**UNIT 1 Principle of Business, Finance**

**Economic Decisions & Systems**

**REVIEW**

Matching

|  |  |  |  |
| --- | --- | --- | --- |
| a. | Prosperity  | k. | Processor |
| b. | Capital Resources | l. | Deficit |
| c. | Values | m. | Traditional Economy |
| d. | Standard of Living | n. | Market Price |
| e. | Extractors | o. | Bull Market |
| f. | Bear Market | p. | Wants  |
| g. | Profit | q. | Shareholders |
| h. | Inflation | r. | Competition |
| i. | Opportunity Cost | s. | Gross Domestic Product |
| j. | Market Economy | t. | Demand |

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| 1. | C | Things that are important to you in life |
| 2. | M | Economy that does things the way they’ve always been done |
| 3. | B | The tools, equipment, buildings, and money used to produce goods and services |
| 4. | N | The place where supply and demand meet |
| 5. | D | A measure of how well people in a country live |
| 6. | E | A business that grows products or takes raw materials from nature |
| 7. | A | A phase of the business cycle where most people who want to work are working and businesses produce goods & services in record numbers |
| 8. | S | The total value of all final goods & services produced in a country in one year |
| 9. | P | Goods or services that are not necessary for survival but add comfort and pleasure to our lives |
| 10. | Q | People who own stock in a corporation |
| 11. | G | Amount of money available to businesses after all costs and expenses have been paid |
| 12. | H | An increase in the general price level |
| 13. | I | The value of the next best alternative that you were not able to choose |
| 14. | R | Rivalry among businesses to sell their goods and services |
| 15. | K | Businesses that change natural materials into a more finished form for manufacturers to process further |
| 16. | F | A general decline in the stock market over a period of time |
| 17. | L | Situation where spending exceeds revenue |
| 18. | O | A peak in the stock market with increasing investor confidence and a growing economy |
| 19. | J | A type of economy where the people own and control all the resources |
| 20. | T | The quantity of a good or service that consumers are willing to buy |

**Multiple Choice**

*Identify the letter of the choice that best completes the statement or answers the question.*

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| 21. | C | All of the following is a need EXCEPT: |
|  |  | a. | food and shelter | c. | fine jewelry |
|  |  | b. | clothing | d. | clean air |
| 22. | B | The stages of the business cycle are |
|  |  | a. | proper, receive, depend, & revive | c. | pertinent, recession, decision, relive |
|  |  | b. | prosperity, recession, depression, & recovery | d. | prosperity, recede, depend, recovery |
| 23. | D | A business that is owned by stockholders is called a |
|  |  | a. | partnership | c. | sole proprietorship |
|  |  | b. | cooperative | d. | Corporation |
| 24. | D | A business that takes an extractor’s products or raw materials and changes them into a form that consumers can use is called a(n) |
|  |  | a. | Extractor | c. | Processor |
|  |  | b. | Producer | d. | Manufacturer |
| 25. | B | Your parents give you $100 for your birthday and you have to decide whether to buy a DVD player or a stereo. If you decide on the DVD player rather than the stereo, what is this an example of |
|  |  | a. | opportunity care | c. | production |
|  |  | b. | opportunity cost or trade-off | d. | all of the above |
| 26. | A | Two or more owners that share in the profits are a type of business called |
|  |  | a. | partnership | c. | corporation |
|  |  | b. | sole proprietorship | d. | Resource |
| 27. | D | When many more people wish to purchase a product, its price will tend to \_\_\_\_\_\_\_\_\_\_\_. |
|  |  | a. | stay the same | c. | decline only to rise again |
|  |  | b. | fall | d. | Increase |
| 28. | C | Things that are necessary for survival, such as food, clothing, and shelter are called |
|  |  | a. | wants | c. | needs |
|  |  | b. | supply | d. | Demand |
| 29. | B | Which economic indicator shows change in the average prices of goods and services bought by consumers over a period of time? |
|  |  | a. | GDP | c. | Inflation  |
|  |  | b. | Consumer Price Index | d. | Productivity |
| 30. | D | Which of the following is NOT a question to ask when determining what type of business to set up? |
|  |  | a. | Your income tax situation | c. | The potential risks and liabilities of your business |
|  |  | b. | Your investment needs | d. | What kind of degree you earned in college |
| 31. | A | The person or group of people who have received permission from a parent company to sell its products or services is called a(n) |
|  |  | a. | Franchisee | c. | Extractor  |
|  |  | b. | Franchisor  | d. | Processor |
| 32. | A | Personal economic freedom is most limited in a |
|  |  | a. | Command economy | c. | Mixed economy |
|  |  | b. | Market economy | d. | Traditional economy |
| 33. | B | Which of the following is NOT characteristic of capitalism? |
|  |  | a. | freedom of choice | c. | the profit motive |
|  |  | b. | government ownership of resources | d. | competition among businesses |
| 34. | C | The total value of all final goods and services produced in a country in one year is called |
|  |  | a. | productivity | c. | GDP (gross domestic product) |
|  |  | b. | inflation | d. | CPI (consumer price index) |
| 35. | D | All of the following are the role of the individual as a citizen EXCEPT |
|  |  | a. | the importance of voting | c. | obeying the law |
|  |  | b. | paying taxes | d. | destroying someone’s property |
| 36. | B | People who own stock in a corporation are called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. |
|  |  | a. | partners | c. | proprietors |
|  |  | b. | stockholders | d. | Entities |
| 37. | A | A group of people elected by shareholders to guide a corporation are called . |
|  |  | a. | Board of Directors | c. | Proprietors |
|  |  | b. | Stockholders | d. | Shareholders |
| 38. | D | Which type of economy is where the government owns major industries, but allows for private ownership of other businesses? |
|  |  | a. | Traditional Economy | c. | Market Economy |
|  |  | b. | Command Economy | d. | Mixed Economy |
| 39. | D | A Recession is defined by economists as |
|  |  | a. | GDP negative for 2 or more quarters | c. | 1.5% rise in unemployment in 12 months |
|  |  | b. | 5% rise in inflation over 24 months | d. | Both a and c |
| 40. | C | The current unemployment rate in the US is\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. |
|  |  | a. | 25.5% | c. | 6.1% |
|  |  | b. | 8.9% | d. | 13.8% |

**True/False**

*Indicate whether the sentence or statement is true or false.*

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| 41. | F | In a command economy, buying decisions are made by consumers |
| 42. | T | The basic economic problem results from scarcity |
| 43. | F | Water, oil, and trees are examples of capital resources |
| 44. | F | Producers set demand |
| 45. | F | The United States is an example of a Mixed Economy |
| 46. | F | China has the highest GDP in the world |
| 47. | T | There are more sole proprietorships businesses in this country than any other type of business  |
| 48. | T | A pro of a Corporation is limited liability |
| 49. | F | Over 1,000,000 start-up businesses fail in the US each year |
| 50. | F | Sams Club is an example of a retail business |