Student name:\_\_\_\_\_\_\_\_\_\_

1. When you pay for your clothes to be dry cleaned or to receive a massage at the spa, you are not receiving a product in return for your purchase.

* true
* false

1. The issuance of stocks and bonds is a marketing activity for a company.

* true
* false

1. The focus of all marketing activities is the successful transformation of resources into goods and services.

* true
* false

1. Learning about business can help you become a well-informed consumer and member of society.

* true
* false

1. All economic systems must address three important issues, one of which is how the goods and services will be produced.

* true
* false

1. Countries such as China and Russia have used state capitalism to advance the economy.

* true
* false

1. Manu lives in Australia, where business owners can determine how to operate their own businesses. There is some regulation, but overall Manu has the freedom to make his own choices. Manu’s government operates as a free-enterprise system.

* true
* false

1. The equilibrium price is represented by the point where a product’s supply and demand curves intersect.

* true
* false

1. The current national debt is around $5 trillion.

* true
* false

1. While ethical behavior can enhance a company’s reputation, it often has a negative effect on the company’s financial performance.

* true
* false

1. \_\_\_\_\_\_\_\_ is the primary goal of business.

Service

Profit

Innovation

Quality

Strategy

1. Businesses differ from nonprofit organizations in that a business's focus is on

profit.

goods.

price.

charity.

fund-raising.

1. Which of these is an intangible product?

a movie DVD

a kitten

perfume

a music concert

jewelry

1. Vidor hired an attorney to help him draft a purchase and sale agreement for his new home. The home is an example of a product that is a(n)

idea.

service.

tangible item.

process.

intangible good.

1. Which of these is a tangible product?

an automobile

a movie viewing

a haircut

a music concert

a business conference

1. Which statement about businesses and profits is accurate?

Profit-making is a business activity that seldom requires risk taking.

U.S. businesses do not have the right to use their profits the way they choose.

Profit-making businesses often weaken the economy of a country.

Earning profits contributes to society by creating resources that support social institutions and government.

Ignoring the interests of stakeholders is the best way for a business to be profitable.

1. Which statement regarding nonprofit organizations is accurate?

They provide services but not goods.

They have a responsibility to shareholders to earn money.

They have the fundamental goal of growing market share.

They utilize skills related to management, marketing, and finance.

They do not include social causes.

1. All the groups that have an interest in an organization's success and outcomes are known as the organization's

agencies.

stakeholders.

owners.

investors.

shareholders.

1. Extreme Motors is working to find a way to produce the SUVs and trucks its customers want while meeting environmental requirements and making a profit. This is an effort to please multiple

shareholders.

clients.

stakeholders.

businesses.

priorities.

1. Which is the BEST example of a business trying to balance the needs of various stakeholders?

Pete's Pest Control Company is trying to develop an eco-friendly insecticide that will eliminate crop-killing pests and still adhere to environmental regulations.

Even though Joe's Outdoor World received a quantity discount from the manufacturer on gas grills, the company is still going to sell them at the full retail price.

To make sure she keeps up with the competition, Amber's Gelato Shoppe offers money-saving coupons during the summer months.

A sporting goods store wonders if it should sell football equipment year-round as opposed to just the fall and winter months.

Even though it might reduce profits, Bill's Big and Tall Store wonders if it should offer free shipping to its online customers.

1. Among the major activities of business, which is an element of management?

obtain financing

conduct product research

engage in personal selling

promote sales

acquire resources

1. Taneisha is the owner of a small business. She has an HR person, an operations manager, a marketing manager, and a sales manager on staff. Who is ultimately responsible for the financial decisions that arise in the course of business?

the HR person

the operations manager

the sales manager

the marketing manager

Talia, the owner

1. What is true regarding the responsibilities of the people involved in a business?

The finance department is concerned with acquiring, developing, and using human resources effectively and efficiently.

The marketing team handles all activities concerned with obtaining money for the firm and using it effectively.

The managers of nonprofit organizations conduct all kinds of business operations except collecting funds.

The managers of a business are not involved in the day-to-day functions of production and manufacturing.

The primary responsibility of providing financial resources for the operation of the business lies with the business owners.

1. Roger works for a custom furniture manufacturer. His job is to oversee the process of taking raw materials—lumber, fabric, and metal components—and ensure that they are transformed to the customer’s exact specifications. Roger’s job falls under the business activity known as

operations.

advertising.

sales promotion.

finance.

marketing.

1. Tomas has responsibility for the functions of organizing, staffing, planning, and controlling activities in a large company. These functions are most closely associated with

managers.

assembly line workers.

investment advisors.

stockbrokers.

direct sales executives.

1. Callie, the manager of a new pet grooming company, makes sure her grooming salon always has plenty of treats and toys for the animals as well as beverages and snacks for their owners to ensure a quality customer service experience. This is an example of the \_\_\_\_\_\_\_\_ element of management.

service

leadership

decision making

motivational

operations

1. \_\_\_\_\_\_\_\_ gather information and conduct research to determine what customers want. They also plan and develop products and make decisions about how much to charge for their products and when and where to make them available.

Accountants

Engineers

Marketers

Supervisors

Operations Managers

1. Advertising, personal selling, coupons, and sweepstakes are elements included in the \_\_\_\_\_\_\_\_ aspect of marketing activities.

product

promotion

distribution

price

place

1. A fitness studio has a new exercise video that it hopes will bring in extra sales. It is offering coupons and a sweepstakes to get people to buy the video. These are examples of

sales promotion.

publicity.

advertising.

personal selling.

direct retail.

1. Decisions regarding product adoption, development, branding, and positioning fall under which element of the marketing mix?

price

product

place

distribution

promotion

1. When a business fails or does not make a profit, \_\_\_\_\_\_\_\_ have the most to lose in terms of finances.

consumers

media agencies

government bodies

owners

accountants

1. Lester is an accountant for a large corporation. As such, he participates primarily in \_\_\_\_\_\_\_\_ activities.

management

financial

operations

marketing

advertising

1. The study of how resources are distributed for the production of goods and services within a social system is referred to as

public relations.

sociology.

investment management.

operations management.

economics.

1. A firm's \_\_\_\_\_\_\_\_ resources are also known as labor.

economic

human

intangible

financial

natural

1. Rafe owns a company that makes metal and wooden signs. In order to acquire the different kinds of wood and steel he needs to make his product, and the people to do the work, Rafe needs

natural resources.

labor.

capital.

factors of production.

economics.

1. The factors of production are the

systems and processes used to make goods and services.

means of distributing wealth within a country.

obstacles present in a competitive environment that limit production.

land, labor, capital, and enterprise used to produce goods and services.

management, marketing, and finance activities of a business.

1. Which of these is a natural resource?

land

people

capital

money

labor

1. Which of these is an intangible resource?

physical and mental abilities of people

forests and minerals

economic capital

financial assets

company reputation

1. \_\_\_\_\_\_\_\_ describe(s) how a particular society distributes its resources to produce goods and services.

A labor system

An economic system

A political ideology

A legal framework

The factors of production

1. Who subscribes to the ideals of a communist economy as proposed by Karl Marx?

Fred believes that in a society, people should contribute according to their ability and receive benefits according to what they need.

Elisa believes that the government should own only basic industries, like utilities and the postal service, and that individuals should own most small businesses.

Eisley believes that supply and demand should determine what goods and services are produced and that business owners should be able to keep the profits they make.

Karen thinks that a society runs better when people have an unlimited choice of careers and the government stays out of small business ownership.

Mary believes that profits earned by a small business should be reinvested in the business and that profits earned by the government should remain with the government.

1. Which economic system is considered a command economy?

capitalism

free-market

private enterprise

communism

laissez-faire market

1. In practice, what is a common characteristic of communist economies?

critical shortages of consumer goods

high standards of living

low prices

excessive freedom

absence of corruption

1. Which communist country was the first to make strong economic gains by adopting capitalist approaches to business?

Cuba

India

Thailand

China

Japan

1. How are profits handled in communist systems?

Profits earned by small businesses may be reinvested in the business.

Individuals are free to keep profits after paying taxes.

Businesses are free to keep profits after paying taxes.

Excess income goes to the government.

Only profits from government-owned industries go to the government.

1. What is true of product availability in a communist system?

Consumers have no choice in the goods and services that are offered.

Consumers have a wide choice of services but not goods.

Consumers have a limited choice of both goods and services.

Consumers have a wide choice of goods, but they are expensive.

Consumers have a limited choice of goods, but they are inexpensive.

1. In which economic system do most people work for government-owned industries or farms?

capitalist

communist

socialist

libertarian

free-enterprise

1. What is true in a socialist economy?

The government owns all businesses, large and small.

Everyone works for government organizations.

Competition is restricted in basic industries.

Consumers have a wide choice of goods and services.

Demand and supply have no role to play in the pricing of products and services.

1. \_\_\_\_\_\_\_\_ is an economic system in which the government owns and operates basic industries such as utilities, health care, and banking, but individuals can own businesses.

Collectivism

Capitalism

Socialism

Egalitarianism

Utilitarianism

1. Which statement is true regarding a socialist system of economy?

Individuals own and operate the majority of businesses that provide goods and services.

Central planning determines what basic goods and services are produced.

Competition, supply, and demand determine which goods and services are produced and how they are produced.

All economic decisions are made without government intervention.

Consumers have a wide choice of goods and services.

1. Mulan lives in a country where income and social services are distributed equally among its citizens. However, the citizens must pay high taxes and the country often experiences high levels of unemployment. Mulan most likely lives in a(n) \_\_\_\_\_\_\_\_ nation.

communist

socialist

capitalist

supply and demand

free-enterprise

1. Egalitarianism refers to the

exemption of taxes for successful businesses.

restrictions on taking up nongovernment jobs.

equal distribution of income and social services.

concept of the rich getting richer and the poor getting poorer.

restriction of competition in small businesses by government regulations.

1. What is true of a free-market system?

Laissez-faire capitalism is absent.

Most businesses are owned and operated by the government.

Egalitarianism is the norm.

All economic decisions are made without government intervention.

Central government planning determines what goods and services satisfy citizens' needs.

1. What is true of a capitalist economic system?

The government owns and operates all businesses.

There is little scope for competition.

Consumers have a limited choice of goods and services.

The majority of people possess government jobs.

Prices of goods and services are determined by supply and demand.

1. \_\_\_\_\_\_\_\_ is often called the father of capitalism.

Karl Marx

George Washington

Benjamin Franklin

Alexander Hamilton

Adam Smith

1. How does modified capitalism differ from pure capitalism?

In pure capitalism, the government intervenes and regulates all business.

In modified capitalism, the government doesn't intervene or regulate business at all.

In modified capitalism, the government intervenes and regulates business to some extent.

In pure capitalism, the government intervenes and regulates basic industries only.

In modified capitalism, the government relies on individuals to regulate all aspects of business, including passing laws.

1. A small town encourages individuals to own and operate the majority of businesses, but its national government passes laws to enforce fair business practices such as labor laws, antitrust legislation, and laws against deceptive advertising. This is an example of

modified capitalism.

pure capitalism.

laissez-faire capitalism.

communism.

socialism.

1. Which country is an example of an economic system based on capitalism?

Russia

Sweden

Japan

India

Israel

1. Ollie is a real estate entrepreneur in a country that promotes the individual right to own property, earn profits, make decisions about business operations, and choose productivity systems. Which system best describes Ollie’s business environment?

mixed economy

supply market

capitalist

free enterprise

socialist

1. The quantity of goods and services that consumers are willing to buy at different prices at a specific time is referred to as

demand.

supply.

the market quantity.

the balance of payments.

gross domestic product.

1. Paige creates pottery on demand, and she has 12 chip and dip platters that she sells for $80 each. She received orders for all 12 at that price, which is the \_\_\_\_\_\_\_\_ price.

bundled

equilibrium

discount

competitive

maximum retail

1. Maike has a small business that supplies art supplies to local craftspeople. She just got 30 paintbrushes in with natural bristles, and doesn’t expect to get any more. This illustrates the concept of

the equilibrium quantity.

market distribution.

the equilibrium point.

demand.

supply.

1. Generally, when a retailer announces a discount sale on all its products, what happens?

Consumers will not demand more than usual.

The store will not supply more products than it normally does.

Consumers will demand more products.

The manufacturer will halt production.

Consumers will demand fewer products than usual.

1. Kasha is a member of a warehouse club. She likes shopping there because she can buy items like toilet paper and groceries in bulk to save money. This relates to which element of supply and demand?

demand

supply

equilibrium

profit

product availability

1. Which statement describes the force that drives the distribution of resources (goods and services, labor, and money) in a free-enterprise economy?

Prices for goods and services vary according to the changes in supply and demand.

Supply and demand curves intersect at the point where supply and demand are not equal.

Changing the price of a product does not alter the supply curve.

The price at which the number of products that businesses are willing to supply is inversely proportional to the number of products that consumers are willing to buy at a specific point in time.

Businesses are willing to supply less of a good or service at higher prices because the potential for profits is lower.

1. Which market is *most likely* to be a monopoly?

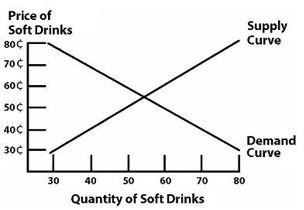
agricultural commodities

lifestyle gadgets

airlines

electricity supply

sports utility vehicles

1. Using the supply and demand curves shown in the graph that follows, what is the equilibrium price for soft drinks?  
   

35 cents

45 cents

50 cents

55 cents

75 cents

1. According to Adam Smith, competition

mitigates growth.

fosters efficiency.

prevents low prices.

increases demand.

increases prices.

1. Maura is an entrepreneur who decided to start an online bakery. Since all her business will be done online and she can bake in her home kitchen, she is saving building and other brick-and-mortar costs that allow her to pass these savings on to her customers. Reducing prices to customers is an element of

productivity.

efficiency.

competition.

equilibrium pricing.

resource distribution.

1. When different businesses promote similar products that differ in some characteristics but satisfy the same consumer need, the competitive environment is most likely to be

monopolistic competition.

pure competition.

an oligopoly.

a monopoly.

socialist.

1. \_\_\_\_\_\_\_\_ is an example of a product of monopolistic competition.

Cotton

Wheat

Aspirin

Electricity

Airline fares

1. Tyler owns a local farm stand. Although he sells fruit and vegetables, like the grocery store chains in the area, he has some power over the price he charges because he can offer consumers features they want. For instance, his fruit and vegetables are organic and locally grown. This is an example of

monopolistic competition.

pure competition.

oligopoly.

monopoly.

competition.

1. What exists when there are many small businesses selling one standardized product, such as agricultural commodities like wheat, corn, and cotton?

pure competition

monopolistic rivalry

imperfect competition

an oligopoly

a monopoly

1. The market for corn in Mexico has a large number of sellers and buyers, and there is no difference in the products sold by each seller. As a result, prices are determined by the

businesses that sell the corn.

consumers that buy the corn.

forces of supply and demand.

government.

agricultural industry.

1. What competitive environment exists when there is only one business providing a product in a given market?

an oligopoly

modified competition

pure competition

monopolistic competition

a monopoly

1. In which market structure do individual businesses have control over their products' price because each business supplies a large portion of the products sold in the marketplace?

monopsony

monopoly

oligopoly

government-granted monopoly

equilibrium market

1. What is true regarding an oligopoly?

Prices charged by different firms stay fairly close because a price cut or increase by one company will trigger a similar response from another company.

The prices charged by different firms vary widely, since each firm can charge whatever it wants.

In oligopolies, it is inexpensive for new firms to enter the marketplace.

Prices never change because the government has set the products' price.

Since there are very few businesses selling the product, there is no need to ever change the price.

1. Following a dry season, the prices of agricultural commodities in Brazil have increased dramatically, as have the prices of products manufactured from agricultural commodities. Government intervention has failed to arrest the rising prices. Based on this information, Brazil is experiencing

deflation.

an economic readjustment.

an economic contraction.

a depression.

inflation.

1. Economic expansion occurs when

fewer goods and services are produced than consumer demand.

an economy is growing and people are spending more money.

a nation's standard of living drops dramatically.

employment levels decline over time.

prices begin to rise and incomes begin to fall.

1. Maxine is living on a fixed income since her retirement. She is worried that the economy is expanding too rapidly, which could result in \_\_\_\_\_\_\_\_\_ and a rise in prices.

inflation

a depression

a recession

an economic contraction

deflation

1. What is true of economic expansion?

There is a decline in production, employment, and income.

The standard of living rises because more people are employed and have money to spend.

There is a decline in spending.

Consumer spending is low and business output is sharply reduced.

The prices stagnate during this period.

1. What is a characteristic of economic depression?

Unemployment levels are low or almost absent.

Consumer spending is high.

Individuals' incomes increase at the same pace as rising prices.

Buying power of consumers is quadrupled.

Business output is sharply reduced.

1. What is associated with a decline in spending?

inflation

economic contraction

economic expansion

employment boom

job expansion

1. Contractions of the economy lead to

inflation.

recession.

rising levels of employment.

an increase in production.

an increase in income.

1. Increased unemployment can reduce consumer demand for goods and services, leading to

economic expansion.

inflation.

deflation.

a budget surplus.

a recovery.

1. Which statement is true about GDP as a measure of a country's economic health?

It does not include the services produced in a country.

It measures only those goods and services made within a country.

It includes profits from companies' overseas operations.

It does not include profits earned by foreign companies within the country being measured.

It essentially takes into account the concept of GDP in relation to population.

1. A budget deficit occurs when a nation

reduces its expenditures.

receives excess taxes.

has no national debts.

spends more than it takes in from taxes.

balances taxes and expenditures.

1. If a country balances the money it spends for social, defense, and other programs with the amount of money it takes in from taxes, this country

will not have a budget deficit.

will increase its national debt.

will have a budget surplus.

will have a trade imbalance.

will slip into a recession.

1. \_\_\_\_\_\_\_\_ measures changes in the prices of goods and services purchased for consumption by typical urban households.

GDP

Per capita income

Worker productivity

Trade balance

Consumer price index

1. \_\_\_\_\_\_\_\_ indicates the income level of "average" Americans. It is useful in determining how much "average" consumers spend and how much money Americans are earning.

Per capita income

GDP

Budget deficit

Consumer price index

Worker productivity

1. In Norway, most citizens are able to afford basic necessities and some degree of comfort. This means Norway has a(n)

high standard of living.

low standard of living.

high cost of living.

low GDP per capita.

average standard of living.

1. What is true of an open economy, like that of the United States?

Open economies tend to grow very slowly.

Open economies do not engage in international trade.

Open economies tend to lack efficiency and productivity.

Open economies are major players in international trade.

Open economies lack access to technology.

1. What would hinder business activity as it relates to an open economy?

too much reliance on technology

participating in international trade

a focus on efficiency and productivity

a focus on innovation

too much regulation of business activities

1. What are the two *primary* factors economists consider when evaluating the American economy?

growth in GDP and jobs

standard of living and consumer confidence

government regulation and profitability

national debt and budget deficits

growth in the tax base and unemployment

1. Before the Industrial Revolution, the economy of North America under the *colonists* was characterized by

farming, and the production of agricultural goods.

the export of manufactured goods to England.

a scarcity of natural resources.

dependence on England for everyday goods.

a hunter/gatherer society.

1. What change occurred in the United States during the Industrial Revolution?

Farm production decreased as industrial production increased.

As work became more localized, productivity decreased.

Trade within the country decreased as regions became self-sufficient.

Farmers began to move to cities to find jobs in factories.

Fewer goods were available, and prices of goods increased.

1. In 1872, who developed a catalog that included 10,000 items that could be shipped by train?

Richard Warren Sears

Alexander Turney Stewart

Rowland Macy

Marshall Field

Aaron Montgomery Ward

1. The period following the American Industrial Revolution was known for an increasing emphasis on

services.

artisanship.

manufacturing.

agriculture.

information.

1. Once businesses moved toward manufacturing goods and providing services, American businesses became more concerned with the needs of the consumer, evolving into a(n) \_\_\_\_\_\_\_\_ economy.

marketing

profit oriented

indigenous manufacturing

production

service

1. As the service economy in America continues to rapidly grow, advances in technology are contributing to new service products based on technology and digital media that provide smart phones, social networking, and e-commerce. This suggests that the country may be moving toward being a \_\_\_\_\_\_\_\_ economy.

socialized

laissez-faire

digital

marketing

manufacturing

1. What emerged in the United States as a result of industrialization?

government ownership of business

price regulation by planning commissions

low standard of living

increase in the number of farmers

emphasis on manufacturing goods and providing services

1. What does the American government do to counteract economic contraction?

It reduces interest rates.

It decreases its own spending for goods and services.

It raises the reserve rate of banks.

It decreases the money supply.

It sells securities through the Federal Reserve Board.

1. What is useful in fighting inflation?

raising interest rates

lowering the reserve rate of funds banks must hold in reserve

increasing the money supply

decreasing the interest rate on loans to member banks

buying security

1. As a business owner, Laura is concerned that her employees act ethically in all situations. Business ethics generally refers to

adhering to a company code of conduct.

following all laws and regulations set forth by the government.

doing what is socially responsible for the community.

creating value for stakeholders.

following the standards and principles used by society to define appropriate and inappropriate conduct in the workplace.

1. What is true of ethics in business?

Ethical conduct is linked to increased profits.

Businesses do not need to consider social values in the contemporary scenario.

Investors and retired employees remain unaffected in case of scandals.

Businesses' reputations depend solely on their profits.

Business misconduct is likely to be widely excused if it enhances firms' profits.

1. Several employees in a well-known corporation, were arrested for intentionally selling defective truck parts to their customers. Scandals like this

do not affect public confidence in corporations.

undermine public confidence in corporations.

cause society to boycott corporations.

have a positive effect on retired employees.

resolve the debate about ethics in business.

1. An entrepreneur has been primarily associated with the willingness to

change employers frequently.

work under authority.

be conservative.

possess a government job.

take risks.

1. The American economic system is best described as \_\_\_\_\_\_\_\_ because the government regulates business to preserve competition and to protect consumers and employees.

modified capitalism.

pure capitalism.

laissez-faire capitalism.

communism.

socialism.

1. What is the primary goal of all businesses? Does a nonprofit organization fit within this goal?

1. Name at least two benefits of studying business. In which field of business do you think you would like to work? Why?

1. Differentiate between communist, socialist, and capitalist economic systems.

1. Explain the relationship between supply and demand in a free-enterprise system.

1. Describe the pre-industrial economic phase of the United States.

1. Define business ethics. Describe the role of ethics and social responsibility in business.

**Answer Key**Test name: chapter 1

FALSE

FALSE

FALSE

FALSE

TRUE

TRUE

TRUE

TRUE

FALSE

FALSE

B

A

D

C

A

D

D

B

C

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Essay

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