

BUS Ch. 1+2 Practice Test**Multiple Choice**

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

- _____ 1. Which of the following is an economic need?
- a. a new television
 - b. water
 - c. concert tickets
 - d. a loaded SUV
- _____ 2. Goods
- a. are things you purchase only after your basic needs are met.
 - b. have no physical characteristics.
 - c. must be provided to you at the time you want to consume them.
 - d. are things you can see and touch.
- _____ 3. The largest producer of goods and services in the world is
- a. Japan.
 - b. Russia.
 - c. the United States.
 - d. China.
- _____ 4. People producing goods and services are called
- a. human resources.
 - b. natural resources.
 - c. capital resources.
 - d. limited resources.
- _____ 5. If everybody had an unlimited supply of economic resources, which of the following would not exist?
- a. wants
 - b. capitalism
 - c. scarcity
 - d. needs
- _____ 6. What is the first step in the decision-making process?
- a. identify the choices
 - b. define the problem
 - c. evaluate the choices
 - d. act on your choice
- _____ 7. What is the final step of the decision-making process?
- a. act on your choice
 - b. make a decision
 - c. review your decision
 - d. define the problem

- _____ 8. Every nation must decide
- what combination of resources will best suit its circumstances.
 - which wants and needs are most critical.
 - which goods and services to produce.
 - all of the above
- _____ 9. Who owns the economic resources in a market economy?
- the people of the country
 - the tribal elders
 - the government
 - businesspeople and entrepreneurs but not consumers
- _____ 10. Another name for the economic system in the United States is
- private enterprise
 - capitalism
 - free enterprise
 - all of the above
- _____ 11. Which of the following is NOT an especially important principle of the U.S. economic system?
- freedom of choice
 - private property
 - tradition
 - profit
- _____ 12. Dividing GDP by the total population of a country results in that country's
- GDP per capita.
 - gross GDP rate.
 - unemployment rate.
 - personal income per capita.
- _____ 13. If wages increase faster than gains in productivity, prices will rise. Why?
- Business owners will demand higher prices because they know workers have more money to spend.
 - Because demand will increase for all products.
 - Because the cost of producing goods decreases.
 - Because the cost of producing goods increases.
- _____ 14. In the early 1890s, the average employee in the United States worked about how many hours per week?
- 40
 - 60
 - 75
 - 100
- _____ 15. _____ occurs at the peak of the business cycle.
- Recovery
 - Depression
 - Recession
 - Prosperity

- _____ 16. Which of the following is NOT a characteristic of a depression?
- high demand for goods and services
 - a prolonged period of high unemployment
 - business failures
 - GDP falls rapidly
- _____ 17. If GDP growth slows for at least _____ quarter(s) in a calendar year, the economy is probably in a recession.
- 4
 - 3
 - 2
 - 1
- _____ 18. A recession often affects some groups of workers in related businesses. The drop in related businesses is called
- the ripple effect.
 - the business cycle.
 - the placebo effect.
 - the halo effect.
- _____ 19. Inflation
- increases the buying power of the dollar.
 - always discourages economic growth.
 - tends to decrease wages.
 - is most harmful to people living on fixed incomes.
- _____ 20. Which of the following is an example of a capital project?
- A large corporation gives all employees a 5 percent wage increase.
 - A small office buys several boxes of paper for the printer.
 - A mid-size company restocks the supply cabinet with pencils and markers.
 - A small business purchases two new pickup trucks.

Completion

Complete each statement.

- A(n) _____ is the risk taker who uses resources in a new way to create a new product or service.
- _____ means not having enough resources to satisfy every need.
- When you make an economic choice, the _____ is the value of the next-best alternative that you did not choose.
- Personal economic freedom is most limited in a(n) _____ economic system.
- A(n) _____ economy combines elements of the command and market economies.
- _____ are individuals and organizations that determine what products and services will be available for sale.

Name: _____

ID: A

7. _____ is the quantity of a good or service that consumers are willing and able to buy.
8. The _____ curve for a product illustrates the relationship between the price of a product and the quantity businesses will produce.
9. _____ are businesses offering very similar products to the same customers.
10. The _____ price is the point at which supply and demand are equal.
11. The portion of people in the labor force who are not working is the _____ rate.
12. _____ is the production output in relation to a unit of input, such as a worker.
13. Personal _____ refers to salaries and wages as well as investment income and government payments to individuals.
14. Retail sales include the sales of durable and nondurable goods bought by _____.
15. The movement of the economy from one condition to another and back again is called a business _____.
16. _____ is a period in the business cycle when demand begins to decrease, businesses lower production, and GDP growth slows for two or more quarters of the calendar year.
17. An economic _____ is the phase in which unemployment begins to decrease, demand for goods and services increases, and GDP begins to rise again.
18. _____ spending refers to money spent by a business for an item that will be used over a long period of time.
19. _____ represents ownership, or equity, in a corporation.
20. A bond represents _____ for an organization.

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Answer Section

MULTIPLE CHOICE

1. ANS: B PTS: 1
2. ANS: D PTS: 1
3. ANS: C PTS: 1
4. ANS: A PTS: 1
5. ANS: C PTS: 1
6. ANS: B PTS: 1
7. ANS: C PTS: 1
8. ANS: D PTS: 1
9. ANS: A PTS: 1
10. ANS: D PTS: 1
11. ANS: C PTS: 1
12. ANS: A PTS: 1
13. ANS: D PTS: 1
14. ANS: B PTS: 1
15. ANS: D PTS: 1
16. ANS: A PTS: 1
17. ANS: C PTS: 1
18. ANS: A PTS: 1
19. ANS: D PTS: 1
20. ANS: D PTS: 1

COMPLETION

1. ANS: entrepreneur
PTS: 1
2. ANS: Scarcity
PTS: 1
3. ANS: opportunity cost
PTS: 1
4. ANS: command
PTS: 1
5. ANS: mixed
PTS: 1

6. ANS: Producers
PTS: 1
7. ANS: Demand
PTS: 1
8. ANS: supply
PTS: 1
9. ANS: Competitors
PTS: 1
10. ANS: market
PTS: 1
11. ANS: unemployment
PTS: 1
12. ANS: Productivity
PTS: 1
13. ANS: income
PTS: 1
14. ANS: consumers
PTS: 1
15. ANS: cycle
PTS: 1
16. ANS: Recession
PTS: 1
17. ANS: recovery
PTS: 1
18. ANS: Capital
PTS: 1
19. ANS: Stock
PTS: 1
20. ANS: debt
PTS: 1