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| **Multiple Choice** |

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| 1. ​You prefer to purchase products from one retailer over another because it donates a percentage of its profits to community organizations. This demonstrates which benefit of studying business?   |  |  |  | | --- | --- | --- | |  | a. | ​Improves your grades | |  | b. | ​Helps you choose a career | |  | c. | ​Helps you become a more influential community member | |  | d. | ​Increases your profits as a business owner | |  | e. | ​Improves your career |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 2. In business class you really enjoy learning about balance sheets and income statements and how those documents can help analyze a company's financial position. You decide you will major in accounting and become a certified public accountant. In this case, what you learned in business class helped you:   |  |  |  | | --- | --- | --- | |  | a. | ​become a more influential community member. | |  | b. | ​learn how businesses earn profits. | |  | c. | ​make better investments. | |  | d. | ​be a more informed consumer. | |  | e. | ​choose a career. |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 3. ​You would like to use some of your savings to purchase stocks in a local company. You've narrowed your decision to two companies. You remember from your business class that a company with a higher return on sales is better than a low one. This understanding demonstrates which benefit of studying business?   |  |  |  | | --- | --- | --- | |  | a. | ​Helps you be a more influential community member | |  | b. | ​Helps you be a more informed consumer and investor | |  | c. | ​Helps you understand how companies make bigger profits | |  | d. | ​Helps you understand financial ratios | |  | e. | ​Helps you increase your profits as a business owner |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 4. Which of the following best demonstrates how studying business can help improve your career?   |  |  |  | | --- | --- | --- | |  | a. | By understanding the impacts of businesses, you can direct your purchasing power toward businesses that align with your values. | |  | b. | By understanding how businesses create and market products, you can better evaluate your personal purchase decisions. | |  | c. | By understanding how the basics of investments, you can make better personal financial decisions. | |  | d. | By improving your management skills and learning about business best practices, you can become more valuable to an organization. | |  | e. | By studying business, you can become a better informed consumer and investor. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 5. ​In business class you learn that a leading manufacturer of kitchen products uses more expensive raw materials than its competitors, but as a result the products last much longer. Learning about tradeoffs like this can help you:   |  |  |  | | --- | --- | --- | |  | a. | ​choose a career. | |  | b. | ​improve your career. | |  | c. | ​make a bigger profit. | |  | d. | ​become a more influential community member. | |  | e. | ​be a more informed consumer and investor. |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 6. You supervise a team at work, but morale has been low lately. In business class you are learning about various techniques for motivating employees to perform at a higher level. After trying some of these techniques at work, you notice the team is performing better and customers are happier. As a result, upper management decides to put you in charge of an additional location. In this case, what you learned in business class helped you:​   |  |  |  | | --- | --- | --- | |  | a. | ​become a more influential community member. | |  | b. | ​make better investments. | |  | c. | ​choose your purchases wisely. | |  | d. | ​choose a more fulfilling career. | |  | e. | ​improve your career. |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 7. When a firm’s sales revenues are greater than its expenses, the firm earned a:​   |  |  |  | | --- | --- | --- | |  | a. | ​profit. | |  | b. | ​loss. | |  | c. | ​positive cash flow. | |  | d. | ​financial resource. | |  | e. | ​factor of production. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 8. The relationship between sales and profits can be written as:​   |  |  |  | | --- | --- | --- | |  | a. | ​sales revenues + expenses = profit. | |  | b. | ​loss + profit = sales revenue. | |  | c. | ​profit – expenses = sales revenue. | |  | d. | ​expenses + loss = sales revenue + profit. | |  | e. | ​sales revenue – expenses = profit. |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 9. During 2017, Luxury Jewelry Inc. had sales revenues of $1,500,000. This retailer also had expenses that totaled $800,000. What is the firm's profit or loss amount?   |  |  |  | | --- | --- | --- | |  | a. | $2,300,000 | |  | b. | $1,500,000 | |  | c. | $800,000 | |  | d. | $700,000 | |  | e. | It is impossible to calculate profit or loss with the above information. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 10. Which of the following would be considered a benefit of business in society?   |  |  |  | | --- | --- | --- | |  | a. | Adding jobs to the community | |  | b. | Increasing traffic on local roads | |  | c. | Using unsafe materials in manufacturing | |  | d. | Avoiding taxes | |  | e. | Offering defective products |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 11. In the course of a year, U.S. businesses pay about $720 billion total in taxes to federal, state, and local governments. How does this benefit society?   |  |  |  | | --- | --- | --- | |  | a. | Provides employment | |  | b. | Offers quality products | |  | c. | Creates health and safety risks | |  | d. | Crowds local schools | |  | e. | Improves quality of life |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 12. ​Aiden just graduated with a degree in business. The local insurance company has experienced tremendous growth and profits in the last three years. As a result, they are expanding, and Aiden immediately gets the opportunity to work in the claims department. If all goes well, he’ll move up to management next year. This is an example of the insurance company providing what benefit to society?   |  |  |  | | --- | --- | --- | |  | a. | ​Quality products | |  | b. | ​Payment of taxes | |  | c. | ​Convenience for customers | |  | d. | ​Increased employment | |  | e. | ​Charitable giving |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 13. ​Under Armour uses a number of different fabrics in their clothing designed to be moisture wicking, regulate body temperature, or provide support. This is an example of providing what benefit to society?   |  |  |  | | --- | --- | --- | |  | a. | ​Offering valuable products | |  | b. | ​Increased employment | |  | c. | ​Contributing to economic growth | |  | d. | ​Community development | |  | e. | ​Improving quality of life |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 14. Merck, a global pharmaceutical company, donates its pharmaceuticals and vaccines in support of disaster relief and emergency situations worldwide through The Merck Medical Outreach Program (MMOP). This is an example of providing which benefit to society?​   |  |  |  | | --- | --- | --- | |  | a. | ​Paying taxes | |  | b. | ​Contributing to economic growth | |  | c. | ​Providing employment | |  | d. | ​Charitable giving | |  | e. | ​Convenience for customers |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 15. ​If Nike offers a variety of shoe styles, upgrades their shoes to last longer, and begins utilizing more environmentally friendly glues in their manufacturing process, this is an example of them benefiting society in what way?   |  |  |  | | --- | --- | --- | |  | a. | ​Paying salaries | |  | b. | ​Contributing to economic growth | |  | c. | ​Community development | |  | d. | ​Providing employment | |  | e. | ​Offering valuable products |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 16. ​Bob's Dairy Whip discovers its profits are down from the previous quarter. Which of the following would *not* be an explanation for the decrease in profits?   |  |  |  | | --- | --- | --- | |  | a. | ​Sales revenues stayed the same while expenses decreased | |  | b. | Sales revenues stayed the same while expenses increased | |  | c. | ​Sales revenues decreased while expenses stayed the same | |  | d. | ​Sales revenues were less than expenses | |  | e. | ​Sales revenues and expenses remained the same |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 17. GM once employed thousands of people in the Midwest. For a variety of reasons GM closed those factories or moved them to different locations. As a result, thousands of people were laid off and not able to find jobs that paid as well. This is an example of:   |  |  |  | | --- | --- | --- | |  | a. | environmental damage. | |  | b. | social disruption. | |  | c. | health and safety risks. | |  | d. | community development. | |  | e. | increased convenience. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 18. Oil- and gas-producing companies, eager to find additional sources of oil and gas, began using hydraulic fracturing, or “fracking” to help stimulate the release of oil and gas underground. Fracking is controversial as the water and chemicals used in the process can contaminate ground and surface water. In addition, fracking may trigger earthquakes. Companies that utilize fracking may cause which social concern?   |  |  |  | | --- | --- | --- | |  | a. | Employment and health and safety risks | |  | b. | Employment and environmental damage | |  | c. | Social disruption and employment | |  | d. | Environmental damage and social disruption | |  | e. | Health and safety risks and environmental damage |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 19. ​The lawyer for a group of workers at a meat packing plant holds a news conference to discuss the high rate of injury experienced by these workers. This highlights which potential concern about the impact of business on society?   |  |  |  | | --- | --- | --- | |  | a. | ​Environmental damage | |  | b. | ​Low profits | |  | c. | ​Offering products that aren’t valuable | |  | d. | ​Health and safety risks | |  | e. | ​Poor quality of life in the community |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 20. Many small communities​ attempt to block Walmart from opening new stores in their towns. Although a new Walmart location can add hundreds of jobs, it tends to increase traffic and drive  “mom and pop shops” out of business. This is an example of:   |  |  |  | | --- | --- | --- | |  | a. | ​health and safety risks. | |  | b. | ​environmental damage. | |  | c. | ​social disruption. | |  | d. | ​community development. | |  | e. | ​increased convenience. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 21. A new regulation requires the local coal plant to install filtering technology to reduce their carbon emissions by 50%. Purchasing the necessary equipment is too expensive for this business, forcing them to close the plant and lay off its 500 employees. Although the intent of the new regulation was to address potential \_\_\_\_\_ caused by the plant, the closing of the business will likely cause \_\_\_\_\_ in this community, as many of its residents relied on jobs at the plant.​   |  |  |  | | --- | --- | --- | |  | a. | ​convenience; health and safety risks | |  | b. | ​environmental damage; social disruption | |  | c. | ​environmental damage; economic growth | |  | d. | ​social disruption; taxes | |  | e. | ​valuable products; social disruption |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 22. ​An undercover investigation of large electronics manufacturing plants overseas revealed that employees often work in crowded conditions for long hours, and are exposed to a variety of hazardous chemicals. In addition, it was suspected that some of these chemicals are disposed of in nearby drainage pipes that lead to the sea. These are examples of which two concerns regarding the impact of business on society?   |  |  |  | | --- | --- | --- | |  | a. | ​Employment and environmental damage | |  | b. | ​Employment and social disruption | |  | c. | ​Social disruption and heath and safety risks | |  | d. | ​Quality of life and social disruption | |  | e. | ​Health and safety risks and environmental damage |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 23. ​Increased competition from firms in other nations is an example of which factor in the business environment?   |  |  |  | | --- | --- | --- | |  | a. | ​Economic | |  | b. | ​Social | |  | c. | ​Global | |  | d. | ​Technology | |  | e. | ​Environmental |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 24. ​If you have trouble finding a job because the majority of businesses have falling revenues and profits, you are being impacted by what factor of the business environment?   |  |  |  | | --- | --- | --- | |  | a. | ​Economic | |  | b. | ​Competitive | |  | c. | ​Global | |  | d. | ​Health | |  | e. | ​Employment |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 25. ​Even though the recession of 2008 ended several years ago, youth unemployment continues to be higher than at most times in our country’s modern history. This is an example of youth being impacted by which factor of the business environment?   |  |  |  | | --- | --- | --- | |  | a. | ​Social | |  | b. | ​Competitive | |  | c. | ​Educational | |  | d. | ​Economic | |  | e. | ​Employment |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 26. ​For many years, HBO insisted that its current shows would only be offered via paid cable subscription. Partly because of the rise of Hulu, Netflix, and other on-demand viewing services, HBO launched its own HBO Go on-demand service. This is an example of HBO being influenced by what factor in the business environment?   |  |  |  | | --- | --- | --- | |  | a. | ​Competitive | |  | b. | ​Employment | |  | c. | ​Social | |  | d. | ​Environmental | |  | e. | ​Global |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 27. Beginning in 2017 Carrier, a heating, ventilation and air-conditioning company, will transfer manufacturing to Mexico because of the lower labor costs in Mexico, resulting in the elimination of 700 U.S. jobs. This move is in response to changing \_\_\_\_\_\_\_\_\_ in the business environment.   |  |  |  | | --- | --- | --- | |  | a. | economic factors | |  | b. | social factors | |  | c. | environmental factors | |  | d. | technology factors | |  | e. | demographic factors |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 28. ​Your town’s local hardware store has served the community for over 70 years. However, business has been way down ever since two big box hardware stores opened less than 10 minutes away. This local hardware store is looking to cut costs and increase marketing efforts as a response to changing \_\_\_\_\_ in the business environment.   |  |  |  | | --- | --- | --- | |  | a. | ​environmental factors | |  | b. | ​economic factors | |  | c. | ​marketing factors | |  | d. | ​social factors | |  | e. | ​competitive factors |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 29. The increase of manufacturing in lower wage countries like China is part of the reason prices for DVD players and televisions have continued to decrease, even as technology has improved. This is a benefit of \_\_\_\_\_ factors in the business environment.   |  |  |  | | --- | --- | --- | |  | a. | economic | |  | b. | global | |  | c. | competitive | |  | d. | social | |  | e. | technology |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 30. ​The United States has lost hundreds of thousands of high-tech manufacturing jobs in the last decade, mainly to Asia. The result is that many US workers have to update the skills needed for a successful career. This change is due to \_\_\_\_\_ factors in the business environment.   |  |  |  | | --- | --- | --- | |  | a. | ​economic | |  | b. | ​educational | |  | c. | ​social | |  | d. | ​technology | |  | e. | ​global |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 31. ​Amazon is now one of the top 10 largest retailers in the United States, even though they don’t have any substantial physical retail presence. This illustrates the impact of \_\_\_\_\_ factors in the business environment.   |  |  |  | | --- | --- | --- | |  | a. | ​economic | |  | b. | ​technology | |  | c. | ​competitive | |  | d. | ​social | |  | e. | ​global |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 32. Procter & Gamble added new fragrances to its laundry detergent line in an effort to appeal to Hispanic consumers, a demographic that likes to use fragrances in their homes. This is an example of changing \_\_\_\_\_\_\_\_ in the business environment.   |  |  |  | | --- | --- | --- | |  | a. | social factors | |  | b. | environmental factors | |  | c. | competitive factors | |  | d. | economic factors | |  | e. | global factors |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 33. In the last few years, there has been increasing competition from Chinese smartphone makers. Some Chinese-made smartphones are sold at prices well below those made by competitors Apple and Samsung, in part due to low labor costs. This best illustrates the impact of \_\_\_\_\_\_\_ factors in the smartphone industry.   |  |  |  | | --- | --- | --- | |  | a. | economic | |  | b. | technology | |  | c. | social | |  | d. | global | |  | e. | demographic. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 34. Which of the following is the best example of how technology factors affect the business environment?   |  |  |  | | --- | --- | --- | |  | a. | Even years after the recent recession ended, millions of people are still facing long-term unemployment. | |  | b. | To keep up with one another, car companies now offer as standard many features that customers previously had to pay extra for. | |  | c. | The majority of electronics products are produced in factories in Asia. | |  | d. | The number of Spanish-speaking consumers in the United States increases substantially each year. | |  | e. | Eighty percent of Fortune 500 companies have a presence on Facebook |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 35. ​An increase in marketing to Hispanic consumers and an expected increase in health care spending in the United States are examples of how \_\_\_\_\_ factors are impacting the business environment.   |  |  |  | | --- | --- | --- | |  | a. | ​language | |  | b. | ​social | |  | c. | ​cultural | |  | d. | ​financial | |  | e. | ​economic |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 36. ​Which of the following scenarios most accurately describes Adam Smith’s view of an economic system that best serves the interests of society?   |  |  |  | | --- | --- | --- | |  | a. | ​Individuals are selected to fill certain positions within the economy of their nation according to the needs of the nation as a whole. | |  | b. | ​Markets are carefully regulated to ensure that all individuals within a nation are treated fairly and charged standardized prices. | |  | c. | ​A country only has a limited amount of space for college students and uses a type of lottery system to determine who gets these spaces. | |  | d. | ​Government scarcely exists in this country, and transactions are based on a system of barter, or trading goods, for other goods. | |  | e. | ​Individuals in the country may pursue their own economic gain and self-interest by doing whatever is best for them. |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 37. ​Which of the following is a feature of laissez-faire capitalism?   |  |  |  | | --- | --- | --- | |  | a. | ​Right to extensive government intervention | |  | b. | ​Right to own private property and resources | |  | c. | ​Right to government wealth creation | |  | d. | ​Right to own another person’s property | |  | e. | ​Right to economic dominance |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 38. Capitalism stems from the theories of which eighteenth-century Scottish economist?   |  |  |  | | --- | --- | --- | |  | a. | Adam Smith | |  | b. | Milton Friedman | |  | c. | Frederick Taylor | |  | d. | Karl Marx | |  | e. | John Maynard Keynes |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 39. According to Adam Smith, the role of government in a capitalistic society should be: ​   |  |  |  | | --- | --- | --- | |  | a. | a single authority that owns all land and resources, centrally plans the economy, and distributes economic goods equitably. | |  | b. | ​collective ownership of land and resources, distribution of goods and pay according to work done, and owner of industries. | |  | c. | ​to redistribute wealth by taxing the private sector, promote social objectives, and centrally plan the economy. | |  | d. | ​limited to providing defense against foreign enemies, ensuring internal order, and furnishing public works and education. | |  | e. | controlling interest in industry, distribution of resources, and promoting social objectives. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 40. ​The nationalization of key industries in countries such as Sweden and France is indicative of a(n) \_\_\_\_\_ economy.   |  |  |  | | --- | --- | --- | |  | a. | ​socialist | |  | b. | ​communist | |  | c. | ​capitalist | |  | d. | ​nationalist | |  | e. | ​industrialized |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 41. ​Adam Smith's idea of the “invisible hand” means that:   |  |  |  | | --- | --- | --- | |  | a. | ​individuals' efforts to pursue their own interest may indirectly benefit society and the people in that society. | |  | b. | ​instructing individuals to act in a way that benefits society will produce benefits for the individuals themselves. | |  | c. | ​in order for society to be productive, individuals must be guided by a government's laws. | |  | d. | ​government ownership of land and distribution of resources will ensure a prosperous society. | |  | e. | ​a competitive economy will provide the least amount of benefit for society. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 42. ​In a communist country such as Cuba, how is production planned?   |  |  |  | | --- | --- | --- | |  | a. | ​Based on government demands | |  | b. | ​Based on consumer needs | |  | c. | ​Based on demand for exports | |  | d. | ​Based on demand for imports | |  | e. | ​Based on demands for key natural resources |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 43. ​Although changes have occurred over the years, \_\_\_\_\_ is historically considered to have a communist economy.   |  |  |  | | --- | --- | --- | |  | a. | ​Denmark | |  | b. | ​Sweden | |  | c. | ​Japan | |  | d. | ​North Korea | |  | e. | ​United States |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 44. ​Tim Garner owns and operates his own small automobile repair shop. However, the prices he can charge are fixed, and he rents his land and building from the government. Most of his friends work for industries owned by the government, although they also enjoy a high level of social services. Tim’s country is most likely a(n) \_\_\_\_\_ economy.   |  |  |  | | --- | --- | --- | |  | a. | ​market | |  | b. | ​communist | |  | c. | ​socialist | |  | d. | ​industrialized | |  | e. | ​capitalist |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 45. ​The United States, whose economy exhibits elements of both capitalism and socialism, has what is known as a \_\_\_\_\_ economy.   |  |  |  | | --- | --- | --- | |  | a. | ​planned | |  | b. | ​utilitarian | |  | c. | ​nationalized | |  | d. | ​mixed | |  | e. | ​centralized |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 46. ​Lita works for a real estate development company that builds office complexes and leases them to private businesses and nonprofit organizations. Although her company owns the land upon which it builds and has the right to profits from its activities, it often has to navigate a variety of regulations, permits, and taxes whenever it starts a new development. Lita’s employer most likely operates in what kind of economy?   |  |  |  | | --- | --- | --- | |  | a. | ​Planned | |  | b. | ​Mixed | |  | c. | ​Communist | |  | d. | ​Socialist | |  | e. | ​Laissez-Faire |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 47. ​Perfect competition is characterized by:   |  |  |  | | --- | --- | --- | |  | a. | ​many buyers and many sellers. | |  | b. | ​few buyers and few sellers. | |  | c. | ​few buyers and many sellers. | |  | d. | ​many buyers and few sellers. | |  | e. | ​a few companies that control the market. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 48. ​As a farmer, Gary Forsythe is familiar with the economics of perfect competition. How is the price at which he sells his corn determined?   |  |  |  | | --- | --- | --- | |  | a. | ​It is determined by Gary because he has a product that many people want. | |  | b. | ​The price is determined by combining the actions of all buyers and all sellers together. | |  | c. | ​The price he will receive is primarily determined by a few buyers at the local grain bin. | |  | d. | ​The government sets the price of the corn to level the playing field for everyone. | |  | e. | ​The price will be approximately 25 percent higher than what other farmers are selling the same corn for because Gary is an astute businessperson. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 49. ​Monopolistic competition is a market situation in which:   |  |  |  | | --- | --- | --- | |  | a. | ​sellers must differentiate their products from competitors. | |  | b. | ​only one product is available. | |  | c. | ​a few identical products are available. | |  | d. | ​the same price is charged for all products. | |  | e. | ​the government regulates prices. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 50. ​Although all casual clothing ultimately provides the same purpose, companies such as The Gap strive to make their brand seem unique from the many other brands available on the market. The market for casual clothing can best be characterized as:   |  |  |  | | --- | --- | --- | |  | a. | ​pure competition. | |  | b. | ​monopolistic competition. | |  | c. | ​an oligopoly. | |  | d. | ​a monopoly. | |  | e. | ​a natural monopoly. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 51. \_\_\_\_\_ is a market situation (or industry) in which there are few sellers.   |  |  |  | | --- | --- | --- | |  | a. | Monopolistic competition | |  | b. | Pure competition | |  | c. | A monopoly | |  | d. | An oligopoly | |  | e. | A natural monopoly |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 52. ​Which of the following industries would most likely have the characteristics of an oligopoly?   |  |  |  | | --- | --- | --- | |  | a. | ​Clothing | |  | b. | ​Restaurants | |  | c. | ​Automobiles | |  | d. | ​Cameras | |  | e. | ​Makeup |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 53. ​Exxon Mobil and Shell are two of the relatively few sellers in the oil-refining industry. Due to the tremendous capital investment required to enter this industry, these companies are insulated significantly from the threat of new competitive entrants and thus have considerable control over price. This market situation is referred to as a(n):   |  |  |  | | --- | --- | --- | |  | a. | ​cartel. | |  | b. | ​pure market. | |  | c. | ​natural monopoly. | |  | d. | ​oligopoly. | |  | e. | ​trust. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 54. ​When Toyota experienced declining sales, it began offering price incentives to new car buyers. Nearly immediately, Ford and General Motors began similar promotions. These businesses:   |  |  |  | | --- | --- | --- | |  | a. | ​represent an oligopoly in which there are few sellers, and sellers often match the prices of competitors. | |  | b. | ​represent a monopoly in which only one firm supplies a product or products. | |  | c. | ​are engaging in monopolistic competition in which there are many buyers as well as a relatively large number of sellers that differentiate their products from those of competitors. | |  | d. | ​are engaging in pure competition, in which no single seller is powerful enough to affect prices. | |  | e. | ​are engaging in monopolistic competition, in which the products are very similar. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 55. ​The law of demand states that:   |  |  |  | | --- | --- | --- | |  | a. | ​as prices decrease, the quantity demanded decreases. | |  | b. | ​as prices decrease, the quantity demanded increases. | |  | c. | ​as prices increase, the quantity demanded increases. | |  | d. | ​as prices increase, the quantity demanded stays the same. | |  | e. | ​as prices decrease, the quantity demanded stays the same. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 56. ​The law of supply says that:   |  |  |  | | --- | --- | --- | |  | a. | as prices increase, quantity supplied decreases. | |  | b. | ​as prices decrease, quantity supplied increases. | |  | c. | ​if prices remain the same, quantity supplied decreases. | |  | d. | ​​as prices increase, quantity supplied increases. | |  | e. | ​as prices decrease, quantity supplied remains the same. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 57. ​A market or industry with only one seller is referred to as:   |  |  |  | | --- | --- | --- | |  | a. | ​a limited command system. | |  | b. | ​a monopoly. | |  | c. | ​an oligopoly. | |  | d. | ​monopolistic competition. | |  | e. | ​a perfect competitive market. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 58. In a monopoly such as utilities, prices are:   |  |  |  | | --- | --- | --- | |  | a. | established unilaterally by the seller. | |  | b. | strongly influenced by the market actions of competitors. | |  | c. | regulated to an extent by the government. | |  | d. | determined by the collective actions of all buyers and sellers. | |  | e. | established by the seller, who attempts to differentiate his product from those of competitors. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 59. ​If all leading corporations in the soft-drink industry merged, forcing all smaller soft-drink companies out of business, this would:   |  |  |  | | --- | --- | --- | |  | a. | ​encourage pure competition. | |  | b. | ​encourage monopolistic competition. | |  | c. | ​lead to an oligopoly. | |  | d. | ​create capitalism. | |  | e. | ​create a monopoly. |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 60. As a grain farmer, you operate in a market of near perfect competition. The key strategic consideration in running your business is to:   |  |  |  | | --- | --- | --- | |  | a. | differentiate your product from that of your competitors. | |  | b. | sell at the price the government sets. | |  | c. | minimize your costs because you must accept the going price. | |  | d. | match the pricing of the handful of other competitors in your market. | |  | e. | set any price you want, because you control the majority of your industry. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 61. The price of computers drops by 20%. What is the most likely impact on supply and demand?   |  |  |  | | --- | --- | --- | |  | a. | Both demand and supply will decrease. | |  | b. | Both demand and supply will increase. | |  | c. | Demand will decrease, and supply will increase. | |  | d. | Demand will increase, and supply will decrease. | |  | e. | Both demand and supply will remain unchanged. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 62. The price of gasoline increases by $1 per gallon. What is the most likely impact on supply and demand?   |  |  |  | | --- | --- | --- | |  | a. | Both demand and supply will decrease. | |  | b. | Both demand and supply will increase. | |  | c. | Demand will decrease and supply will increase. | |  | d. | Demand will increase and supply will decrease. | |  | e. | Both demand and supply will remain unchanged. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 63. As the price of beef increases, what is the impact on supply and demand?   |  |  |  | | --- | --- | --- | |  | a. | ​Supply decreases, demand decreases. | |  | b. | ​Supply decreases, demand increases. | |  | c. | ​Supply increases, demand increases. | |  | d. | ​Supply increases, demand remains the same. | |  | e. | Supply increases, demanded decreases. |  |  |  | | --- | --- | | *ANSWER:* | e | |

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| 64. ​You manufacture construction equipment. The price of steel has increased by 30%, forcing you to increase the price of your equipment by the same amount. What is the likely effect?   |  |  |  | | --- | --- | --- | |  | a. | ​Demand will increase | |  | b. | ​Demand will decrease | |  | c. | ​Demand will remain unchanged | |  | d. | ​Profits will increase | |  | e. | ​Profits will decrease |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 65. Bell-bottom jeans are suddenly the latest fashion trend, and consumers appear to be willing to pay outrageous prices to own a pair. Manufacturers of jeans are likely to:   |  |  |  | | --- | --- | --- | |  | a. | decrease production and thus decrease the supply. | |  | b. | increase production and thus increase the supply. | |  | c. | do nothing to influence the available supply of jeans. | |  | d. | discontinue producing jeans in favor of a different product. | |  | e. | increase production to influence the demand for jeans. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 66. ​A price at which the quantity demanded for a product is equal to the quantity produced is called the \_\_\_\_\_ price.   |  |  |  | | --- | --- | --- | |  | a. | ​market | |  | b. | ​customer | |  | c. | ​equality | |  | d. | ​demand | |  | e. | ​supply |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 67. ​You live in a mixed economy and currently produce granola bars that are organic and non-GMO. As a result, consumers are willing to pay more for your product for others on the market. Based on the concept of supply and demand, how is this likely to affect your production planning?   |  |  |  | | --- | --- | --- | |  | a. | ​You will leave production unchanged, but upgrade your packaging to differentiate from your competitors. | |  | b. | ​You are not able to make these decisions, as the government centrally plans your production. | |  | c. | ​You will decrease production and hope the increased pricing allows you to cover costs. | |  | d. | ​You will increase production to take advantage of the higher prices. | |  | e. | ​You will decrease production, but also minimize costs of production to compete in this industry of perfect (or pure) competition. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 68. As the price of pencils decreases, manufacturers that make and sell pencils are likely to:​   |  |  |  | | --- | --- | --- | |  | a. | ​increase production and thus increase the supply. | |  | b. | ​do nothing to influence the available supply of pencils. | |  | c. | ​decrease production and thus decrease the supply. | |  | d. | ​increase production to influence the demand for pencils. | |  | e. | ​switch from producing pencils to producing pens. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 69. The price of pumpkins increases by 15% this year. According to supply and demand, you would expect the supply of pumpkins to \_\_\_\_\_\_\_ and the demand for pumpkins to \_\_\_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | increase; decrease | |  | b. | decrease; decrease | |  | c. | increase; increase | |  | d. | remain constant; decrease | |  | e. | increase; remain constant |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 70. Fluctuations in a nation’s economy are referred to as its:​   |  |  |  | | --- | --- | --- | |  | a. | ​economic upheaval. | |  | b. | ​inflation problem. | |  | c. | ​depression cycle. | |  | d. | ​business cycle. | |  | e. | ​recession period. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 71. ​As Rachel Smith and her friends prepare to graduate from college, they are faced with numerous job offers that include starting salaries better than they could have imagined. Based on this information, what is the economy’s most likely stage in the business cycle?   |  |  |  | | --- | --- | --- | |  | a. | ​Depression | |  | b. | ​Expansion | |  | c. | ​Recession | |  | d. | ​Trough | |  | e. | ​Contraction |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 72. ​Economists define a \_\_\_\_\_ as two consecutive three-month periods of decline in a country’s gross domestic product.   |  |  |  | | --- | --- | --- | |  | a. | ​repression | |  | b. | ​prosperity | |  | c. | ​recession | |  | d. | ​trough | |  | e. | ​recovery |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 73. ​According to economists, inflation is:   |  |  |  | | --- | --- | --- | |  | a. | ​a general decrease in the level of prices. | |  | b. | ​a general rise in the level of prices. | |  | c. | ​when the economy grows two quarters in a row. | |  | d. | ​the key indicator of low unemployment. | |  | e. | ​is a function of the size of the labor force. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 74. Which of the following would represent the healthiest economic scenario for the United States?​   |  |  |  | | --- | --- | --- | |  | a. | ​GDP expansion, unemployment at 5%, and 2% inflation | |  | b. | ​GDP contraction, unemployment at 6%, and 10% inflation | |  | c. | ​GDP expansion, unemployment at 10%, and 10% inflation | |  | d. | ​GDP contraction, unemployment at 4%, and 5% deflation | |  | e. | ​GDP expansion, unemployment at 10%, and 2% deflation |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 75. ​Deflation \_\_\_\_\_   |  |  |  | | --- | --- | --- | |  | a. | ​is a sign of economic health. | |  | b. | ​is scheduled by the nation’s economists to make economic corrections. | |  | c. | ​occurs only in command economies. | |  | d. | ​is a general decrease in the level of prices. | |  | e. | ​is a decrease in the size of GDP for two quarters or more. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 76. ​CPI increased by 10% last month, alarming economists. This news is an indication that:   |  |  |  | | --- | --- | --- | |  | a. | ​inflation may be spiraling out of control. | |  | b. | ​deflation may be spiraling out of control. | |  | c. | ​unemployment is decreasing quickly. | |  | d. | ​GDP is increasing at a fast rate. | |  | e. | ​the business cycle has stalled. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 77. ​You see a trending article online mentioning that the unemployment rate has decreased by 2% in the last year. This means that:   |  |  |  | | --- | --- | --- | |  | a. | ​a smaller percentage of the nation’s labor force is working compared to last year. | |  | b. | ​a bigger percentage of the nation’s labor force is working compared to last year. | |  | c. | ​prices have generally increased as measured by CPI. | |  | d. | ​the country’s population has increased. | |  | e. | ​GDP is contracting. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 78. If the size of the economy has grown for the last three quarters, but prices overall have dropped, which of the following is true?​   |  |  |  | | --- | --- | --- | |  | a. | ​The economy is in an expansion phase and CPI is increasing. | |  | b. | ​The economy is in a contraction phase and CPI is increasing. | |  | c. | ​The economy is in an expansion phase and GDP is decreasing. | |  | d. | ​The economy is in an expansion phase and CPI is decreasing. | |  | e. | ​The economy is in a contraction phase and CPI is decreasing. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 79. If the GDP has decreased in the last two years, which of the following is likely true?​   |  |  |  | | --- | --- | --- | |  | a. | ​The economy is in a recession and unemployment rate is decreasing. | |  | b. | ​The economy is in a recession and the unemployment rate is increasing. | |  | c. | ​The economy is in a contraction phase and the CPI is increasing. | |  | d. | The economy is in a recovery phase and the unemployment rate is decreasing. | |  | e. | ​The economy is in a contraction phase and the CPI is decreasing. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 80. After several years of high unemployment rates, businesses are hiring more employees after reporting several quarters of increased profits. The economy is likely in a:   |  |  |  | | --- | --- | --- | |  | a. | ​recovery phase. | |  | b. | ​contraction phase. | |  | c. | recession phase. | |  | d. | trough. | |  | e. | peak. |  |  |  | | --- | --- | | *ANSWER:* | a | |