consumers more when they are willing to pay higher prices while offering lower prices to those who are more price-sensitive. This strategy can enhance sales and profitability for firms, as it enables them to tailor pricing strategies to different segments of the market. In scenarios where the other options are mentioned, charging the same price to everyone doesn't take advantage of different consumer valuations and thus doesn't qualify as price discrimination. Similarly, offering equal discounts to all would not differentiate between varying levels of consumer willingness to pay. Finally, setting a fixed price for all goods eliminates the opportunity to adjust prices based on consumer behavior and market factors, negating the benefits that come with implementing a price discrimination strategy.

10. What is a duopoly?

- A. An oligopoly with multiple firms
- B. An oligopoly consisting of only two firms**
- C. A market with no competition
- D. A single firm controlling the market

A duopoly refers specifically to a market structure where only two firms dominate the industry and compete against each other. This type of market situation is a subset of oligopoly, which generally involves a few firms (but more than two) that have significant market power. In a duopoly, the actions of one firm can have a direct impact on the other, influencing pricing, production levels, and strategic decisions. The nature of this competitive interaction leads to unique dynamics such as collusion or price wars, as each firm must take into account the potential responses of its rival when making decisions. This enables researchers and economists to explore models of competition that are particularly relevant to the duopoly setting, such as the Cournot and Bertrand models, which analyze how firms behave in relation to each other. In contrast to the other choices, which describe different market scenarios, the defining characteristic of a duopoly lies in its two-firm structure, making it a critical concept in microeconomics as it illustrates how limited competition can operate in markets.

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://rutgersintrotomacroecon.examzify.com>

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