

Chapter 1 Practice Test

Indicate whether the statement is true or false. If it is false, change the identified word(s) to make the statement true.

- ___ 1. Economic growth usually can be achieved without investing in new resources.
- ___ 2. Economic growth is an increase in a nation's output of goods and services over time.
- ___ 3. Separation of tasks to be performed by different workers is division of labor.
- ___ 4. Scarcity is an economic problem with which all societies are faced.
- ___ 5. Japan, with an aging population, has had difficulty replacing people with machines.
- ___ 6. People's skills, abilities, health, knowledge, and motivation all add up to entrepreneurship.
- ___ 7. Economic growth causes the production possibilities frontier to contract.
- ___ 8. People's needs are limited.
- ___ 9. In all societies, the government decides what to produce.
- ___ 10. Both goods and services are counted as wealth.

Indicate the answer choice that best completes the statement or answers the question.

- ___ 11. In the mythical country Alpha, an entrepreneur has introduced a new technology that makes manufacturing twice as efficient as before. How is this likely to affect the production possibilities frontier?
 - a. It would not change the frontier.
 - b. It would make the frontier smaller.
 - c. It would expand the frontier.
 - d. It would change the shape of the frontier.
- ___ 12. Consumers are powerful because
 - a. they have more rights than corporations.
 - b. they help decide a business's opportunity costs.
 - c. they drive decisions about what to produce.
 - d. their interests force producers to behave ethically.
- ___ 13. Consumers are expected to read the full information about a product before making a purchase. This is an example of a consumer's
 - a. opportunities.
 - b. rights.
 - c. habits.
 - d. responsibilities.

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- ___ 14. The efficient use of scarce resources leads to an increase in
- a. productivity.
 - b. investment.
 - c. scarcity.
 - d. capital.
- ___ 15. A car is an example of a
- a. durable good.
 - b. nondurable good.
 - c. capital good.
 - d. service.
- ___ 16. Which of the following helps determine something's value?
- a. utility
 - b. beauty
 - c. scarcity
 - d. both A and C
- ___ 17. Paradox of value refers to the
- a. high value of an essential item and the low value of a nonessential item.
 - b. high value of a nonessential item and the low value of an essential item.
 - c. contradiction of what consumers want and what they need.
 - d. contradiction between gross domestic product and market value.
- ___ 18. Division of labor is practiced because
- a. companies do not want workers to talk to one another.
 - b. it increases efficiency by ensuring that all workers become good at every task.
 - c. it increases efficiency by ensuring that workers become good at specific tasks.
 - d. it prevents specialization.
- ___ 19. The amount of output in a specific amount of time with a given amount of resources is referred to as
- a. productivity.
 - b. human capital.
 - c. efficiency.
 - d. investment risk.

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- ___ 20. Which of the factors of production involves taking risks and combining resources to produce a good or service?
- a. land
 - b. capital
 - c. labor
 - d. entrepreneurs
- ___ 21. Opportunity cost refers to
- a. the dollar amount attached to a good or service.
 - b. the value of the next best alternative.
 - c. the cost of not expanding production.
 - d. the cost of labor when production is expanded or changed.
- ___ 22. The study of economics involves
- a. explaining how people deal with scarcity.
 - b. studying how things are made, bought, sold, and used.
 - c. explaining how incomes are earned and how jobs are created.
 - d. all of the above.
- ___ 23. A can of soup is an example of a
- a. durable good.
 - b. nondurable good.
 - c. capital good.
 - d. service.
- ___ 24. A nation's wealth is determined by its
- a. accumulation of all tangible and intangible resources.
 - b. natural resources.
 - c. accumulation of all tangible products.
 - d. product possibilities frontier.
- ___ 25. Which of the following would result in a change in the production possibilities frontier in the mythical country Alpha?
- a. an influx of immigrants from other countries
 - b. the discovery of an abundant natural resource
 - c. a long drought
 - d. all of the above

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- ___ 26. Which of the following descriptions best explains the meaning of opportunity cost?
- a. the initial cost of starting a new business
 - b. the cost of business failure
 - c. the cost of choosing one alternative over another
 - d. the risk associated with producing a new item
- ___ 27. When a business needs to decide whether a certain action is worth the cost, the most helpful analysis would be a(n)
- a. production possibility comparison.
 - b. cost-benefit analysis.
 - c. economic model.
 - d. needs assessment.
- ___ 28. Dave gets a job at a grocery store, which pays him an hourly wage in exchange for his labor. Dave is participating in
- a. entrepreneurship.
 - b. human capital.
 - c. the product market.
 - d. the factor market.
- ___ 29. When a nation's total output increases over time, the nation is experiencing
- a. a decrease in gross domestic product.
 - b. economic growth.
 - c. economic interdependence.
 - d. an expansion of the possibilities curve.
- ___ 30. The most comprehensive measure of a nation's wealth is provided by its
- a. gross domestic product.
 - b. TINSTAAFL rating.
 - c. product possibilities curve.
 - d. capital goods.
- ___ 31. When deciding how to use resources, you need to evaluate the costs and benefits of each choice to decide which meets your criteria. These are called
- a. trade-offs.
 - b. opportunities.
 - c. resource frontiers.
 - d. priorities.

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- ___ 32. A nation's wealth is made up of
 - a. all intangible items.
 - b. all goods and services.
 - c. all tangible items.
 - d. all tangible and intangible items.

- ___ 33. Which of the following statements best describes the purpose of the production possibilities curve?
 - a. It predicts the future production of a nation.
 - b. It identifies trends in production.
 - c. It shows which products are most profitable.
 - d. It identifies all possible combinations of goods and services an economy can produce.

- ___ 34. Consumers waiting in long lines for a new product is an example of
 - a. consumerism.
 - b. consumer rights.
 - c. consumer responsibilities.
 - d. scarcity.

- ___ 35. Societies are faced with which three basic questions about production of goods?
 - a. what, how, and why
 - b. what, where, and when
 - c. what, how, and for whom
 - d. when, where, and for whom

Match each item with the correct factor of production. You may use the factors of production more than once.

- a. Land
 - b. Capital
 - c. labor
 - d. Entrepreneurs
- ___ 36. computers used to produce magazine articles
 - ___ 37. the South's rainy season
 - ___ 38. a third-grade teacher
 - ___ 39. the manager of a car repair shop
 - ___ 40. developer of a new smartphone app

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Matching Match each item with the correct statement below.

- a. scarcity
- b. nondurable goods
- c. gross domestic product
- d. capital good
- e. production possibilities curve
- f. consumerism
- g. specialization
- h. economic interdependence
- i. standard of living
- j. factor market

- ___ 41. each worker learns one task very well
- ___ 42. quality of life
- ___ 43. represents the range of production possibilities
- ___ 44. where all of the factors of production are bought and sold
- ___ 45. a fundamental problem in every society
- ___ 46. measures a country's output and economic health
- ___ 47. manufactured good used to produce other goods or services
- ___ 48. food is an example of one
- ___ 49. reliance on others to produce goods and services we need
- ___ 50. movement that promoted the rights of buyers