

TEST

Unit 1, Test Form A

FUNDAMENTAL ECONOMIC CONCEPTS

SCORE

USING KEY TERMS

Matching: Match each item in column A with the items in column B. Write the correct letters in the blanks.

A

- ___ 1. market economy
- ___ 2. scarcity
- ___ 3. inflation
- ___ 4. partnership
- ___ 5. needs
- ___ 6. conglomerate
- ___ 7. good
- ___ 8. cooperative
- ___ 9. trade-offs
- ___ 10. free enterprise

B

- a. alternative choices made by consumers in the marketplace
- b. item that is economically useful or that satisfies an economic want
- c. market in which people and firms act in their own best interests to answer the WHAT, HOW, and FOR WHOM questions
- d. economy in which competition is allowed to flourish with a minimum of government interference
- e. condition of limited resources combined with unlimited wants
- f. increase in prices that reduces purchasing power
- g. business jointly owned by two or more persons
- h. firm that has at least four businesses, each making unrelated products, none of which is responsible for a majority of its sales
- i. food, shelter, clothing
- j. voluntary association of people formed to carry on some kind of economic activity that will benefit its members

RECALLING FACTS AND IDEAS

Multiple Choice: In the blank at the left, write the letter of the choice that best completes the statement or answers the question.

- ___ 11. Which of the following is NOT an important characteristic of the free enterprise economy?
 - a. voluntary exchange
 - b. competition
 - c. profit motive
 - d. government intervention
- ___ 12. Economics may best be defined as a(n)
 - a. scientific study of supply and demand.
 - b. study of efforts to satisfy seemingly unlimited wants with scarce resources.
 - c. limited description of economic activities.
 - d. extended application of cost-benefit analysis.
- ___ 13. When two corporations that produce the same kind of product merge, it is known as a(n)
 - a. horizontal merger.
 - b. vertical merger.
 - c. multinational merger.
 - d. cooperative.

TEST (continued)

Unit 1, Test Form A

- ____ 14. A risk-taker in search of profits is known as a(n)
- a. consumer.
 - b. entrepreneur.
 - c. proprietor.
 - d. capitalist.
- ____ 15. A popular model used to illustrate the concept of opportunity cost is the
- a. production possibilities frontier.
 - b. entrepreneurship.
 - c. paradox of value.
 - d. factors of production.

CRITICAL THINKING QUESTIONS

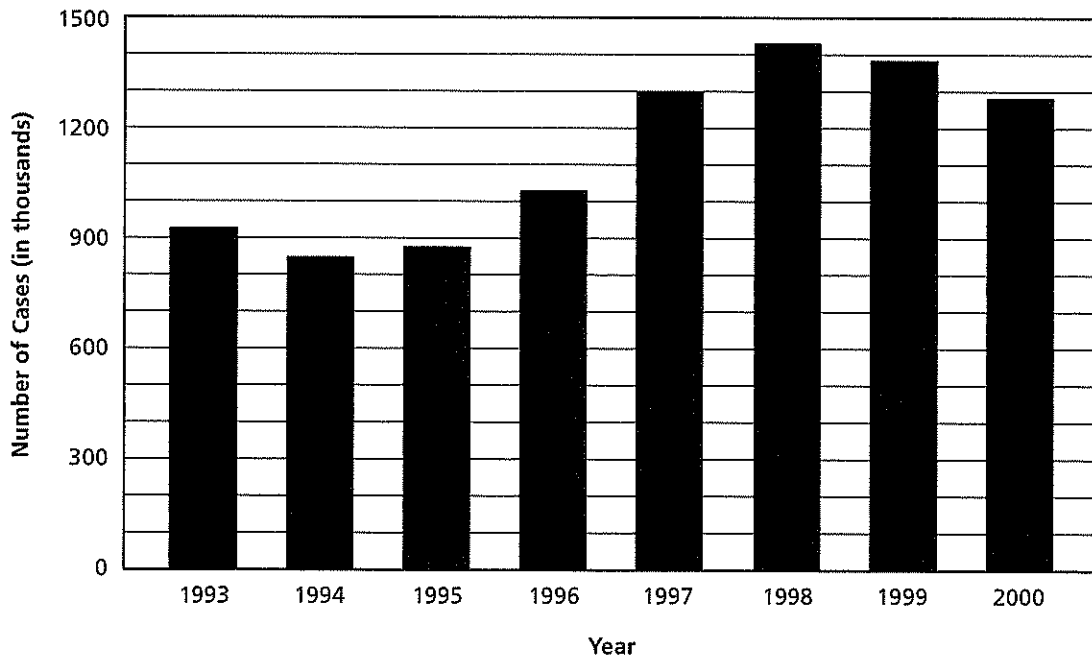
Directions: Answer each of the following sets of questions on a separate sheet of paper.

16. **Making Predictions** What would be the result if the government did not sometimes intervene in a market economy?
17. **Drawing Inferences and Conclusions** Name four economic goals and explain how each of these goals contributes to the American idea of democracy.

APPLYING SKILLS

Using Graphs: Study the graph and answer the questions below.

Bankruptcy Cases Filed: 1993 to 2000
(thousands of cases)



Source: U.S. Census Bureau, *The Official Statistics; Statistical Abstract of the United States: 2001*

18. What kind of information does this graph show?
19. In what year were most bankruptcy cases filed? How many were filed?
20. Approximately how many more bankruptcies were filed in 2000 than in 1993?

TEST

Unit I, Test Form B

FUNDAMENTAL ECONOMIC CONCEPTS

SCORE

USING KEY TERMS

Matching: Match each item in Column A with the items in Column B. Write the correct letters in the blanks.

A

- ___ 1. economic system
- ___ 2. want
- ___ 3. producer cooperative
- ___ 4. nondurable good
- ___ 5. voluntary exchange
- ___ 6. opportunity cost
- ___ 7. capital
- ___ 8. multinational
- ___ 9. corporation
- ___ 10. fixed income

B

- a. tools and equipment used in production
- b. voluntary association of people formed to help promote or sell their products
- c. company with manufacturing or service operations in two or more countries
- d. way of expressing a need
- e. organized way by which society provides for the wants and needs of its people
- f. legal entity having all the rights of an individual
- g. item that lasts for less than three years
- h. income most impacted by inflation
- i. next best alternative use of money, time, or resources when one choice is made rather than another
- j. when buyers and sellers freely and willingly enter into transactions

RECALLING FACTS AND IDEAS

Multiple Choice: In the blank at the left, write the letter of the choice that best completes the statement or answers the question.

- ___ 11. Increased competition, higher profits, more and better-paying jobs, and healthy tax revenues are all benefits of successful
 - a. entrepreneurship.
 - b. labor unions.
 - c. central planning.
 - d. mergers.
- ___ 12. Which of the following is NOT a characteristic of the market economy?
 - a. does not provide for everyone's basic needs
 - b. individual freedom for both producers and consumers
 - c. can change directions rapidly in response to new social or economic goals
 - d. Consumers play a key role in WHAT is produced.
- ___ 13. Land, labor, capital, and entrepreneurs are the
 - a. results of supply and demand.
 - b. result of production.
 - c. basis of employment.
 - d. factors of production.

TEST (continued) **Unit 1, Test Form B**

- ____ 14. When corporations involved in different steps of manufacturing or marketing merge, it is known as a(n)
- a. multinational merger.
 - b. horizontal merger.
 - c. vertical merger.
 - d. conglomerate.
- ____ 15. Public utilities are businesses that
- a. are government-owned.
 - b. usually have no competition.
 - c. distribute natural resources.
 - d. are unregulated.

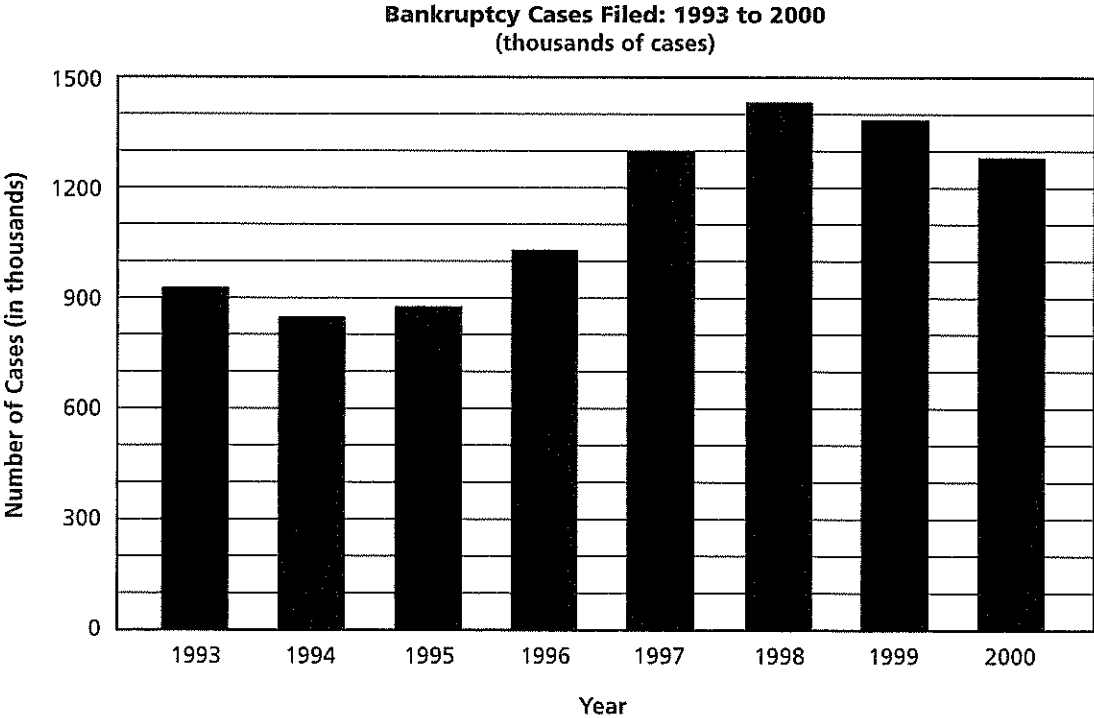
CRITICAL THINKING QUESTIONS

Directions: Answer each of the following sets of questions on a separate sheet of paper.

16. **Formulating Questions** Based on what you have learned about how corporations are formed and managed and how they may be financed, write four questions that you would like answered about additional aspects of corporations.
17. **Drawing Inferences and Conclusions** Why is the United States said to have a mixed economy rather than a pure free enterprise or capitalist economy?

APPLYING SKILLS

Using Graphs: Study the graph and answer the questions below.



Source: U.S. Census Bureau, *The Official Statistics; Statistical Abstract of the United States: 2001*

18. How many bankruptcy cases does each horizontal grid line represent?
19. In what year were the fewest bankruptcy cases filed? How many were filed?
20. About how many more bankruptcies were filed in 2000 than in 1995?

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TEST

Test Form B

DEMAND

SCORE

USING KEY TERMS

Matching: Match each item in Column A with the items in Column B. Write the correct letters in the blanks.

A

- _____ 1. demand curve
- _____ 2. change in demand
- _____ 3. Law of Demand
- _____ 4. complements
- _____ 5. market demand curve
- _____ 6. demand elasticity
- _____ 7. microeconomics
- _____ 8. inelastic
- _____ 9. diminishing marginal utility
- _____ 10. income effect

B

- a. illustrates the demand of everyone interested in purchasing a product
- b. quantity demanded of a product varies inversely with its price
- c. study of the economic behavior of individuals and firms
- d. extent to which a change in price causes a change in demand
- e. decline in extra satisfaction from using additional quantities of a product
- f. change in quantity demanded because a price change altered consumers' real income
- g. products where the use of one product increases the use of another
- h. willingness to buy more or less of a product at the same price
- i. graph showing the quantity demanded at every price
- j. describes a given change in price that causes a relatively smaller change in quantity demanded

RECALLING FACTS AND IDEAS

Multiple Choice: In the blank at the left, write the letter of the choice that best completes the statement or answers the question.

- _____ 11. A demand schedule shows
 - a. an upward-sloping curve that illustrates the positive relationship between price and quantity demanded.
 - b. a listing of the various quantities demanded of a particular product at all prices that might prevail in the market.
 - c. the fluctuations in demand that occurred over a specified period of time.
 - d. the fluctuations in demand scheduled to occur over the following year.
- _____ 12. Consumers' willingness to replace a costly item with a less costly item is an example of
 - a. the substitution effect.
 - b. the income effect.
 - c. demand elasticity.
 - d. complements.
- _____ 13. An increase in the price of cameras results in a decrease in the demand for film. The two products are
 - a. substitutes.
 - b. demand elastic.
 - c. unrelated.
 - d. complements.
- _____ 14. When a customer's need for a product is not urgent, demand tends to be
 - a. inelastic.
 - b. elastic.
 - c. complementary.
 - d. unit elastic.

TEST **Test Form A**

15. A business doubled the price of a product in order to increase profits. Which of the following scenarios might have occurred?
- a. A sharp increase in revenues demonstrated the elasticity of the product.
 - b. A small increase in revenues demonstrated the unit elasticity of the product.
 - c. A dramatic decline in revenues demonstrated the elasticity of the product.
 - d. A dramatic decline in revenues demonstrated the inelasticity of the product.

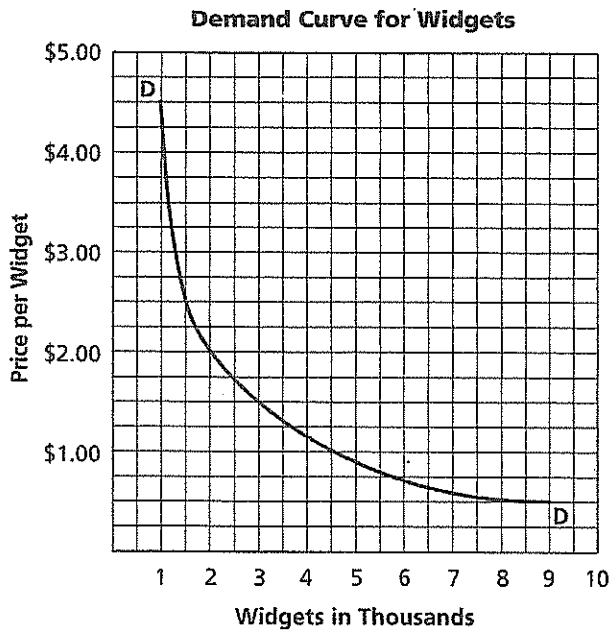
CRITICAL THINKING QUESTIONS

Directions: Answer each of the following sets of questions on a separate sheet of paper.

16. **Understanding Cause and Effect** Explain how an understanding of elasticity can help business owners determine the most profitable prices to set for their products.
17. **Synthesizing Information** Explain the income effect and how it is related to the Law of Demand.

APPLYING SKILLS

Using Graphs: Study the graph and answer the questions below.



18. How many widgets were in demand when the price was \$4.50?
19. If the demand for widgets at \$4.50 was met, what would be the resulting total revenue?
20. Does this graph demonstrate the Law of Demand? Explain.