

1. Why is it important for businesses to monitor customer purchases?
  - A. To satisfy consumers' needs and wants
  - B. To block consumers' economic votes
  - C. To promote slow-selling merchandise
  - D. To classify their products
  
2. Natural resources are provided by nature, and capital resources are provided by
  - A. machinery.
  - B. people.
  - C. technology.
  - D. automation.
  
3. What might cease if producers decide that their incomes are inadequate to continue making goods and services?
  - A. Consumption
  - B. Competition
  - C. Compensation
  - D. Communication
  
4. T-shirts sold at music concerts that are imprinted with a rock group's name are examples of products that have \_\_\_\_\_ utility.
  - A. service
  - B. form
  - C. price
  - D. intangible
  
5. What type of market likely exists when a local automobile dealer has many cars for sale at low prices but demand is low?
  - A. Elastic
  - B. Buyer's
  - C. Seller's
  - D. Inelastic
  
6. Which of the following is an example of excess demand:
  - A. Price = \$500, demand = 500, supply = 500
  - B. Price = \$400, demand = 600, supply = 400
  - C. Price = \$600, demand = 400, supply = 600
  - D. Price = \$700, demand = 300, supply = 700
  
7. Who owns a good if the good is used in performing a service for a customer?
  - A. The business performing the service
  - B. The customer who buys the service
  - C. The producer of the good
  - D. The supplier of the good to the business
  
8. Which of the following is a function that is an important part of the human resources management activities of business:
  - A. Promoting
  - B. Pricing
  - C. Selling
  - D. Staffing

9. Which of the following types of economic systems would offer the most benefits to business owners and to their employees:
- Market
  - Socialist
  - Communist
  - Traditional
10. The differences in the education and skills of the workforce are reasons why market economies usually experience
- unequal income distribution.
  - low unemployment levels.
  - unpredictable taxation rates.
  - minimal profit margins.
11. During the summer, wildfires swept through Montana and consumed many homes and businesses. Business owners rebuilt their businesses because they believed that the risk involved with wildfires was "just part of doing business in Montana." Which type of risk did the business owners encounter?
- Natural
  - Economic
  - Human
  - Incompetence
12. Which of the following pairs of businesses are examples of indirect competitors:
- Wendy's and Kentucky Fried Chicken
  - Pizza Hut and Wendy's
  - JC Penney and Pizza Hut
  - Kentucky Fried Chicken and Pizza Hut
13. Which of the following does not give exclusive ownership of certain types of property to individuals:
- Patent
  - Trademark
  - License
  - Copyright
14. By counting the number of gifts wrapped at the gift-wrapping booth in a local mall, you are determining
- input.
  - output.
  - ratio.
  - technology.
15. One advantage of labor specialization by job task is that workers'
- pride in the finished product increases.
  - morale improves.
  - dependency increases.
  - transfers within the industry are easier.

1. A  
To satisfy consumers' needs and wants. Businesses are more successful when they offer products that meet consumers' needs and wants. Businesses would not want to promote slow-selling merchandise or prevent consumers from purchasing products. Products are classified before they are marketed to enable marketers to plan their marketing activities.  
SOURCE: EC:002  
SOURCE: EC LAP 10—Get the Goods on Goods and Services (Economic Goods and Services)
2. B  
People. Capital resources include the equipment and machinery that are actually used to produce goods and buildings, supplies, roads, and ports that enable producers to operate businesses and to make goods available to consumers. Machinery is a type of capital resource. Technology is scientific applications to business objectives or the methods used to attain those objectives. Automation is the use of robots or other automatic equipment to do certain tasks.  
SOURCE: EC:003  
SOURCE: EC LAP 14—Be Resourceful (Economic Resources)
3. A  
Consumption. Consumption is the process or activity of using goods and services. If producers decide that their incomes are not adequate, they may choose not to make goods and services. If goods and services are not available, consumption would cease. Competition is rivalry between two or more businesses to attract customer dollars. Competition is good for the economy because it helps strong businesses to thrive and prosper and make more goods and services available for consumption. Compensation is wages, salary, incentives, and benefits offered to employees. Communication is an exchange of information in which the words and gestures are understood in the same way by both the speaker and the listener.  
SOURCE: EC:001  
SOURCE: EC LAP 6—Are You Satisfied? (Economics)
4. B  
Form. Form utility is usefulness created by altering or changing the form or shape of a good to make it more useful to the consumer. Form utility applies only to tangible goods such as T-shirts. By imprinting a rock group's name on the shirts, sellers are altering the shirts to make them more appealing to customers. Service, intangible, and price are not types of utility.  
SOURCE: EC:004  
SOURCE: EC LAP 13—Use It (Utility)
5. B  
Buyer's. A buyer's market is the best time for buyers to buy. It is characterized by large supply, small demand, and low prices. A seller's market is characterized by large demand, small supply, and high prices. Elastic is not a type of market but a type of demand that changes according to changes in price. Inelastic is not a type of market but a type of demand in which changes in price do not affect demand.  
SOURCE: EC:005  
SOURCE: EC LAP 11—It's the Law (Supply and Demand)
6. B  
Price = \$400, demand = 600, supply = 400. Excess demand exists when the demand is greater than the supply. At the \$400 price, demand exceeds supply by 200 ( $600 - 400 = 200$ ). \$500 is the price at which supply and demand are equal. At the prices of \$600 and \$700, supply is greater than demand, and there is an excess supply.  
SOURCE: EC:006  
SOURCE: EC LAP 12—When More is Less (Price)

7. A

The business performing the service. Service businesses perform intangible activities that satisfy the wants of consumers and industrial users. If a good is used in performing the service, its title, or ownership, is not given to the customers but is retained by the business performing the service. The customer receives the service, but the business owns the good. For example, a car-rental business leases the use of a car to a customer for one week. The business owns the car, while the customer simply buys the use of the car. The business retains ownership of the good, not the producer that made the good or the supplier that sold the good to the business.

SOURCE: EC:070

SOURCE: EC LAP 20—Business Connections (Business and Society)

8. D

Staffing. Human resources management is the process of planning, staffing, leading, and organizing employees. Staffing is an important part of human resources management and includes all the activities necessary for the recruiting, hiring, and training of the people who work to produce goods and services. People are a business's most important resource; therefore, effective staffing is a vital aspect of the business. Without competent and satisfied employees, businesses would not be able to perform their primary functions. Pricing, promoting, and selling are marketing activities.

SOURCE: EC:071

SOURCE: EC LAP 19—Strictly Business (Business Activities)

9. A

Market. A market economy is an economic system in which the means of production and distribution are owned and controlled by individuals and businesses. Such a system benefits both workers and owners because they can use their profits and wages in their own best interests. Although wages and profits motivate workers and business owners in socialism, high taxes and high prices reduce the effectiveness of this incentive. A communist government controls the people because it controls the economy. A traditional economy is based on traditions passed down from one generation to the next. People consume all that they produce in an attempt to satisfy their basic needs for food and shelter.

SOURCE: EC:007

SOURCE: EC LAP 17—Who's the Boss? (Economic Systems)

10. A

Unequal income distribution. A market economy or free enterprise economy is an economic system in which individuals and groups, rather than the government, own or control the means of production—the human and natural resources and capital goods used to produce goods and services. One problem that market economies experience is unequal income distribution. Some people own a lot of property, while others own little or none because they don't have the money to buy it. This occurs because workers with higher levels of education, training, skills, and efficiency generally receive higher salaries than less qualified workers. Unemployment fluctuates in market economies—sometimes unemployment levels are low and sometimes they are high, depending on the stage of the business cycle. The government sets the taxation rates, which vary by jurisdiction or where people live and work. A market economy allows the freedom for individuals and businesses to make a profit, but a particular business's goals and sales influence the profit margin the business makes.

SOURCE: EC:009

SOURCE: EC LAP 15—People Power (Private Enterprise)

11. A

Natural. Natural risks result from such natural causes as floods, tornadoes, fires, lightning, blizzards, and earthquakes. Wildfires would be a natural risk. Economic risks are changes in the market that force prices to be lowered, products to change, or even businesses to fail. Human risks are caused by human weakness and the unpredictability of employees and/or customers. Incompetence is a form of human risk whereby the employee does not have the skills, knowledge, or attitudes needed to succeed in the position.

SOURCE: EC:011

SOURCE: EC LAP 3—Lose, Win, or Draw (Business Risk)

12. C

JC Penney and Pizza Hut. Indirect competition is competition that occurs among businesses that offer dissimilar goods or services. JC Penney sells clothing, jewelry, cosmetics, linens, and other household items, while Pizza Hut sells only food items. All of the food outlets would be direct competitors because they sell similar goods and services.

SOURCE: EC:012

SOURCE: EC LAP 8—Ready, Set, Compete!

13. C

License. Licenses are granted by government agencies to qualified individuals who wish to function in the marketplace. Licensing allows government to control who operates certain businesses. However, a license does not give exclusive ownership of certain types of property to individuals. Copyrights are exclusive rights to reproduce, publish, and sell literary or artistic works. Trademarks are given to ensure exclusive rights of ownership of a product. A patent is an exclusive-rights agreement between the government and an inventor for a certain period of time, usually several years.

SOURCE: EC:008

SOURCE: EC LAP 16—Regulate and Protect (Government and Business)

14. B

Output. Outputs are the goods and services produced (the number of gifts wrapped). Inputs are the resources used to produce the outputs. Technology is scientific applications to business objectives or the methods used to attain those objectives. Ratios are used to express productivity.

SOURCE: EC:013

SOURCE: EC LAP 18—Make the Most of It (Productivity)

15. D

Transfers within the industry are easier. This is because of the standardized nature of the tasks to be performed. Workers can easily take the skills learned on one job to another, similar job. Disadvantages of specialization include decreased morale and enthusiasm for the job, increased dependency of workers on each other, and decreased pride in work.

SOURCE: EC:014

SOURCE: EC LAP 7—Divide and Conquer (Specialization of Labor)