Chapter 3 Practice Test

Multiple Choice

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

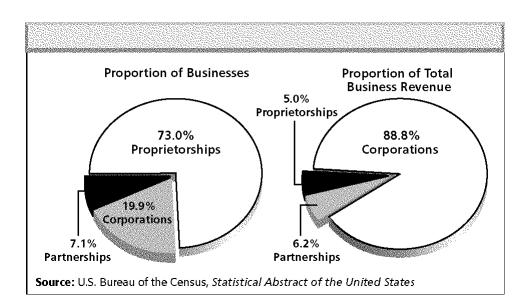
- 1. Unlike a general partnership, in a limited partnership
 - a. all partners share equal financial responsibility for the firm's decisions.
 - b. the inactive partner has limited liability for the business's debts.
 - c. the partners must pay special business taxes.
 - d. the business does not end with the death of a partner.
- 2. This regulates the sale of stock in a corporation.
 - a. labor unions

- c. stockbrokers
- b. Securities and Exchange Commission
- d. chamber of commerce
- 3. A merger of corporations involved in different steps of manufacturing or marketing is known as a
 - a. multinational merger.

c. vertical merger.

b. horizontal merger.

d. conglomerate.



- 4. According to the illustration, what is the least common form of business organization in the United States?
 - a. proprietorships

c. corporations

b. partnerships

d. joint ventures

(approximate figures)					
Total Number of Sole Proprietorships	16,154,000				
	Forestry and fishing	2%			
Percent of Sole Proprietorships Engaged in Different Types of Activities	Mining	1%			
	Construction	1%			
	Manufacturing	3%			
	Transportation	4%			
	Wholesale and retail	18%			
	Finance, insurance, real estate	9%			
	Services	50%			
	Other	12%			
Total receipts (in millions)	\$790,630	•			
Net income (in millions)	\$166,799				

Source: Statistical Abstract of the United States.

5. Based on the table, approximately what number of sole proprietorships are engaged in mining?

a. 323,080

c. 1,615,400

b. 3,230,800

d. 161,540

- 6. In a general partnership,
 - a. the business continues even if one partner dies.
 - b. partners must pay specific business taxes.
 - c. partners usually draw up legal papers called articles of partnership.
 - d. partners are only liable for the business's debt up to the amount of their investment.
- 7. In its direct role as an economic organization, American government
 - a. regulates public utilities.
 - b. acts as an umpire to make sure the market operates smoothly.
 - c. owns and manages public utilities.
 - d. makes grants to people in the form of Social Security.

Partnerships, 1997-1999						
	1997	1998	1999			
Business Receipts	\$1,354	\$1,603	\$1,907			
Business Expenses	\$1,186	\$1,416	\$1,679			
Profit	X	Y	Z			

In billions of dollars

Source: Statistical Abstract of the United States, 2002.

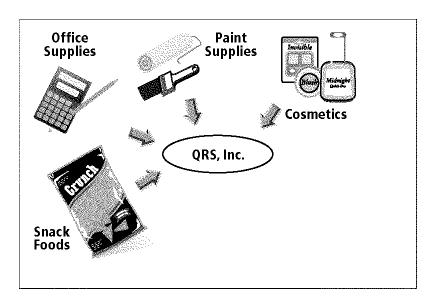
8.	What number	should	appear	in place	of the	X in	the table?
	0 \$2.540						¢2 010

a. \$2,540

c. \$3,019

b. \$187

d. \$168



9. What type of merger does the illustration depict?

a. horizontal merger

c. diagonal merger

b. vertical merger

d. conglomerate

Largest American-Owned Multinationals							
	Revenue				Assets		
Rank/Company			Foreign				Foreign
	Foreign	Total	as % of		Foreign	Total	as % of
	(\$mil)	(\$mil)	Total		(\$mil)	(\$mil)	Total
1. Exxon	143,044	206,083	69.4		56,742	89,829	63.2
2. Ford Motor	51,691	170,064	30.4		19,874	45,804	43.4
3. IBM	51,180	88,396	57.9		14,348	35,797	40.1
4. General Motors	48,233	184,632	26.1		12,578	35,376	35.6
5. Texaco	43,146	60,220	71.6		7,879	15,897	49.6
6. General Electric	42,390	129,853	32.6		159,367	437,006	36.5
7. Citigroup	37,396	111,826	33.4		269,837	741,114	36.4
8. Wal-Mart Stores	32,100	191,329	16.8		25,742	78,130	32.9
9. Chevron	31,374	69,058	45.4		27,126	50,832	53.4
10. Hewlett-Packard	27,230	48,782	55.8		2,244	4,500	49.9

Source: Forbes, July 23, 2001.

- ____ 10. According to the table, more than half of the assets of which company or companies are located outside of the United States?
 - a. Exxon
 - b. Exxon, IBM, Texaco, Hewlett-Packard
 - c. all of them
 - d. Chevron, Exxon

Chapter 3 Practice Test Answer Section

1. ANS: B PTS: 1 DIF: Average

REF: Learn more about this question in Economics Principles and Practices, pages 64-65.

2. ANS: B PTS: 1 DIF: Average

REF: Learn more about this question in Economics Principles and Practices, page 70.

3. ANS: C PTS: 1 DIF: Challenging REF: Learn more about this question in Economics Principles and Practices, page 75. 4. ANS: B PTS: 1 DIF: Easy REF: Learn more about this question in Economics Principles and Practices, page 64. 5. ANS: D PTS: 1 DIF: Average REF: Learn more about this question in Economics Principles and Practices, pages 62-64. PTS: 1 DIF: Average REF: Learn more about this question in Economics Principles and Practices, pages 64-66. 7. ANS: C PTS: 1 DIF: Average REF: Learn more about this question in Economics Principles and Practices, pages 82-83. 8. ANS: D PTS: 1 DIF: Easy REF: Learn more about this question in Economics Principles and Practices, pages 64-66. 9. ANS: D PTS: 1 DIF: Average REF: Learn more about this question in Economics Principles and Practices, page 76. 10. ANS: D PTS: 1 DIF: Easy

REF: Learn more about this question in Economics Principles and Practices, pages 76-77.