**Chapter 1—Exploring the World of Business and Economics**

**ESSAY**

1. In your own words, describe what you “bring to the table” as a potential employee of a company that you desire to work for.

ANS:

Answer not provided.

PTS: 1 REF: p. 5-7 OBJ: 1-1 NAT: AACSB: Communication

TOP: Your Future in the Changing World of Business

2. How can online networking improve your chances of success in the business world?

ANS:

Answer not provided.

PTS: 1 REF: p. 6 OBJ: 1-1 NAT: AACSB: Communication

TOP: Your Future in the Changing World of Business

3. An entrepreneur combines four kinds of resources into a business. What would be the effect on the business if any one were left out?

ANS:

Answer not provided.

PTS: 1 REF: p. 10-11 OBJ: 1-2 NAT: AACSB: Communication

TOP: Business: A Definition

4. What is profit, and why is it important to a business?

ANS:

Answer not provided.

PTS: 1 REF: p. 11 OBJ: 1-2

NAT: AACSB: Reflective Thinking TOP: Business: A Definition

5. What three activities must a business perform in order to be successful? Briefly describe each of these and why each is essential to business success.

ANS:

Answer not provided.

PTS: 1 REF: p. 10-11 OBJ: 1-2 NAT: AACSB: Analytic

TOP: Business: A Definition

6. Explain how the notion of *scarcity* is related to personal as well as business decision making.

ANS:

Answer not provided.

PTS: 1 REF: p. 12 OBJ: 1-3

NAT: AACSB: Reflective Thinking TOP: Types of Economic Systems

7. Explain how the basic economic questions are answered in capitalistic and command economies.

ANS:

Answer not provided.

PTS: 1 REF: p. 13-17 OBJ: 1-3

NAT: AACSB: Reflective Thinking TOP: Types of Economic Systems

8. Why do we say that the U.S. economy is a mixed economy?

ANS:

Answer not provided.

PTS: 1 REF: p. 14-15 OBJ: 1-3

NAT: AACSB: Reflective Thinking TOP: Types of Economic Systems

9. How does socialism differ from communism?

ANS:

Answer not provided.

PTS: 1 REF: p. 16-17 OBJ: 1-3

NAT: AACSB: Reflective Thinking TOP: Types of Economic Systems

10. Why is productivity important? How can a nation's productivity rate be improved?

ANS:

Answer not provided.

PTS: 1 REF: p. 17 OBJ: 1-4

NAT: AACSB: Reflective Thinking TOP: Measuring Economic Performance

11. What is *real* gross domestic product, and how does it differ from gross domestic product?

ANS:

Answer not provided.

PTS: 1 REF: p. 18 OBJ: 1-4 NAT: AACSB: Communication

TOP: Measuring Economic Performance

12. A nation's economy fluctuates instead of growing at a steady pace every year. These fluctuations are generally referred to as the business cycle. Describe the four different phases of the business cycle.

ANS:

Answer not provided.

PTS: 1 REF: p. 20-21 OBJ: 1-4

NAT: AACSB: Reflective Thinking TOP: Measuring Economic Performance

13. What is the difference between monetary policies and fiscal policies? How does each affect the nation's economy?

ANS:

Answer not provided.

PTS: 1 REF: p. 20 OBJ: 1-5 NAT: AACSB: Analytic

TOP: The Business Cycle

14. In perfect competition, who sets the price of a product?

ANS:

Answer not provided.

PTS: 1 REF: p. 21-22 OBJ: 1-6 NAT: AACSB: Analytic

TOP: Types of Competition

15. Describe how supply and demand affect the price of a product.

ANS:

Answer not provided.

PTS: 1 REF: p. 22 OBJ: 1-6 NAT: AACSB: Analytic

TOP: Types of Competition

16. In a monopolistic competition setting, how can a manufacturer differentiate a product?

ANS:

Answer not provided.

PTS: 1 REF: p. 23 OBJ: 1-6 NAT: AACSB: Analytic

TOP: Types of Competition

17. How does a monopoly have complete control over the price of its product?

ANS:

Answer not provided.

PTS: 1 REF: p. 24 OBJ: 1-6 NAT: AACSB: Communication

TOP: Types of Competition

18. What effect did the Industrial Revolution and the golden age of invention have on the development of American business?

ANS:

Answer not provided.

PTS: 1 REF: p. 24-26 OBJ: 1-7 NAT: AACSB: Analytic

TOP: American Business Today

19. What do you consider the most important challenges that American business faces today?

ANS:

Answer not provided.

PTS: 1 REF: p. 28 OBJ: 1-7

NAT: AACSB: Reflective Thinking TOP: American Business Today

**MULTIPLE CHOICE**

Satellite Communications

Jonathan worked for Satellite Communications for twenty years. In the time that he worked there, he learned a lot about the company and how it operated. The company met its sales and revenue goals every year. However, most of the employees had similar educational and cultural backgrounds. He believed that the company could do much better if it cultivated an environment that promoted many different ideas. Additionally, Satellite Communications was mostly focused on how much revenue it earned in a given year. Jonathan felt that the most important goal should be to satisfy customers. He believed financial success would result from focusing on customers.

After a lot of consideration, Jonathan decided to open his own business called Universal Communications and hire employees that reflected a more diverse customer base. He was happy to have this opportunity because it was a dream that he had always had. He had always wanted to make his own decisions about what his company would produce and how. The only aspect of the business he was unsure of was pricing, yet he knew this would be important for his ultimate success.

20. Refer to Satellite Communications. Jonathan is operating in a \_\_\_\_ because he has the opportunity to decide what and how to do things.

|  |  |
| --- | --- |
| a. | command economy |
| b. | mixed economy |
| c. | free-enterprise system |
| d. | split economy |
| e. | cultural diversity |

ANS: C PTS: 1 DIF: Mod. REF: p. 4

OBJ: 1-1 NAT: AACSB: Analytic TOP: Scenario Questions

21. Refer to Satellite Communications. When hiring people, Jonathan thinks it is important to consider

|  |  |
| --- | --- |
| a. | unilateral thinking. |
| b. | profit. |
| c. | wage increases. |
| d. | health benefits. |
| e. | cultural diversity. |

ANS: E PTS: 1 DIF: Easy REF: p. 6

OBJ: 1-1 NAT: AACSB: Reflective Thinking TOP: Scenario Questions

22. Refer to Satellite Communications. Which company has the correct objective?

|  |  |
| --- | --- |
| a. | Satellite Communications |
| b. | Universal Communications |
| c. | Both of them |
| d. | None of them |
| e. | Not enough information is provided. |

ANS: B PTS: 1 DIF: Mod. REF: p. 10-12

OBJ: 1-2 NAT: AACSB: Reflective Thinking TOP: Scenario Questions

23. Refer to Satellite Communications. Now that Jonathan plans to open his own business, he needs to look at the factors of production. Which of the following is *not* a factor of production?

|  |  |
| --- | --- |
| a. | Labor |
| b. | Capital |
| c. | Machinery |
| d. | Demand |
| e. | Entrepreneurship |

ANS: D PTS: 1 DIF: Diff. REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Scenario Questions

24. Refer to Satellite Communications. Jonathan's success will contribute to society. This is referred to as the

|  |  |
| --- | --- |
| a. | objective. |
| b. | market economy. |
| c. | business cycle. |
| d. | invisible hand. |
| e. | standard of living. |

ANS: D PTS: 1 DIF: Diff. REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Scenario Questions

Home Inspirations

Hailey works for her father in a family-owned business called Home Inspirations, a bedding company that has been in operation since the 1800s. When her father retires, Hailey plans on taking over the business. Hailey is aware of many things about the company that she likes, and a few things that she does not. She has particularly noted that when the economy has low unemployment and high total income, sales are great. However, any other time, sales are not so good.

Currently, all of the bedding items are created in one place and everyone works on various tasks every day. Hailey is thinking about streamlining the production process so that individuals would be responsible for only one task. She believes that if production would increase, she could sell her products at a lower price and increase revenue. She knows that most bedding products available in the market are very similar in nature and satisfy the same need. However, if she were able to lower prices, this might give her company the competitive advantage that it needs. She would then be able to invest money in differentiating her products by providing unique features, building the brand name, and offering services such as free delivery. She is also considering selling her products on the Internet. Hailey knows that her father does not like change very much, but she feels these changes are important for the future of the company.

25. Refer to Home Inspirations. Hailey noticed that when sales were up, the economy was in a

|  |  |
| --- | --- |
| a. | depression. |
| b. | peak period. |
| c. | grace period. |
| d. | recession. |
| e. | stagnant mode. |

ANS: B PTS: 1 DIF: Mod. REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: Scenario Questions

26. Refer to Home Inspirations. Home Inspirations currently operates in a \_\_\_\_ environment.

|  |  |
| --- | --- |
| a. | purely competitive |
| b. | demand |
| c. | monopolistic |
| d. | command |
| e. | supply |

ANS: C PTS: 1 DIF: Mod. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Scenario Questions

27. Refer to Home Inspirations. Hailey feels that for productivity to improve, the company must practice

|  |  |
| --- | --- |
| a. | free enterprise. |
| b. | work ethics. |
| c. | specialization. |
| d. | cultural diversity. |
| e. | pure competition. |

ANS: C PTS: 1 DIF: Easy REF: p. 25

OBJ: 1-7 NAT: AACSB: Reflective Thinking TOP: Scenario Questions

28. Refer to Home Inspirations. Hailey's goal of offering products with unique features and special services is called

|  |  |
| --- | --- |
| a. | specialization. |
| b. | product differentiation. |
| c. | barter. |
| d. | a factory system. |
| e. | a natural monopoly. |

ANS: B PTS: 1 DIF: Easy REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Scenario Questions

29. Refer to Home Inspirations. Which of these statements is true?

|  |  |
| --- | --- |
| a. | Hailey feels that e-business is an important avenue to venture into. |
| b. | Home Inspirations is in a depressive economy. |
| c. | Hailey feels that the barter system is working well. |
| d. | The economy has a high standard of living. |
| e. | The company's sales are obviously in equilibrium. |

ANS: A PTS: 1 DIF: Diff. REF: p. 25

OBJ: 1-7 NAT: AACSB: Reflective Thinking TOP: Scenario Questions

30. Amazon.com has the following rights: to make a profit for its stockholders; to market a wide variety of products; and, to compete with other online retailers. Amazon.com operates in a(n) \_\_\_\_ system.

|  |  |
| --- | --- |
| a. | free-enterprise |
| b. | domestic |
| c. | e-business |
| d. | socialistic |
| e. | totalitarian |

ANS: A PTS: 1 DIF: Mod. REF: p. 4

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

31. When an individual chooses his or her ideal career, it is *most likely* a reflection of one's

|  |  |
| --- | --- |
| a. | values. |
| b. | hobbies. |
| c. | skills. |
| d. | education. |
| e. | desire to be rich. |

ANS: A PTS: 1 DIF: Easy REF: p. 6

OBJ: 1-1 NAT: AACSB: Reflective Thinking

TOP: Your Future in the Changing World of Business

32. Chris chooses to work only thirty hours a week as an engineering assistant while trying to shield himself from additional responsibilities at work. Chris seems to value

|  |  |
| --- | --- |
| a. | recognition and rewards. |
| b. | the opportunity to help others. |
| c. | promotions and transfers. |
| d. | more free time. |
| e. | get-rich-quick schemes. |

ANS: D PTS: 1 DIF: Easy REF: p. 6

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

33. Of the following, which is *not* considered a basic management function necessary to be an effective manager?

|  |  |
| --- | --- |
| a. | Planning |
| b. | Organizing |
| c. | Leading and motivating |
| d. | Controlling |
| e. | Selling |

ANS: E PTS: 1 DIF: Mod. REF: p. 7

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

34. Cultural diversity represents

|  |  |
| --- | --- |
| a. | a business theory that is no longer valid. |
| b. | the differences among people in a workforce. |
| c. | a technical skill. |
| d. | a statistical method used to project sales revenues and profits for global companies. |
| e. | a religious issue that doesn't affect business organizations. |

ANS: B PTS: 1 DIF: Easy REF: p. 6

OBJ: 1-1 NAT: AACSB: Diversity

TOP: Your Future in the Changing World of Business

35. Shawn Sine decides to start his own business. How likely is Shawn to still be operating a successful business in seven years?

|  |  |
| --- | --- |
| a. | It depends on whether it is an e-business or not. |
| b. | It is very likely because most small businesses are successful. |
| c. | It is likely because the chance of failure is nearly equal to the chance for success. |
| d. | It is unlikely because over half of all new small businesses fail. |
| e. | It is very unlikely because almost all new businesses fail within the first three years. |

ANS: D PTS: 1 DIF: Diff. REF: p. 8

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

36. According to Internet entrepreneur Mark Cuban,

|  |  |
| --- | --- |
| a. | e-business is a passing fad. |
| b. | there is no need for a dot.com company to worry about competition. |
| c. | many companies will fail over the next ten years if they don't provide something their customers want. |
| d. | there is no need for managers of dot.com companies to worry about meeting customer needs. |
| e. | there is no need to evaluate a high-tech company because almost all dot.com companies are profitable. |

ANS: C PTS: 1 DIF: Mod. REF: p. 8

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

37. The ability for a manager to think in abstract terms while envisioning the “big picture” falls into the category of \_\_\_\_\_, deemed an important management trait.

|  |  |
| --- | --- |
| a. | interpersonal skills |
| b. | conceptual skills |
| c. | leading and motivating functions |
| d. | mechanical skills |
| e. | controlling functions |

ANS: B PTS: 1 DIF: Easy REF: p. 7

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

38. The organized effort of individuals to produce and sell, for a profit, the goods and services that satisfy societies needs is called

|  |  |
| --- | --- |
| a. | consumerism. |
| b. | the economy. |
| c. | capitalism. |
| d. | business. |
| e. | the workplace. |

ANS: D PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

39. Raw materials, buildings, and machinery are \_\_\_\_ resources.

|  |  |
| --- | --- |
| a. | human |
| b. | financial |
| c. | information |
| d. | major |
| e. | material |

ANS: E PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

40. All of the following are material resources for Toyota Motor Company *except*

|  |  |
| --- | --- |
| a. | paint. |
| b. | steel. |
| c. | factory. |
| d. | tires. |
| e. | money. |

ANS: E PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

41. \_\_\_\_ resources include the funds needed to pay wages, purchase raw materials, and operate a business.

|  |  |
| --- | --- |
| a. | Human |
| b. | Financial |
| c. | Information |
| d. | Major |
| e. | Material |

ANS: B PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

42. \_\_\_\_ resources are the individuals who provide labor for an organization in exchange for wages.

|  |  |
| --- | --- |
| a. | Human |
| b. | Material |
| c. | Labor |
| d. | Financial |
| e. | Informational |

ANS: A PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

43. The monetary contributions that the owners of IBM pay for shares of the company's stock are \_\_\_\_ resources for IBM.

|  |  |
| --- | --- |
| a. | material |
| b. | financial |
| c. | informational |
| d. | human |
| e. | manufacturing |

ANS: B PTS: 1 DIF: Mod. REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

44. What resource tells the managers of a business how effectively the other three resources are being combined and used?

|  |  |
| --- | --- |
| a. | Technical |
| b. | Human |
| c. | Financial |
| d. | Material |
| e. | Informational |

ANS: E PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

45. Organizations that combine raw materials, machinery, and labor to produce goods are called

|  |  |
| --- | --- |
| a. | manufacturing businesses. |
| b. | service businesses. |
| c. | merchandisers. |
| d. | market intermediaries. |
| e. | processors. |

ANS: A PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

46. Which of the following companies is an example of a manufacturer?

|  |  |
| --- | --- |
| a. | Best Buy |
| b. | Intel |
| c. | Walmart |
| d. | AIG |
| e. | Broadcast.com |

ANS: B PTS: 1 DIF: Mod. REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

47. Mondell Weller decides to start a residential landscaping business. How would this business *most likely* be classified?

|  |  |
| --- | --- |
| a. | Manufacturing business |
| b. | Marketing intermediary |
| c. | Service business |
| d. | Corporation |
| e. | Nonprofit organization |

ANS: C PTS: 1 DIF: Diff. REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

48. A business’ efforts to sustain the planet and their participation in ecological movements are part of a firm’s

|  |  |
| --- | --- |
| a. | free enterprise system. |
| b. | stakeholder responsibilities. |
| c. | factors of production. |
| d. | social responsibility. |
| e. | business cycle. |

ANS: D PTS: 1 DIF: Easy REF: p. 12

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

49. Best Buy stores would *most likely* be classified as

|  |  |
| --- | --- |
| a. | service businesses. |
| b. | sole proprietorships. |
| c. | a marketing intermediary. |
| d. | manufacturing establishments. |
| e. | perfect competition. |

ANS: C PTS: 1 DIF: Mod. REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

50. A local retailer calls its customers when it receives merchandise that they may be interested in, provides individual service to each customer, provides forms and phone numbers for complaints and comments, and has a 100 percent satisfaction guarantee. Which objective is this business working hard to accomplish?

|  |  |
| --- | --- |
| a. | Making a profit |
| b. | Achieving low employee turnover |
| c. | Satisfying the needs of its customers |
| d. | Increasing the owner's wealth |
| e. | Keeping up with the current technology |

ANS: C PTS: 1 DIF: Diff. REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

51. The ultimate objective of every firm, such as IBM, Hewlett-Packard, JC Penney, and Cengage Learning, must be to

|  |  |
| --- | --- |
| a. | sell either to other firms or to consumers. |
| b. | satisfy the needs of its customers. |
| c. | pay out money to cover the various expenses of doing business. |
| d. | know that people generally buy a product and store it. |
| e. | make it impossible to satisfy customers. |

ANS: B PTS: 1 DIF: Diff. REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

52. In the mid-1970s, American auto manufacturers produced big gas-guzzling cars and tried to sell them to consumers who needed fuel-efficient transportation. This happened because manufacturers

|  |  |
| --- | --- |
| a. | lost sight of consumers' needs. |
| b. | attempted to satisfy consumers' needs. |
| c. | followed consumers' wants too closely. |
| d. | knew the economy would rise again. |
| e. | did not expect a profit. |

ANS: A PTS: 1 DIF: Diff. REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

53. When a firm's sales revenues are greater than its expenses, the firm has a

|  |  |
| --- | --- |
| a. | profit. |
| b. | loss. |
| c. | positive cash flow. |
| d. | financial resource. |
| e. | factor of production. |

ANS: A PTS: 1 DIF: Easy REF: p. 11

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

54. When a firm's expenses are greater than its sales revenue, the firm has a

|  |  |
| --- | --- |
| a. | profit. |
| b. | loss. |
| c. | negative cash flow. |
| d. | recession. |
| e. | depression. |

ANS: B PTS: 1 DIF: Easy REF: p. 11

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

55. 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. |

ANS: E PTS: 1 DIF: Mod. REF: p. 11-12

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

56. During 2011, Just-The-One Jewelry 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. |

ANS: D PTS: 1 DIF: Mod. REF: p. 11

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

57. Andrew Cooper decides to become a part owner of a corporation. As a part owner, he expects to receive a profit as payment because he has assumed the risk of

|  |  |
| --- | --- |
| a. | serious inflation eroding the purchasing power of his investment. |
| b. | being paid before the suppliers and employees are paid. |
| c. | losing his home, car, and life savings. |
| d. | losing the money he has invested in the corporation and not receiving profits. |
| e. | the company giving all of the profits to local communities. |

ANS: D PTS: 1 DIF: Diff. REF: p. 12

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

58. At the end of the year, an individual, small business owner has made $65,000 in profit. Who does that profit belong to?

|  |  |
| --- | --- |
| a. | The company's CEO and top managers |
| b. | The banks from which the business borrowed money |
| c. | All employees of the small business |
| d. | The consumers of the business’ products |
| e. | The owner of the business |

ANS: E PTS: 1 DIF: Easy REF: p. 12

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

59. For a business, stakeholders represent

|  |  |
| --- | --- |
| a. | investors in the business. |
| b. | lenders that have provided loans. |
| c. | suppliers that have extended credit to the firm in search of profit for the firm.. |
| d. | employees who work for the firm. |
| e. | all of the different people or groups who are affected by the business. |

ANS: E PTS: 1 DIF: Mod. REF: p. 11-12

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

60. \_\_\_\_ is the study of how wealth is created and distributed.

|  |  |
| --- | --- |
| a. | Economics |
| b. | Business |
| c. | Marketing |
| d. | Capitalism |
| e. | Finance |

ANS: A PTS: 1 DIF: Easy REF: p. 12

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

61. Microeconomics is the study of

|  |  |
| --- | --- |
| a. | global economies. |
| b. | the entire U.S. economy. |
| c. | the decisions made by individuals. |
| d. | the national unemployment rate. |
| e. | productivity in other countries. |

ANS: C PTS: 1 DIF: Mod. REF: p. 12

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

62. The study of an individual's economic decisions would be an example of

|  |  |
| --- | --- |
| a. | macroeconomics. |
| b. | microeconomics. |
| c. | fiscal policy. |
| d. | monetary policy. |
| e. | national economic policy. |

ANS: B PTS: 1 DIF: Mod. REF: p. 12

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

63. When economists study the national economy or global economy, they are using a \_\_\_\_ approach.

|  |  |
| --- | --- |
| a. | macroeconomics |
| b. | microeconomics |
| c. | fiscal |
| d. | monetary |
| e. | intuitive |

ANS: A PTS: 1 DIF: Mod. REF: p. 12

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

64. According to economists, natural resources, labor, capital, and entrepreneurship are called

|  |  |
| --- | --- |
| a. | free resources. |
| b. | competitive resources. |
| c. | factory resources. |
| d. | factors of manufacturing. |
| e. | factors of production. |

ANS: E PTS: 1 DIF: Easy REF: p. 12-13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

65. A natural resource, as recognized by economists, would include which of the following?

|  |  |
| --- | --- |
| a. | Crude oil |
| b. | Buildings |
| c. | Tools |
| d. | Machinery |
| e. | Equipment |

ANS: A PTS: 1 DIF: Easy REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

66. The work performed to produce goods and services is referred to as

|  |  |
| --- | --- |
| a. | land. |
| b. | financial resources. |
| c. | material resources. |
| d. | capital goods. |
| e. | labor. |

ANS: E PTS: 1 DIF: Easy REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

67. Matt Newell, a former Air Force pilot, decides to operate a helicopter tour company to provide customers with breathtaking views of the Rocky Mountains. He obtains a loan and purchases the necessary land, facilities, advertising, and five helicopters for his business. What important factor of production has he overlooked in creating his business?

|  |  |
| --- | --- |
| a. | Equipment |
| b. | Capital |
| c. | Labor |
| d. | Entrepreneurship |
| e. | Natural resources |

ANS: C PTS: 1 DIF: Diff. REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

68. Capital or capital goods as recognized by economists would include all of the following *except*

|  |  |
| --- | --- |
| a. | crude oil. |
| b. | facilities. |
| c. | money. |
| d. | machinery. |
| e. | computer equipment. |

ANS: A PTS: 1 DIF: Mod. REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

69. Steve Wilson, a chef at a major restaurant in San Francisco, wants to start his own restaurant. He surveys the market, finds a suitable location, and calculates how much money he will need to lease the building and purchase the necessary equipment and supplies. Steve visits his banker and requests a loan. The money Steve will receive from the loan and the resources he will purchase with it are known as

|  |  |
| --- | --- |
| a. | capital. |
| b. | profit. |
| c. | revenue. |
| d. | collateral. |
| e. | stock. |

ANS: A PTS: 1 DIF: Mod. REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

70. For a Pepperidge Farm production facility, managers and employees would be

|  |  |
| --- | --- |
| a. | natural resources. |
| b. | capital. |
| c. | information resources. |
| d. | labor. |
| e. | the entrepreneurial resource. |

ANS: D PTS: 1 DIF: Mod. REF: p. 12

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

71. A person who risks his or her time, effort, and money to start and operate a business is called a(n)

|  |  |
| --- | --- |
| a. | free-market specialist. |
| b. | entrepreneur. |
| c. | intrapreneur. |
| d. | competitor. |
| e. | profit taker. |

ANS: B PTS: 1 DIF: Easy REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

72. Diane is passionate about soccer and decides to open her own soccer sporting goods store. She invests her money, time, and effort into making the store a success. Diane can be *best* described as a(n)

|  |  |
| --- | --- |
| a. | capitalist. |
| b. | laborer. |
| c. | corporate owner. |
| d. | entrepreneur. |
| e. | competitor. |

ANS: D PTS: 1 DIF: Easy REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

73. Which of the following scenarios would *best* exemplify Adam Smith's view of best serving 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. |

ANS: E PTS: 1 DIF: Diff. REF: p. 13-14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

74. Which of the following is *not* a feature of laissez faire capitalism?

|  |  |
| --- | --- |
| a. | Competition |
| b. | Guaranteed income |
| c. | Private ownership of wealth |
| d. | Economic freedom |
| e. | Limited role of government |

ANS: B PTS: 1 DIF: Mod. REF: p. 14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

75. An economic system in which individuals and businesses make the decisions about what to produce and what to buy, and the market determines how much is sold and at what prices, is called a \_\_\_\_ economy.

|  |  |
| --- | --- |
| a. | product |
| b. | producer's |
| c. | market |
| d. | planned |
| e. | command |

ANS: C PTS: 1 DIF: Easy REF: p. 14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

76. Olan Okowo recently moved to the United States with many hopes and dreams. However, he realizes that economic freedom includes all of the following *except* the right to

|  |  |
| --- | --- |
| a. | guaranteed economic success. |
| b. | use owned resources to produce a profit. |
| c. | accept or reject any job offered. |
| d. | sell a product at the price chosen. |
| e. | buy any economic good or service producers sell. |

ANS: A PTS: 1 DIF: Mod. REF: p. 14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

77. In Adam Smith's view, which of the following is *not* the role of government in business?

|  |  |
| --- | --- |
| a. | Providing defense against foreign governments |
| b. | Regulating business activity |
| c. | Ensuring internal order |
| d. | Furnishing public works |
| e. | Providing education |

ANS: B PTS: 1 DIF: Diff. REF: p. 14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

78. 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 |

ANS: D PTS: 1 DIF: Mod. REF: p. 14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

79. All of the following would typically be considered consumer products *except* a

|  |  |
| --- | --- |
| a. | 2-liter of Coke. |
| b. | DVD player. |
| c. | prom dress. |
| d. | high-powered drill press. |
| e. | bag of dog food. |

ANS: D PTS: 1 DIF: Diff. REF: p. 15

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

80. Approximately what portion of our nation's total production is made up of consumer goods?

|  |  |
| --- | --- |
| a. | 70 percent |
| b. | 50 percent |
| c. | 40 percent |
| d. | 20 percent |
| e. | 10 percent |

ANS: A PTS: 1 DIF: Easy REF: p. 15

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

81. Which of the following represents the biggest customer of American business?

|  |  |
| --- | --- |
| a. | Government |
| b. | Other businesses |
| c. | Foreign governments |
| d. | Consumers |
| e. | The military |

ANS: D PTS: 1 DIF: Mod. REF: p. 15

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

82. Households provide all of the following resources to businesses *except*

|  |  |
| --- | --- |
| a. | labor. |
| b. | land. |
| c. | dividends. |
| d. | buildings. |
| e. | capital. |

ANS: C PTS: 1 DIF: Diff. REF: p. 15

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

83. Ways in which consumers affect American business include all the following *except*

|  |  |
| --- | --- |
| a. | purchasing goods and services. |
| b. | providing necessary business capital. |
| c. | providing the labor necessary for production. |
| d. | providing the resources necessary for production. |
| e. | taxing goods and services. |

ANS: E PTS: 1 DIF: Mod. REF: p. 15

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

84. When consumers spend their money to purchase Amazon Kindles or computers with an Intel processor, or when they discontinue buying such items as compact discs, they are telling resource owners

|  |  |
| --- | --- |
| a. | how to produce. |
| b. | for whom to produce. |
| c. | what to produce. |
| d. | when to produce. |
| e. | to avoid faddish products. |

ANS: C PTS: 1 DIF: Mod. REF: p. 15

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

85. Gail Nelson begins her first job after graduating from college and starts putting money away in a savings account. She believes she has removed this money from the circular flow between buyers and sellers that she studied in Introduction to Business. Is Gail correct?

|  |  |
| --- | --- |
| a. | Yes, by putting this money into a savings account, only she has access to the funds and they are no longer available to the circular flow. |
| b. | No, even though she has saved this money, the bank will in turn invest the money back into the circular flow. |
| c. | Yes, only direct investments into companies, such as purchasing ownership shares of that company, will put her savings back into the circular flow. |
| d. | Yes, the circular flow focuses on businesses and government, and therefore Gail's savings have no impact on the circular flow. |
| e. | No, because she earned this money from a company and because she paid taxes on it, it is always considered part of the flow. |

ANS: B PTS: 1 DIF: Diff. REF: p. 15-16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

86. For the U.S. government to provide services, it collects revenue from

|  |  |
| --- | --- |
| a. | only individuals in the form of taxes. |
| b. | only corporations in the form of taxes. |
| c. | selling bonds to foreign governments. |
| d. | both households and businesses in various forms of taxes. |
| e. | selling manufactured goods overseas. |

ANS: D PTS: 1 DIF: Mod. REF: p. 15-16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

87. The government uses tax dollars to

|  |  |
| --- | --- |
| a. | invest in foreign bonds. |
| b. | invest in foreign corporations. |
| c. | purchase resources and products needed to provide services. |
| d. | purchase other nations. |
| e. | increase consumer income. |

ANS: C PTS: 1 DIF: Mod. REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

88. A system where the basic economic questions are determined, at least to some degree, through centralized government planning is referred to as a \_\_\_\_ economy.

|  |  |
| --- | --- |
| a. | command |
| b. | capitalistic |
| c. | mixed |
| d. | laissez-faire |
| e. | communal |

ANS: A PTS: 1 DIF: Mod. REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

89. Examples of command economies include

|  |  |
| --- | --- |
| a. | socialism and free enterprise. |
| b. | capitalism and socialism. |
| c. | socialism and market economy. |
| d. | communism and capitalism. |
| e. | socialism and communism. |

ANS: E PTS: 1 DIF: Easy REF: p. 16-17

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

90. Susan Montgomery works at an institutional bakery and is paid a wage dictated by the government. She does not like her job but is not allowed other options. Susan must purchase necessities for her family at fixed prices. The country Susan lives in can be described as a \_\_\_\_ economy.

|  |  |
| --- | --- |
| a. | demand |
| b. | command |
| c. | market |
| d. | free-enterprise |
| e. | capitalist |

ANS: B PTS: 1 DIF: Mod. REF: p. 16-17

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

91. In a socialist economy, key industries owned by the government include all *except*

|  |  |
| --- | --- |
| a. | utilities. |
| b. | communications. |
| c. | food production. |
| d. | banking. |
| e. | transportation. |

ANS: C PTS: 1 DIF: Easy REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

92. 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. Tim's country is *most likely* a(n) \_\_\_\_ economy.

|  |  |
| --- | --- |
| a. | market |
| b. | communist |
| c. | socialist |
| d. | industrialized |
| e. | capitalist |

ANS: C PTS: 1 DIF: Mod. REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

93. Which of the following is *uncharacteristic* of a socialist economy?

|  |  |
| --- | --- |
| a. | All capital and capital goods are privately owned. |
| b. | The government owns and controls key industries. |
| c. | Land and raw materials may be the property of the state. |
| d. | What to produce and how to produce it are based on national goals. |
| e. | Distribution of goods and services is controlled by the state. |

ANS: A PTS: 1 DIF: Mod. REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

94. France, a socialist economy, does *not* have which of the following goals?

|  |  |
| --- | --- |
| a. | Equitable distribution of income |
| b. | Elimination of poverty |
| c. | Reduction of government regulations |
| d. | Elimination of economic waste |
| e. | Distribution of social services to all who need them |

ANS: C PTS: 1 DIF: Diff. REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

95. An example of a command economy is

|  |  |
| --- | --- |
| a. | capitalism. |
| b. | laissez-faire. |
| c. | oligopoly. |
| d. | communism. |
| e. | mixed economy. |

ANS: D PTS: 1 DIF: Easy REF: p. 16-17

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

96. The nationalization of key industries in countries such as Sweden and India is indicative of a(n) \_\_\_\_ economy.

|  |  |
| --- | --- |
| a. | socialist |
| b. | communist |
| c. | capitalist |
| d. | nationalist |
| e. | industrialized |

ANS: A PTS: 1 DIF: Mod. REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

97. Which economist has been called the father of communism?

|  |  |
| --- | --- |
| a. | Adam Smith |
| b. | Fidel Castro |
| c. | Mark Cuban |
| d. | Karl Marx |
| e. | Alan Greenspan |

ANS: D PTS: 1 DIF: Easy REF: p. 17

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

98. In a communist country such as Cuba, emphasis is placed on producing what type of goods?

|  |  |
| --- | --- |
| a. | Goods needed by the government |
| b. | Consumer goods |
| c. | Goods for export |
| d. | Perishable goods such as food |
| e. | Durable goods such as machinery |

ANS: A PTS: 1 DIF: Easy REF: p. 17

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

99. Although changes have occurred over the years, \_\_\_\_ is historically considered to have a communist economy.

|  |  |
| --- | --- |
| a. | Germany |
| b. | Sweden |
| c. | Norway |
| d. | North Korea |
| e. | Britain |

ANS: D PTS: 1 DIF: Easy REF: p. 17

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

100. All of the following are characteristics of communist countries such as Cuba *except*

|  |  |
| --- | --- |
| a. | intensive production of goods the government needs. |
| b. | all workers contribute to society according to their ability. |
| c. | frequent shortages of consumer goods. |
| d. | government ownership of almost all economic resources. |
| e. | an adequate supply of consumer goods. |

ANS: E PTS: 1 DIF: Mod. REF: p. 17

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

101. Productivity can *best* be described as

|  |  |
| --- | --- |
| a. | a country's total output. |
| b. | the efficiency of a company's operations. |
| c. | economic growth in a country. |
| d. | the average level of output per worker per hour. |
| e. | the average level of output per worker per year. |

ANS: D PTS: 1 DIF: Easy REF: p. 17

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

102. The production and operations manager at a large shoe factory in Fall River, Massachusetts, notices that the total number of hours worked by production employees has increased 12 percent, while the number of pairs of shoes ready for shipping has dropped 6 percent this year over last year. This means

|  |  |
| --- | --- |
| a. | the inflation rate is unchanged. |
| b. | the demand for shoes is decreasing. |
| c. | the manager's calculations cannot be correct. |
| d. | productivity has decreased. |
| e. | the gross national product has increased by 6 percent. |

ANS: D PTS: 1 DIF: Mod. REF: p. 17

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

103. All of the following *except* \_\_\_\_ are effects felt by individuals in regard to the health of a nation’s economy.

|  |  |
| --- | --- |
| a. | the amount of interest paid for a home |
| b. | acquiring a job |
| c. | obtaining financing for your education |
| d. | increases in productivity |
| e. | the interest paid on credit card purchases |

ANS: D PTS: 1 DIF: Diff. REF: p. 18-19

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

104. Which of the following situations is *most likely* to increase the United States' productivity?

|  |  |
| --- | --- |
| a. | Increased number of people in the workforce |
| b. | Decreased production of goods |
| c. | Increase in economic activity being transferred to the Internet |
| d. | More corporations being split up into smaller divisions |
| e. | More unemployment benefits |

ANS: C PTS: 1 DIF: Diff. REF: p. 17

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

105. Which of the following statements is false?

|  |  |
| --- | --- |
| a. | One way to reduce costs is to increase productivity. |
| b. | Increased productivity can lead to higher manufacturing costs. |
| c. | Increased productivity is a concern for nations throughout the world. |
| d. | Productivity is expected to improve as more economic activity is transferred to the Internet. |
| e. | Productivity growth enables American business firms to compete more effectively with other nations in a competitive world. |

ANS: B PTS: 1 DIF: Diff. REF: p. 17-18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

106. To compare the productivity of the United States to that of Japan, one should examine their respective

|  |  |
| --- | --- |
| a. | defense budgets. |
| b. | trade deficits. |
| c. | gross domestic products. |
| d. | stock markets' performance. |
| e. | consumer price indices. |

ANS: C PTS: 1 DIF: Mod. REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

107. The total dollar value of all goods and services produced by all people within the boundaries of a country is called

|  |  |
| --- | --- |
| a. | productivity. |
| b. | gross domestic product. |
| c. | gross national product. |
| d. | inflation factor. |
| e. | standard of living. |

ANS: B PTS: 1 DIF: Easy REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

108. Which of the following would *not* be included in the gross domestic product of the United States?

|  |  |
| --- | --- |
| a. | Value of tax return services performed by H&R Block, U.S. locations |
| b. | Value of BMW automobiles manufactured in Alabama |
| c. | Total value of Procter & Gamble products produced in Michigan |
| d. | Value of medical care services rendered in the United States |
| e. | Value of McDonald's sales for their Tokyo locations |

ANS: E PTS: 1 DIF: Easy REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

109. Which of the following economic terms describes the total value of a nation's goods or services that have been adjusted for inflation?

|  |  |
| --- | --- |
| a. | Altered gross domestic product |
| b. | Gross domestic product |
| c. | Real gross domestic product |
| d. | Altered gross national product |
| e. | Gross national product |

ANS: C PTS: 1 DIF: Easy REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

110. Due to the recent economic crisis, many employers were reluctant to hire new employees. As a result, the unemployment rate hovered at approximately \_\_\_\_ for most of 2009 and 2010.

|  |  |
| --- | --- |
| a. | 7 percent |
| b. | 8 percent |
| c. | 10 percent |
| d. | 12 percent |
| e. | 13 percent |

ANS: C PTS: 1 DIF: Diff. REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

111. According to economists, inflation is

|  |  |
| --- | --- |
| a. | a general decrease in the level of prices. |
| b. | a general rise in the level of prices. |
| c. | unavoidable, and therefore something beyond the control of government. |
| d. | eliminated by the government. |
| e. | a general problem for countries with command economies. |

ANS: B PTS: 1 DIF: Easy REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

112. Deflation

|  |  |
| --- | --- |
| a. | is a typical economic event in the U.S. economy. |
| 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 characteristic of a mixed economy. |

ANS: D PTS: 1 DIF: Easy REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

113. An executive at a U.S. steel company uses growth in gross domestic product as one way to develop trends in industry steel use, so he records GDP change for each year on a graph. However, the executive's figures are considerably higher than those of the staff economist, who also has drawn a graph. This difference is *most likely* the result of

|  |  |
| --- | --- |
| a. | measurement errors by the U.S. Bureau of the Census. |
| b. | a decline in gross domestic product. |
| c. | an increase in gross domestic product. |
| d. | the economist adjusting the figures for the inflation rate. |
| e. | a change in productivity. |

ANS: D PTS: 1 DIF: Diff. REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

114. The consumer price index (CPI)

|  |  |
| --- | --- |
| a. | is a quarterly index that producers receive for their finished goods. |
| b. | measures increases or decreases in the level of worker performance. |
| c. | is the price of metals, lumber, and raw materials. |
| d. | measures prices paid during periods of deflations. |
| e. | is a monthly index that tracks the prices paid by consumers. |

ANS: E PTS: 1 DIF: Mod. REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

115. Which of the following is false in regard to the unemployment rate?

|  |  |
| --- | --- |
| a. | According to Bureau of Labor Statistics, the country loses goods and services that could have been produced. |
| b. | A nation benefits from unemployment due to a lower level of wages required to be paid by employers. |
| c. | According to the Bureau of Labor Statistics, families lose wages due to unemployment. |
| d. | The unemployment rates is the percentage of a nation’s labor force that are not working at any one time. |
| e. | The purchasing power of unemployed workers is lost. |

ANS: B PTS: 1 DIF: Diff. REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

116. A furniture manufacturer like Thomasville would be concerned with the producer price index because it

|  |  |
| --- | --- |
| a. | is related to the real gross domestic product. |
| b. | measures prices that manufacturers must pay for lumber and other raw materials used in the manufacturing process. |
| c. | tracks the cost of housing and transportation. |
| d. | is published daily. |
| e. | measures the effect of interest rates on the economy. |

ANS: B PTS: 1 DIF: Mod. REF: p. 19

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

117. The producer price index is an accurate predictor of

|  |  |
| --- | --- |
| a. | future changes in the consumer price index. |
| b. | the level of unemployment. |
| c. | prime interest rates. |
| d. | Internet business activity. |
| e. | an individual's standard of living. |

ANS: A PTS: 1 DIF: Mod. REF: p. 19

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

118. 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. |

ANS: D PTS: 1 DIF: Easy REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

119. All except \_\_\_\_ was a part of the U.S. federal government’s stimulus plan

|  |  |
| --- | --- |
| a. | Shore up the country’s banks |
| b. | Create a more extensive physical infrastructure |
| c. | Shore up Wall Street firms |
| d. | Reduce the number of home foreclosures |
| e. | Free up credit for individuals and businesses |

ANS: B PTS: 1 DIF: Diff. REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

120. Which of the following is *not* one of the four states included in a typical business cycle?

|  |  |
| --- | --- |
| a. | Repression |
| b. | Peak |
| c. | Recession |
| d. | Trough |
| e. | Recovery |

ANS: A PTS: 1 DIF: Easy REF: p. 20-21

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

121. During which phase of the business cycle would a company like General Electric introduce new products?

|  |  |
| --- | --- |
| a. | Repression |
| b. | Peak |
| c. | Recession |
| d. | Depression |
| e. | Recovery |

ANS: B PTS: 1 DIF: Diff. REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

122. Which of the following is *not* a characterization of a depression?

|  |  |
| --- | --- |
| a. | High unemployment rates |
| b. | Lower stock values |
| c. | two or more consecutive three-month periods of GDP decline |
| d. | General decrease in business activity |
| e. | General lack of confidence in the economy by members of the population |

ANS: C PTS: 1 DIF: Diff. REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

123. As Rachel Smith and her friends prepare to graduate from college, they are faced with numerous job offers with starting salaries better than they could have imagined when they began college four years ago. Based on this information, which stage of the business cycle would the economy be in?

|  |  |
| --- | --- |
| a. | Depression |
| b. | Peak |
| c. | Recession |
| d. | Trough |
| e. | Recovery |

ANS: B PTS: 1 DIF: Mod. REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

124. During which stage of the business cycle would a company such as 3M begin to focus on being more value conscious in its production decisions?

|  |  |
| --- | --- |
| a. | Depression |
| b. | Peak |
| c. | Recession |
| d. | Trough |
| e. | Recovery |

ANS: C PTS: 1 DIF: Mod. REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

125. 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 |

ANS: C PTS: 1 DIF: Easy REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

126. The economic term used to describe the Federal Reserve's actions to determine the size of the supply of money in the nation and the level of interest rates is

|  |  |
| --- | --- |
| a. | monetary policy. |
| b. | fiscal policy. |
| c. | debt policy. |
| d. | recovery technique. |
| e. | recovery guideline. |

ANS: A PTS: 1 DIF: Easy REF: p. 20-21

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

127. The Federal Reserve uses \_\_\_\_ when it lowers the interest rate charged to banks on short-term loans.

|  |  |
| --- | --- |
| a. | monetary policy |
| b. | national debt |
| c. | inflation |
| d. | fiscal policy |
| e. | competition |

ANS: A PTS: 1 DIF: Easy REF: p. 20-21

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

128. The economic term used to describe the government's influence on savings and changing the levels of government spending is

|  |  |
| --- | --- |
| a. | monetary policy. |
| b. | fiscal policy. |
| c. | debt policy. |
| d. | recovery technique. |
| e. | recovery guideline. |

ANS: B PTS: 1 DIF: Easy REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

129. In France, income taxes are reduced so that individuals will have more income to spend, which in turn will stimulate the economy. This is an example of

|  |  |
| --- | --- |
| a. | the business cycle. |
| b. | economic stimulation. |
| c. | monetary policy. |
| d. | recession. |
| e. | fiscal policy. |

ANS: E PTS: 1 DIF: Mod. REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

130. When the U.S. government spends more than it receives within a fiscal year, this is called the

|  |  |
| --- | --- |
| a. | economic debt. |
| b. | federal deficit. |
| c. | fiscal debt. |
| d. | national debt. |
| e. | consumer debt. |

ANS: B PTS: 1 DIF: Easy REF: p. 21

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

131. The total of all federal deficits in the United States is called the

|  |  |
| --- | --- |
| a. | economic debt. |
| b. | federal deficit. |
| c. | fiscal debt. |
| d. | national debt. |
| e. | consumer debt. |

ANS: D PTS: 1 DIF: Diff. REF: p. 21

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

132. Some economists believe that sound fiscal and monetary policy can reduce the amount of time the economy is in the \_\_\_\_ stage of the business cycle.

|  |  |
| --- | --- |
| a. | recession |
| b. | recovery |
| c. | repression |
| d. | prosperity |
| e. | trough |

ANS: A PTS: 1 DIF: Diff. REF: p. 21

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

133. Since World War II, the average length of recessions has been

|  |  |
| --- | --- |
| a. | six months |
| b. | eleven months |
| c. | twenty-two months |
| d. | three years |
| e. | five years |

ANS: B PTS: 1 DIF: Diff. REF: p. 21

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

134. During which phase do high unemployment rates decline and levels of income increase?

|  |  |
| --- | --- |
| a. | Repression |
| b. | Peak |
| c. | Recession |
| d. | Trough |
| e. | Recovery |

ANS: E PTS: 1 DIF: Mod. REF: p. 21

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

135. The rivalry among businesses for sales to potential customers

|  |  |
| --- | --- |
| a. | is an unfair business practice. |
| b. | is a necessary part of a command economy. |
| c. | is referred to as competition. |
| d. | is typical in a communist nation. |
| e. | doesn't exist in the real world. |

ANS: C PTS: 1 DIF: Easy REF: p. 21

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

136. For firms like Target and Walmart, competition

|  |  |
| --- | --- |
| a. | is not a factor that must be considered in a free-market economy. |
| b. | affects smaller businesses but not large chain operations. |
| c. | affects larger chain operations but not smaller businesses. |
| d. | is a rivalry among businesses for sales to potential customers. |
| e. | is a problem that has been eliminated in the twenty-first century. |

ANS: D PTS: 1 DIF: Mod. REF: p. 21

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

137. 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. |

ANS: A PTS: 1 DIF: Mod. REF: p. 21

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

138. \_\_\_\_ is a necessary and extremely important by-product of free enterprise.

|  |  |
| --- | --- |
| a. | Monopoly |
| b. | Socialism |
| c. | Communism |
| d. | Competition |
| e. | Poverty |

ANS: D PTS: 1 DIF: Mod. REF: p. 21-22

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

139. 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 the 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 the buyer 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. |

ANS: B PTS: 1 DIF: Mod. REF: p. 21-22

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

140. If the demand for a product declines, what happens to the price of the product?

|  |  |
| --- | --- |
| a. | The price stays the same. |
| b. | The price decreases. |
| c. | The price increases. |
| d. | The equilibrium price will be maintained. |
| e. | The market price will be maintained. |

ANS: B PTS: 1 DIF: Mod. REF: p. 22

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

141. As computers gained popularity, the \_\_\_\_ typewriters decreased along with the price.

|  |  |
| --- | --- |
| a. | demand for |
| b. | supply of |
| c. | equilibrium of |
| d. | productivity of |
| e. | monopoly associated with |

ANS: A PTS: 1 DIF: Mod. REF: p. 22-23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

142. As the price of jeans rises, Levi Strauss is 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. |

ANS: B PTS: 1 DIF: Mod. REF: p. 22-23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

143. A price at which the demanded quantity is equal to the produced quantity of that product is called the \_\_\_\_ price.

|  |  |
| --- | --- |
| a. | market |
| b. | customer |
| c. | equality |
| d. | demand |
| e. | supply |

ANS: A PTS: 1 DIF: Easy REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

144. Researchers just released the results of a study that shows eating fish at least four times a week dramatically decreases adults' risk of heart disease. What will likely result from this new information?

|  |  |
| --- | --- |
| a. | The demand for fish will decrease. |
| b. | The supply of fish will decrease, causing a decrease in the price. |
| c. | The demand for fish will increase at every price. |
| d. | The demand for fish will decrease at every price. |
| e. | The demand for fish will likely remain the same, but the market price will adjust. |

ANS: C PTS: 1 DIF: Mod. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

145. Monopolistic competition is a market situation in which

|  |  |
| --- | --- |
| a. | similar but not identical products are available. |
| b. | only one product is available. |
| c. | several identical products are available. |
| d. | the same price is charged for all products. |
| e. | the government regulates prices. |

ANS: A PTS: 1 DIF: Mod. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

146. \_\_\_\_ is the process of developing and promoting the differences between one's products and other similar products.

|  |  |
| --- | --- |
| a. | Advertising |
| b. | Monopolistic competition |
| c. | Product differentiation |
| d. | Branding |
| e. | Goods distinction |

ANS: C PTS: 1 DIF: Easy REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

147. The maker of Hanes pantyhose attempts to set its product apart from the competition. As a result, the company obtained limited control over the price of its product. Achieving price control in this manner is known as

|  |  |
| --- | --- |
| a. | advertising. |
| b. | distributional efficiency. |
| c. | low-cost production. |
| d. | niche marketing. |
| e. | product differentiation. |

ANS: E PTS: 1 DIF: Mod. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

148. 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. |

ANS: B PTS: 1 DIF: Mod. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

149. \_\_\_\_ is a market situation (or industry) in which there are few sellers.

|  |  |
| --- | --- |
| a. | Monopolistic competition |
| b. | Pure competition |
| c. | Monopoly |
| d. | Oligopoly |
| e. | Natural monopoly |

ANS: D PTS: 1 DIF: Easy REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

150. Which of the following is *not* a characteristic of an oligopoly?

|  |  |
| --- | --- |
| a. | There are few sellers. |
| b. | The seller has considerable control over price. |
| c. | Any duplication of facilities is wasteful. |
| d. | Sizable investments are required to enter the market. |
| e. | The market actions of each seller can strongly affect other sellers. |

ANS: C PTS: 1 DIF: Mod. REF: p. 23-24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

151. Which of the following industries would *most likely* have the characteristics of an oligopoly?

|  |  |
| --- | --- |
| a. | Clothing |
| b. | Restaurants |
| c. | Automobiles |
| d. | Cameras |
| e. | Make-up |

ANS: C PTS: 1 DIF: Mod. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

152. When General Mills and a few other firms dominate the American cereal market, this is an example of

|  |  |
| --- | --- |
| a. | pure competition. |
| b. | monopolistic competition. |
| c. | oligopoly. |
| d. | natural monopoly. |
| e. | monopoly. |

ANS: C PTS: 1 DIF: Mod. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

153. 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. | monopoly. |
| c. | natural monopoly. |
| d. | oligopoly. |
| e. | trust. |

ANS: D PTS: 1 DIF: Mod. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

154. When Toyota experienced declining sales as a result of quality and safety issues, it began offering buyer 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 each seller has considerable control over price. |
| 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. |

ANS: A PTS: 1 DIF: Mod. REF: p. 23-24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

155. 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. |

ANS: B PTS: 1 DIF: Easy REF: p. 24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

156. If all leading corporations in the soft-drink industry merged, this would

|  |  |
| --- | --- |
| a. | encourage pure competition. |
| b. | encourage monopolistic competition. |
| c. | lead to an oligopoly. |
| d. | create a limited monopoly. |
| e. | create a monopoly. |

ANS: E PTS: 1 DIF: Mod. REF: p. 24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

157. Public utilities are often referred to as

|  |  |
| --- | --- |
| a. | sole proprietorships. |
| b. | monopolistic competitors. |
| c. | monopolies. |
| d. | oligopolies. |
| e. | socialistic. |

ANS: C PTS: 1 DIF: Easy REF: p. 24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

158. What must a monopoly, such as a public utility, account for when setting its prices?

|  |  |
| --- | --- |
| a. | A monopoly, because it has no competitors, can set prices as high as it likes. |
| b. | A monopoly must consider customer demand, and then set prices at the most profitable level. |
| c. | A monopoly must take into account what its top competitors are charging for the same product or service. |
| d. | A monopoly has no say in what prices it will charge because the government sets the prices for all monopolistic industries. |
| e. | A monopoly must look at the importance of each client, and then determine what respective rate each will be charged. |

ANS: B PTS: 1 DIF: Diff. REF: p. 24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

159. Bowflex, Inc., which manufactures total strength training systems for home use, obtained a patent on its power rods. Bowflex has a(n) \_\_\_\_ for this product.

|  |  |
| --- | --- |
| a. | monopoly |
| b. | oligopoly |
| c. | natural monopoly |
| d. | limited monopoly |
| e. | illegal monopoly |

ANS: D PTS: 1 DIF: Mod. REF: p. 24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

160. When Microsoft copyrighted its Windows software, it established a(n) \_\_\_\_ monopoly.

|  |  |
| --- | --- |
| a. | domestic |
| b. | international |
| c. | legal |
| d. | natural |
| e. | unnatural |

ANS: C PTS: 1 DIF: Mod. REF: p. 24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

161. \_\_\_\_ is a loose, subjective measure of how well off an individual or society is in terms of obtaining want-satisfying goods and services.

|  |  |
| --- | --- |
| a. | Employment success |
| b. | Standard of wealth |
| c. | Standard of living |
| d. | Economic satisfaction |
| e. | Satisfaction economic factor |

ANS: C PTS: 1 DIF: Easy REF: p. 24

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

162. American Airlines traded eight 747s for twelve DC-10s owned by United Airlines. This transaction is an example of

|  |  |
| --- | --- |
| a. | barter. |
| b. | ancient trading. |
| c. | the domestic system. |
| d. | the factory system. |
| e. | an unequal exchange of goods. |

ANS: A PTS: 1 DIF: Easy REF: p. 24

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

163. The system in which raw materials are distributed by entrepreneurs to homes in which family members process those materials into finished products is referred to as

|  |  |
| --- | --- |
| a. | the factory system. |
| b. | an apprenticeship. |
| c. | specialization. |
| d. | free enterprise. |
| e. | the domestic system. |

ANS: E PTS: 1 DIF: Easy REF: p. 24

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

164. Randall Newman distributes rawhide to several different homes. In turn, each household produces a product such as satchels, belts, shoes, and boots, and then Randall sells the finished goods. This represents a(n)

|  |  |
| --- | --- |
| a. | oligopoly. |
| b. | domestic system. |
| c. | system of specialization. |
| d. | factory system. |
| e. | barter system. |

ANS: B PTS: 1 DIF: Mod. REF: p. 24

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

165. The use of the factory system in the United States helped to usher in the

|  |  |
| --- | --- |
| a. | colonial period. |
| b. | Industrial Revolution. |
| c. | Great Depression. |
| d. | Renaissance. |
| e. | twentieth century. |

ANS: B PTS: 1 DIF: Easy REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

166. One of Samuel Slater's contributions to the development of American business was the use of

|  |  |
| --- | --- |
| a. | capital. |
| b. | flexible manufacturing. |
| c. | domestic robots. |
| d. | the factory system. |
| e. | the domestic system. |

ANS: D PTS: 1 DIF: Mod. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

167. The separation of a manufacturing process into distinct tasks and the assignment of different tasks to different individuals is called

|  |  |
| --- | --- |
| a. | specialization. |
| b. | entrepreneurship. |
| c. | free market. |
| d. | barter. |
| e. | factory manufacturing. |

ANS: A PTS: 1 DIF: Easy REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

168. The Hamel family owns and operates an interior decorating business. Greg installs hardwood floors and chair rails; Stephanie reupholsters furniture and takes care of the finances; Ryan designs and makes draperies and pillows; and Allison coordinates the overall color, look, and design. The process the Hamel family uses to run its business is

|  |  |
| --- | --- |
| a. | specialization. |
| b. | division of service. |
| c. | the factory system. |
| d. | the domestic system. |
| e. | the barter system. |

ANS: A PTS: 1 DIF: Mod. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

169. The purpose of specialization is to

|  |  |
| --- | --- |
| a. | reduce productivity. |
| b. | increase the efficiency of industrial workers. |
| c. | boost the morale of an employee because he or she is special. |
| d. | relieve boredom. |
| e. | make the nature of the work more general. |

ANS: B PTS: 1 DIF: Mod. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

170. Which of the following is *not* a characteristic of the Great Depression?

|  |  |
| --- | --- |
| a. | Stock prices decreased. |
| b. | It was a period of misery and human suffering. |
| c. | There was a near collapse of the nation's economy. |
| d. | The government became less involved in business activities. |
| e. | People lost faith in business and its ability to satisfy society's needs. |

ANS: D PTS: 1 DIF: Mod. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

171. When did the U.S. government become more deeply involved in business than it had been previously?

|  |  |
| --- | --- |
| a. | In the early 1920s |
| b. | After Franklin D. Roosevelt became president |
| c. | After the Vietnam War |
| d. | During the social responsibility movement during the 1960s |
| e. | After the Korean War |

ANS: B PTS: 1 DIF: Diff. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

172. All except \_\_\_\_ are considered important, major events that shaped the nation’s economy during the period of 1940 to 2000.

|  |  |
| --- | --- |
| a. | the Korean War |
| b. | the institution of Franklin D. Roosevelt’s federal government programs |
| c. | the shortage of crude oil |
| d. | high inflation with high interest rates and reduced business profits |
| e. | the Vietnam War |

ANS: B PTS: 1 DIF: Mod. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

173. In the early 1980s, David Jimenez, a corporate finance manager, was faced with which of the following problems?

|  |  |
| --- | --- |
| a. | High inflation rates |
| b. | Competition from e-business firms |
| c. | Too much productivity |
| d. | Declining interest rates |
| e. | A decline in the use of specialization |

ANS: A PTS: 1 DIF: Mod. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

174. The organized effort of individuals to produce and sell, for a profit, the products and services that satisfy society's needs through the Internet is known as

|  |  |
| --- | --- |
| a. | business. |
| b. | economy. |
| c. | entrepreneurship. |
| d. | e-business. |
| e. | e-marketing. |

ANS: D PTS: 1 DIF: Easy REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

175. Increased competition from firms in other nations is an example of the

|  |  |
| --- | --- |
| a. | technological environment. |
| b. | global environment. |
| c. | command environment. |
| d. | laissez-faire environment. |
| e. | mixed environment. |

ANS: B PTS: 1 DIF: Easy REF: p. 27

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

176. In the last decade of the century, \_\_\_\_ became a major force in the economy in regard to business.

|  |  |
| --- | --- |
| a. | reduced business profits |
| b. | high interest rates |
| c. | high inflation |
| d. | the Internet |
| e. | shortage of crude oil |

ANS: D PTS: 1 DIF: Mod. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

177. The current technology environment

|  |  |
| --- | --- |
| a. | is not as important as it was fifteen years ago. |
| b. | does not affect manufacturing firms. |
| c. | changes the way business firms communicate with customers. |
| d. | doesn't change as often as it did fifteen years ago. |
| e. | is not a concern for most firms that do business only in the United States. |

ANS: C PTS: 1 DIF: Mod. REF: p. 27

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

178. Which of the following statements does *not* describe the U.S. economy as we finish the first decade of the new millennium?

|  |  |
| --- | --- |
| a. | Information technology will continue to fuel the new economy. |
| b. | There will be more investment in information technology. |
| c. | There will be fewer opportunities for international trade. |
| d. | E-business will be a more important part of the economy. |
| e. | Service businesses will continue to employ more than half of the American workforce. |

ANS: C PTS: 1 DIF: Mod. REF: p. 26-27

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

179. The concept of sustainability focuses on which of the following?

|  |  |
| --- | --- |
| a. | The needs of the present without compromising the future |
| b. | The needs of the future without compromising the present |
| c. | The needs of the firm to make a profit in the present |
| d. | The needs of future employees |
| e. | The needs of the government in the future |

ANS: A PTS: 1 DIF: Easy REF: p. 27

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

180. Service businesses employ approximately \_\_\_ percent of the U.S. work force.

|  |  |
| --- | --- |
| a. | 40 |
| b. | 50 |
| c. | 65 |
| d. | 75 |
| e. | 85 |

ANS: E PTS: 1 DIF: Diff. REF: p. 26

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

181. Which of the following issues will *not* be a challenge for our economy in the years to come?

|  |  |
| --- | --- |
| a. | How can we encourage economic growth while conserving natural resources? |
| b. | How can we preserve the benefits of competition? |
| c. | How can we meet the challenges of managing a culturally diverse workforce? |
| d. | How can individuals reinvest all the profits that have been made in the stock market as a result of the strong economy? |
| e. | How can we meet the needs of the less fortunate? |

ANS: D PTS: 1 DIF: Mod. REF: p. 28

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

**TRUE/FALSE**

182. As the founder of an American business firm, Jeff Bezos can, within certain limits, produce and/or sell any product he chooses and sell it at any price it sets.

ANS: T PTS: 1 DIF: Easy REF: p. 4

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

183. In our free-enterprise system, federal and state governments decide what products and services to provide.

ANS: F PTS: 1 DIF: Mod. REF: p. 4

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

184. A working knowledge of our business system combined with technical skills can give an applicant an advantage in looking for a job.

ANS: T PTS: 1 DIF: Easy REF: p. 7

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

185. After getting her bachelor's degree in business, Mary Wilson realized she was much more productive at her job than she had been before. Mary's degree helped her to become a better employee.

ANS: T PTS: 1 DIF: Easy REF: p. 5

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

186. Today, managers and employees are no longer concerned about cultural diversity.

ANS: F PTS: 1 DIF: Easy REF: p. 6

OBJ: 1-1 NAT: AACSB: Analytic

TOP: Your Future in the Changing World of Business

187. Because e-businesses use the Internet, there is no need to meet the needs of their customers.

ANS: F PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

188. In order for a business to be successful, it must be organized, it must satisfy needs, and it must make a profit.

ANS: T PTS: 1 DIF: Easy REF: p. 10-11

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

189. The four resources that a business must use to operate successfully include material resources, human resources, financial resources, and operational resources.

ANS: F PTS: 1 DIF: Mod. REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

190. Generally there are three types of businesses manufacturing businesses, service businesses, and marketing intermediaries.

ANS: T PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

191. Sony is most correctly classified as a marketing intermediary type of business.

ANS: F PTS: 1 DIF: Mod. REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

192. People buy goods and services simply to own them.

ANS: F PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

193. The ultimate goal of every business firm should be to satisfy the needs of its customers.

ANS: T PTS: 1 DIF: Easy REF: p. 10

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

194. If a firm's sales revenue exceeds its expenses, the firm has earned a profit.

ANS: T PTS: 1 DIF: Easy REF: p. 11

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

195. Profit is the payment business owners receive for assuming the risks of ownership.

ANS: T PTS: 1 DIF: Mod. REF: p. 11

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

196. The term *stakeholders* refers only to the people who have invested money in a business.

ANS: F PTS: 1 DIF: Easy REF: p. 12

OBJ: 1-2 NAT: AACSB: Analytic TOP: Business: A Definition

197. Economics is the study of how wealth is created and distributed.

ANS: T PTS: 1 DIF: Easy REF: p. 12

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

198. How the price of homes affects the number of homes built and sold would be an economic issue studied in a Macroeconomics course.

ANS: F PTS: 1 DIF: Mod. REF: p. 12

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

199. Macroeconomists often study the effect of taxes, government spending, interest rates, and similar factors on a nation's economy.

ANS: T PTS: 1 DIF: Mod. REF: p. 12

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

200. The factors of production include natural resources, labor, government assistance, and entrepreneurship.

ANS: F PTS: 1 DIF: Mod. REF: p. 12-13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

201. The four basic questions in a capitalist economy are what to produce, how to produce, who should produce, and when to produce.

ANS: F PTS: 1 DIF: Easy REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

202. Adam Smith is the person who actually organized American business as we know it today.

ANS: F PTS: 1 DIF: Mod. REF: p. 13

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

203. According to Adam Smith, under laissez-faire capitalism, each person should be allowed to work toward his or her own economic gain without government interference.

ANS: T PTS: 1 DIF: Easy REF: p. 14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

204. Adam Smith argued that the creation of wealth is a proper concern of government.

ANS: F PTS: 1 DIF: Easy REF: p. 14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

205. Adam Smith developed the concept of the invisible hand to explain how all economic activity should be based on a nation's needs and not the individual's needs.

ANS: F PTS: 1 DIF: Diff. REF: p. 14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

206. A market economy is sometimes referred to as a command economy.

ANS: F PTS: 1 DIF: Mod. REF: p. 14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

207. The U.S. business system is commonly referred to as a mixed economy.

ANS: T PTS: 1 DIF: Easy REF: p. 14

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

208. Consumer goods make up about one-third of our nation's gross national product.

ANS: F PTS: 1 DIF: Easy REF: p. 15

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

209. Consumers exchange tax money to purchase goods and services.

ANS: F PTS: 1 DIF: Easy REF: p. 15

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

210. A business provides goods and services in exchange for sales revenues.

ANS: T PTS: 1 DIF: Easy REF: p. 15

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

211. When a business distributes profits to business owners, these profits become household income and are removed from the circular flow of the economy.

ANS: F PTS: 1 DIF: Mod. REF: p. 15

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

212. The services that government provides would not be produced by private business firms or would be produced only for those who could afford them.

ANS: T PTS: 1 DIF: Mod. REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

213. The government uses taxes to purchase resources and products required to provide services.

ANS: T PTS: 1 DIF: Easy REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

214. Command economies include capitalism, socialism, and communism.

ANS: F PTS: 1 DIF: Mod. REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

215. In a socialist economy, the key industries are owned and controlled by the government.

ANS: T PTS: 1 DIF: Easy REF: p. 16

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

216. Karl Marx is known as the father of communism.

ANS: T PTS: 1 DIF: Easy REF: p. 17

OBJ: 1-3 NAT: AACSB: Analytic TOP: Types of Economic Systems

217. Productivity is the total output per worker per year.

ANS: F PTS: 1 DIF: Easy REF: p. 17

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

218. Reducing costs and enabling employees to work more efficiently are at the core of all attempts to improve productivity.

ANS: T PTS: 1 DIF: Mod. REF: p. 17

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

219. Fewer workers producing more goods and services can lead to higher overall employment rates.

ANS: F PTS: 1 DIF: Diff. REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

220. Gross domestic product is a loose, subjective measure of how well a society can satisfy its people through goods and services.

ANS: F PTS: 1 DIF: Mod. REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

221. The terms *real gross domestic product* and *gross domestic product* can be used interchangeably.

ANS: F PTS: 1 DIF: Easy REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

222. Real gross domestic product is an economic measure that has been adjusted for price increases of goods and services during a given period of time.

ANS: T PTS: 1 DIF: Mod. REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

223. Inflation is a general rise in the level of prices experienced by people in a nation.

ANS: T PTS: 1 DIF: Easy REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

224. Deflation is a general decrease in the level of prices.

ANS: T PTS: 1 DIF: Easy REF: p. 18

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

225. The consumer price index (CPI) and the producer price index (PPI) actually measure the same economic factors.

ANS: F PTS: 1 DIF: Mod. REF: p. 18-19

OBJ: 1-4 NAT: AACSB: Analytic

TOP: Measuring Economic Performance

226. The recurrence of periods of growth and recession in a nation's economic activity is a depression.

ANS: F PTS: 1 DIF: Mod. REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

227. During the peak or prosperity stage of a nation's business cycle, businesses are reluctant to offer new products and services.

ANS: F PTS: 1 DIF: Diff. REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

228. Economists define a recession as two or more consecutive three-month periods of decline in a country's gross domestic product.

ANS: T PTS: 1 DIF: Easy REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

229. A depression is a severe recession that lasts longer than a recession.

ANS: T PTS: 1 DIF: Easy REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

230. Monetary policies exert the government's influence on the amount of savings and expenditures by altering the tax structure and changing the levels of government spending.

ANS: F PTS: 1 DIF: Mod. REF: p. 20

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

231. The national debt in the United States is about $12.7 trillion.

ANS: T PTS: 1 DIF: Easy REF: p. 21

OBJ: 1-5 NAT: AACSB: Analytic TOP: The Business Cycle

232. Basically, there are four recognized degrees of competition: perfect competition, monopolistic competition, oligopoly, and monopoly.

ANS: T PTS: 1 DIF: Easy REF: p. 21

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

233. Perfect competition is the market situation in which a product has many buyers and sellers, and no single buyer or seller is powerful enough to affect a product's price.

ANS: T PTS: 1 DIF: Easy REF: p. 22

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

234. As the price of a product increases, the amount of the product that a producer is willing to supply increases.

ANS: T PTS: 1 DIF: Mod. REF: p. 22

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

235. As the price of a product increases, the amount of the product that consumers purchase increases.

ANS: F PTS: 1 DIF: Mod. REF: p. 22

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

236. The equilibrium or market price exists when the supply of a product exceeds the amount that consumers are willing to purchase.

ANS: F PTS: 1 DIF: Mod. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

237. The products available in a monopolistically competitive market are similar in nature and are intended to satisfy the same need.

ANS: T PTS: 1 DIF: Diff. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

238. An oligopoly is a market situation in which there is one producer and a few large buyers.

ANS: F PTS: 1 DIF: Mod. REF: p. 23

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

239. In a monopoly situation, there is no close substitute for the product or service.

ANS: T PTS: 1 DIF: Easy REF: p. 24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

240. A copyright of a product exists indefinitely.

ANS: F PTS: 1 DIF: Mod. REF: p. 24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

241. A legal monopoly is often referred to as a natural monopoly.

ANS: F PTS: 1 DIF: Mod. REF: p. 24

OBJ: 1-6 NAT: AACSB: Analytic TOP: Types of Competition

242. A factory system of manufacturing involves the separation of a manufacturing process into separate tasks and the assignment of different tasks to different employees.

ANS: F PTS: 1 DIF: Mod. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

243. Specialization is meant to increase the efficiency of industrial workers.

ANS: T PTS: 1 DIF: Mod. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

244. Typical service businesses in the U.S. include real estate, repair companies, and restaurants.

ANS: T PTS: 1 DIF: Easy REF: p. 26

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

245. During the 1930s, government became deeply involved in business for the first time.

ANS: T PTS: 1 DIF: Mod. REF: p. 25

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

246. Because of technology and the Internet, the use of information by business managers has increased.

ANS: T PTS: 1 DIF: Easy REF: p. 26

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today

247. According to global experts, India is the fastest-growing economy in the world.

ANS: F PTS: 1 DIF: Mod. REF: p. 27

OBJ: 1-7 NAT: AACSB: Analytic TOP: American Business Today