

Econ Ch 1+2 Practice Test

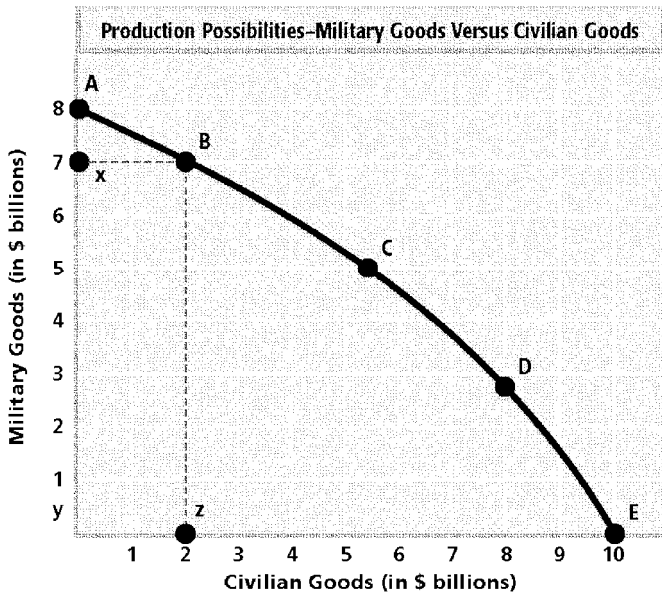
Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. To arrive at an economic decision, a decision-making grid may be used to evaluate
 - a. productivity.
 - b. only durable goods.
 - c. alternative choices of action.
 - d. only capital goods.

- _____ 2. Division of labor is a characteristic of
 - a. home craft businesses.
 - b. assembly line production.
 - c. classroom education.
 - d. entrepreneurship.

- _____ 3. The study of economics is important because it enables us to
 - a. describe our standard of living.
 - b. increase our consumption of consumer goods.
 - c. become better decision makers.
 - d. determine what goods ought to be produced.

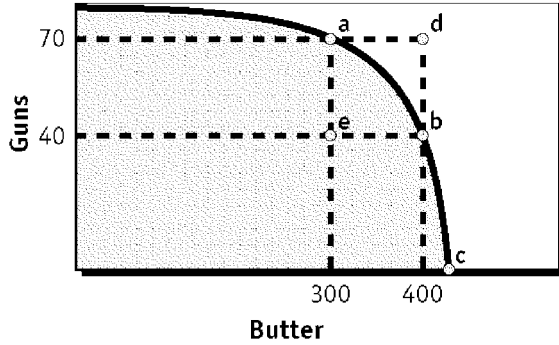


_____ 4.



Study the graph. Suppose this nation starts with producing all military goods. It then decides to produce a mix of civilian and military goods represented by point B. What represents the cost in military goods given up?

- a. the vertical distance between point x and point y
- b. the horizontal distance between point y and point z
- c. the horizontal distance between point z and point E
- d. the vertical distance from point A to point x



5.



In this production possibilities frontier, what could cause production to move from point a to point e?

- a. factories that are available but idle
- b. increased productivity
- c. the availability of additional resources
- d. economic growth

6.

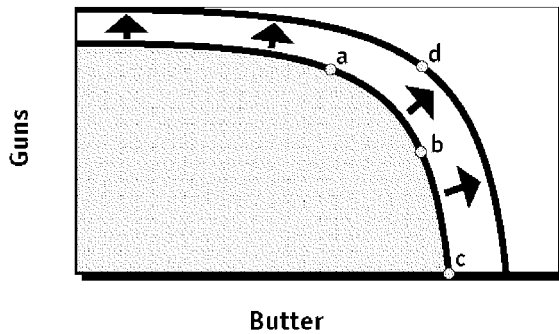
A popular model used to illustrate the concept of opportunity cost is

- a. the production possibilities frontier.
- b. entrepreneurship.
- c. the paradox of value.
- d. the factors of production.

7.

Actions in one part of the country or world that have an economic impact on what happens elsewhere are examples of

- a. opportunity costs.
- b. trade-offs.
- c. specialization.
- d. economic interdependence.



8.



Which of the following choices best describes what this production possibilities frontier is depicting?

- a. alternative possibilities
- b. opportunity cost
- c. cost of idle resources
- d. economic growth

9.

“To take an example,... One man draws out the wire, another straightens it, a third cuts it, a fourth points it;...and [the making of] a pin is, in this manner, divided into about eighteen distinct operations.”

Source: Adam Smith, *The Wealth of Nations*, 1776



In this passage, Adam Smith is describing the basic economic concept of

- | | |
|----------------------|-----------------------|
| a. paradox of value. | c. division of labor. |
| b. utility. | d. opportunity cost. |

10. Who plays one of the most important roles in the free enterprise system by starting new businesses?

- | | |
|------------------|--------------|
| a. entrepreneurs | c. workers |
| b. government | d. consumers |

11. Which of the following is a characteristic of a traditional economy?

- It discourages new ideas and new ways of doing things.
- Public services are available at little or no cost.
- It has a great deal of economic freedom.
- It provides workers with few incentives to work hard.

12. A market economy

- does not provide for everyone's basic needs.
- limits the choices of goods and services available.
- permits extensive government intervention.
- offers a high degree of certainty for its workers.

13. Which economic system can change direction quickly and drastically?

- | | |
|----------------|-----------|
| a. traditional | c. market |
| b. command | d. mixed |

Matching

Match each statement with the correct item below.

- study of how people try to satisfy their needs through the careful use of scarce resources
- people with all their efforts, abilities, and skills
- condition of not having enough resources to produce all the things people want
- worth that can be expressed in dollars and cents
- tangible item that is economically useful or that satisfies an economic want
- alternative choices made by consumers in the marketplace
- quality of life based on the ownership of the necessities and luxuries that make life easier
- sum of those economic products that are tangible, scarce, useful, and transferable
- cost of the next-best alternative use of money, time, or resources when one choice is made rather than another
- tools, equipment, machinery, and factories used in the production of goods and services

14. value

Name: _____

ID: A

- ___ 15. economics
- ___ 16. capital
- ___ 17. scarcity
- ___ 18. opportunity cost
- ___ 19. wealth
- ___ 20. labor
- ___ 21. trade-offs
- ___ 22. standard of living
- ___ 23. good

Match each statement with the correct item below.

- a. diagram representing various combinations of goods and/or services that an economy can produce when all productive resources are fully employed
- b. any good that lasts three years or more when used regularly
- c. process of using up goods and services to satisfy wants and needs
- d. a measure of the amount of goods and services produced with a given amount of resources in a specific period of time
- e. where factors of production are bought and sold
- f. economy in which consumers and privately owned businesses make the majority of the WHAT, HOW, and FOR WHOM decisions
- g. basic requirement for survival
- h. manufactured good that is used to produce other goods and services
- i. something we would like to have but is not necessary for survival
- j. work that is performed for someone

- ___ 24. capital good
- ___ 25. consumption
- ___ 26. need
- ___ 27. want
- ___ 28. service
- ___ 29. production possibilities frontier
- ___ 30. productivity
- ___ 31. factor market
- ___ 32. durable good
- ___ 33. free enterprise economy

Econ Ch 1+2 Practice Test Answer Section

MULTIPLE CHOICE

1. ANS: C PTS: 1 DIF: Average REF: Page 20
NOT: Learn more about this question in Economics Principles and Practices, page 20, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.
2. ANS: B PTS: 1 DIF: Average REF: Page 17
NOT: Learn more about this question in Economics Principles and Practices, page 17, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 2. For additional practice, visit this book's Online Learning Center at glencoe.com.
3. ANS: C PTS: 1 DIF: Average REF: Page 25
NOT: Learn more about this question in Economics Principles and Practices, page 25, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.
4. ANS: D PTS: 1 DIF: Average REF: Pages 21-22
MSC: Document Based Question
NOT: Learn more about this question in Economics Principles and Practices, pages 21-22, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.
5. ANS: A PTS: 1 DIF: Average REF: Page 21
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10. ANS: A PTS: 1 DIF: Easy REF: Pages 50-51
NOT: Learn more about this question in Economics Principles and Practices, pages 50-51, and in the Reading Essentials and Notetaking Guide, Chapter 2, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.
11. ANS: A PTS: 1 DIF: Average REF: Pages 34-35
NOT: Learn more about this question in Economics Principles and Practices, pages 34-35, and in the Reading Essentials and Notetaking Guide, Chapter 2, Section 1. For additional practice, visit this book's Online Learning Center at glencoe.com.
12. ANS: A PTS: 1 DIF: Average REF: Pages 37-39
NOT: Learn more about this question in Economics Principles and Practices, pages 37-39, and in the Reading Essentials and Notetaking Guide, Chapter 2, Section 1. For additional practice, visit this book's Online Learning Center at glencoe.com.
13. ANS: B PTS: 1 DIF: Average REF: Pages 35-37
NOT: Learn more about this question in Economics Principles and Practices, pages 35-37, and in the Reading Essentials and Notetaking Guide, Chapter 2, Section 1. For additional practice, visit this book's Online Learning Center at glencoe.com.

MATCHING

14. ANS: D PTS: 1 DIF: Average REF: Page 14
NOT: Learn more about this question in Economics Principles and Practices, page 14, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 2. For additional practice, visit this book's Online Learning Center at glencoe.com.
15. ANS: A PTS: 1 DIF: Easy REF: Page 6
NOT: Learn more about this question in Economics Principles and Practices, page 6, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 1. For additional practice, visit this book's Online Learning Center at glencoe.com.
16. ANS: J PTS: 1 DIF: Easy REF: Page 8
NOT: Learn more about this question in Economics Principles and Practices, page 8, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 1. For additional practice, visit this book's Online Learning Center at glencoe.com.
17. ANS: C PTS: 1 DIF: Easy REF: Page 6
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18. ANS: I PTS: 1 DIF: Average REF: Page 20
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19. ANS: H PTS: 1 DIF: Average REF: Page 14
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20. ANS: B PTS: 1 DIF: Easy REF: Page 8
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21. ANS: F PTS: 1 DIF: Average REF: Page 20
NOT: Learn more about this question in Economics Principles and Practices, page 20, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.
22. ANS: G PTS: 1 DIF: Average REF: Page 24
NOT: Learn more about this question in Economics Principles and Practices, page 24, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.
23. ANS: E PTS: 1 DIF: Easy REF: Page 13
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24. ANS: H PTS: 1 DIF: Average REF: Page 13
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26. ANS: G PTS: 1 DIF: Easy REF: Page 6
NOT: Learn more about this question in Economics Principles and Practices, page 6, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 1. For additional practice, visit this book's Online Learning Center at glencoe.com.
27. ANS: I PTS: 1 DIF: Easy REF: Page 6
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28. ANS: J PTS: 1 DIF: Easy REF: Page 13
NOT: Learn more about this question in Economics Principles and Practices, page 13, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 2. For additional practice, visit this book's Online Learning Center at glencoe.com.
29. ANS: A PTS: 1 DIF: Average REF: Page 21
NOT: Learn more about this question in Economics Principles and Practices, page 21, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.
30. ANS: D PTS: 1 DIF: Average REF: Page 16
NOT: Learn more about this question in Economics Principles and Practices, page 16, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 2. For additional practice, visit this book's Online Learning Center at glencoe.com.
31. ANS: E PTS: 1 DIF: Average REF: Page 15
NOT: Learn more about this question in Economics Principles and Practices, page 15, and in the Reading Essentials and Notetaking Guide, Chapter 1, Section 2. For additional practice, visit this book's Online Learning Center at glencoe.com.

32. ANS: B PTS: 1 DIF: Average REF: Page 13
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33. ANS: F PTS: 1 DIF: Average REF: Page 24
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