

AP Micro test study guide

Fundamentals

Measurement concepts: mean, median and mode. Percent changes. Price index.

What is economics?

Budget line (budget constraint).

Utility.

Marginal thinking and opportunity cost.

Resources. scarcity and the three economic questions: what, how, for whom.

Factors of production and payments associated with each factor.

Production possibilities curves. Increasing, decreasing opportunity cost.

How production possibilities curves move outward or inward.

Absolute and comparative advantage.

Specialization and trade.

Why limit trade? How? Effects?

Different economic systems: market, command (socialism, communism), traditional, mixed.

Characteristics of the market economy.

Circular flow in a market economy. Product market. Factor market.

Micro

Demand. Law of demand. Difference between demand and quantity demanded. Shift of vs. movement on.

Supply. Law of supply. Difference between supply and quantity supplied. Shift of vs. movement on.

Demand and supply shifts and movements. Determinants of each.

Equilibrium. Shifts' effects on price and quantity. When do we have indeterminate price or quantity?

Price ceilings. Price floors. Examples of each. Effects on Q_d and Q_s . Shortage? Surplus?

Elasticity (demand mostly, but also supply, cross and income). How to figure out? How to interpret?

Total revenue test for determining price elasticity of demand.

Price elasticity of supply, short run vs. long run.

Consumer and producer surplus.

Deadweight loss. Tax incidence.

Law of diminishing marginal utility.

Total and marginal utility. Income and substitution effects.

Utility maximization rule ($MU_1/P_1 = MU_2/P_2$).

Short-run and long-run production functions. Normal profit. Accounting profit and economic profit.

Marginal product and diminishing returns.

Short-run costs: fixed cost, variable cost, total cost, average costs. Marginal cost.

Long-run costs and economies of scale.

Cost-minimizing input combinations ($MP_1/P_1 = MP_2/P_2$).

Profit-maximization rule ($MC = MR$).

Perfect competition. Conditions. Know the graph! Long-run supply for different-cost industries.

Monopoly. Conditions. Know the graph! Price discrimination. Socially optimal price. Fair-return price.

Monopolistic competition. Conditions. Know the graph!

Oligopoly. Conditions. Know the graph! Herfindahl Index. Game theory. Dominance. Nash equilibrium.

Shutdown rule.

Productive efficiency: $P = \text{minimum ATC}$.

Allocative efficiency: $P = MC$.