ECONOMICS EOC Practice Test:
Unit One

1) Which of these terms is the BEST synonym for the word "entrepreneur"?

A) "business owner"
B) "employee"
C) "home owner"
D) "student"

2) As one of the factors of production/productive resources, capital can be defined as...

A) the goods and services a business produces.
B) the people that purchase goods and services.
C) the supply of labor needed to produce goods.
D) the equipment and factories needed to produce goods.

3) Land, labor, capital, and entrepreneurship are the...

A) basis of employment.
B) factors of production.
C) results of production.
D) results of supply and demand.

4) Which of these BEST represents physical capital investment for a company?

A) advertising
B) buying new equipment
C) training workers
D) hiring new employees

5) Which type of cost occurs when an individual pays for a piano lesson instead of going to a movie?

A) fixed cost
B) residual cost
C) marginal cost
D) opportunity cost

6) An opportunity cost is...

A) usually absent in a command economy.
B) the next-best alternative you give up in order to do something else.
C) when goods are recycled into other goods.
D) is only an issue when there is not a scarcity of goods and resources.

7) The basic economic condition that exists when unlimited wants exceed limited productive resources is called...

A) capital.
B) hyper inflation.
C) scarcity.
D) opportunity cost.

8) The opportunity cost of a move from point A to point B is...

A) the increased production of D.
B) the decreased production of good X.
C) the increased production of C.
D) the decreased production of good Y.
A company produces two products, X and Y. All of the points represent possible product output EXCEPT...

A) point A.  
B) point C.  
C) point B.  
D) point D.

The graph is a production possibilities chart. Which of these might cause the line to move to the right?

A) higher labor costs  
B) shortage of required resources  
C) an increase in prices  
D) improved technology in whoopee cushion production

The purpose of a production possibilities graph is to show...

A) how supply and demand determine price.  
B) the number of workers required for a specific task.  
C) whether the supply of goods is elastic or not.  
D) how limited resources can be used to produce a combination of items.

What is the primary purpose of job specialization?

A) regional self-sufficiency  
B) increased marginal utility  
C) increased consumer income  
D) increased efficiency and productivity

When an individual specializes to produce one good, and then acquires additional desired goods from other specialists...

A) both parties gain as a result of voluntary exchange.  
B) neither party gains as specialization decreases efficiency.  
C) both parties gain as a result of fraudulent exchange.  
D) neither party gains as specialization decreases productivity.

In a command economy, who determines the price of goods and services?

A) business owners  
B) market forces of supply and demand  
C) the central government  
D) independent agencies and independent regulators

In a market economy, prices are established by...

A) consumers and labor unions.  
B) the interaction of supply and demand.  
C) decree of government agencies.  
D) businesses which buy and sell the products.
16) Why is the consumer considered "king" in a capitalist economy?

A) consumers own the productive resources  
B) consumers vote for elected government officials  
C) consumers contribute to the factor market  
D) consumers determine what products will be produced

17) Which of these is a correct description of one of the ways in which a command economy differs from a market economy?

A) Market economies discourage free enterprise.  
B) Command economies tend to have a higher per capita GDP.  
C) In a market economy, the government sets prices.  
D) In a command economy, individuals have less economic freedom.

18) Rationing is a system under which an agency such as the government decides everyone's "fair" share. Rationing has often been used during wartime. If people receive a set ration regardless of the amount of work completed, how would this affect peoples' incentive to work?

A) The incentive to work will not change.  
B) People might feel less inclined to work.  
C) People might feel more inclined to work.  
D) There is no effect on the incentive to work.

19) A government that operates a mixed free market economy MIGHT become involved in the economy...

A) to increase the profits of a specific company.  
B) to make sure all products are produced the same way.  
C) to eliminate income inequality among its citizens.  
D) to provide public goods and services to its citizens.

20) The United States government is LEAST LIKELY involved in the nation's economy as a...

A) consumer of goods and services.  
B) protector against false advertising and environmental hazards.  
C) planner deciding what to produce.  
D) regulator charged with preserving competition in the marketplace.

21) How do private property rights contribute to a capitalist system?

A) The government owns most of the factors of production.  
B) Individuals are free to own the resources used to produce goods.  
C) High quality products and reasonable prices are guaranteed.  
D) Businesses cannot determine what to produce based on consumer demand.

22) Bob would like to increase his earnings. The option MOST LIKELY to increase his earnings potential in the long-term is to...

A) spend money to renew current training.  
B) spend money for additional training and education.  
C) take a similar position with a different company.  
D) laterally transfer to a different job within his company.

23) An investment in improving the skill level of labor is considered an investment in...

A) human capital.  
B) improved technology.  
C) entrepreneurship.  
D) none of these.
24) Katherine is facing a difficult decision between how much time she spends as a cheerleader and how much time she spends studying her economics. Which economic concept describes the problem she is facing?

A) scarcity  
B) fiscal policy  
C) competition  
D) supply and demand

25) What is an implicit opportunity cost of attending technical school?

A) the costs of food and housing at school  
B) the wages that you could be earning at a job  
C) the costs of books and tuition at school  
D) the wages you will be earning at the new trade

26) The command systems of the Soviet Union and Eastern Europe failed in mostly because...

A) price ceilings were too low.  
B) firms manufactured more output that customers could purchase, resulting in an economic recession.  
C) economic resources that were abundant became very scarce.  
D) central planning found it difficult to arrange the decisions of consumers, suppliers and businesses.

27) Which of the following is NOT one of the three fundamental economic questions?

A) Who will get the goods and services?  
B) What goods and services will be produced?  
C) How will the system promote progress?  
D) How will the goods and services be produced?

28) Since the early 1980’s, Saudi Arabia has made significant effort to attempt to have more privately owned businesses. This shows that Saudi Arabia’s economy has attempted to move toward which economic system?

A) market  
B) communist  
C) command  
D) traditional

29) How are the economic systems of North Korea and China similar?

A) Both systems have emerging market economies.  
B) Both systems have democratic-type governments.  
C) Both systems lack technological innovations.  
D) Both systems have a centrally planned economy.

30) 
A. It is more efficient  
B. The goods and services may benefit individuals other than the purchaser.  
C. The value of the goods or services is greater than the individual consumer could afford.  
D. It promotes economic equity.

What are reasons why governments provides public goods and services?

A) A and B  
B) B, C, and D  
C) B and C  
D) A, B, C, and D

31) The BEST explanation of why there will always be scarcity is because...

A) people and their tools are inefficient.  
B) governments create scarcity to keep people wanting more.  
C) natural disasters create frequent shortages.  
D) while peoples' wants are unlimited, resources are limited.
32) Principle Imports and Exports of Peru

<table>
<thead>
<tr>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery</td>
<td>Gold</td>
</tr>
<tr>
<td>Plastics</td>
<td>Copper</td>
</tr>
<tr>
<td>Electronics</td>
<td>Textiles</td>
</tr>
<tr>
<td>Steel</td>
<td>Petroleum</td>
</tr>
</tbody>
</table>

Based on the information in the table, which statement about Peru’s economy is true?

A) Peru imports and exports mainly natural resources.
B) Peru imports mainly capital resources and exports mainly natural resources.
C) Peru imports and exports mainly capital resources.
D) Peru imports mainly natural resources and exports mainly capital resources.

33) Sean decided he no longer needs his smartphone, but would really like a small camera. Sarah, on the other hand, has a small camera she is not using and desperately needs a smartphone. They agree to trade each other their unwanted goods for those that they want and need.

Sean and Sarah’s situation is an example of...

A) law of supply.
B) equilibrium price.
C) law of demand.
D) voluntary exchange.

34) “The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity and judgement with which it is any where directed, or applied, seem to have been the effects of the division of labour.”

-Adam Smith, *The Wealth of Nations*, 1776

According to the quote, the author MOST LIKELY agrees with the benefits of...

A) manorialism.
B) specialization.
C) mercantilism.
D) taxation.

35) Although specialization increases productivity, one disadvantage is...

A) loss of flexibility among workers.
B) a reduction in wasted time.
C) higher costs in training workers.
D) the loss of training time.

36) **Factors that Raise Labor Productivity**

- Research & Development
- Recruitment
- Profit Sharing
- Education & Skill
- Computers/Technology

According to the information from the U.S. Department of Labor, which factor has the GREATEST impact on raising labor productivity?

A) research & development
B) profit sharing
C) education & skill
D) recruitment
37) Which example of productive resources is matched correctly?

A) land and surgeon  
B) labor and telephone wire  
C) physical capital and oil rig  
D) entrepreneurship and rice field

38) What is a rational economic decision?

A) One in which there are no opportunity costs.  
B) One in which marginal costs exceed marginal benefits.  
C) One in which marginal benefits exceed marginal costs.  
D) One in which the benefits are unknown, but costs are low.

39) How does voluntary trade promote economic progress?

A) It makes individuals self-sufficient.  
B) It encourages businesses to seek higher per-unit costs by adopting mass production methods.  
C) It discourages trade on the basis of comparative advantages.  
D) It moves goods, services and resources from people who value them less to individuals who value them more.

40) If two people are packing and delivering food, what is the most efficient way to do the job?

A) Both people pack and deliver as a team.  
B) One person packs on Monday while the other delivers and then they switch jobs.  
C) One person packs all the orders and the other delivers them.  
D) One person packs half and delivers them; then the other packs the other half and delivers them.

41) In markets both parties are better off when they engage in voluntary, non-fraudulent exchange. What is the role of government in promoting such exchange?

A) There is no role for the government; the government only impedes exchange.  
B) The role of government is to make sure all individuals are treated equally.  
C) The government’s role is to create legislation to prevent fraud.  
D) The government’s role is to make sure sellers make a profit and stay in business.

42) Economic theory defines specialization as the production of one or just a few goods and services. Specialization refers to how an individual, organization, state or country focuses available resources. Instead of trying to produce and sell many different products, people or countries use overstock to trade for what they may need. The system trade uses the concept of specialization. One country may have the resources to produce sugar at a low cost. Another country may choose to specialize in beef. Each produces more than what they need in order to obtain other goods at a lower cost.

What conclusion can be inferred from the above text?

A) Each party cannot benefit from specialization.  
B) The richer country will take advantage of the poorer country when it comes to trade.  
C) Specialization can only benefit those who have something to trade  
D) Both countries that use specialization can benefit from trade because they can meet needs and then trade the rest.

43) Marsha can cook 5 cakes or 10 pizzas in an hour. Howard can cook 3 cakes or 12 pizzas in an hour. Which item should each person specialize in?

A) Marsha should only cook pizzas and cakes.  
B) Marsha should cook pizzas and Howard should cook cakes.  
C) Howard should only cook pizzas and cakes.  
D) Marsha should cook cakes and Howard should cook pizzas.
44) Approximately 50% of Iran's economy is planned by the nation's government, while in Israel that percentage is just over 10%. Which statement would MOST likely be true given this information?

A) Israel's oil industry is more profitable than Iran's.
B) Israel is more likely to be impacted by international sanctions than Iran.
C) There are more opportunities for entrepreneurs in Israel than in Iran.
D) High-tech industries are less likely to be successful in Israel than they are in Iran.

45) The country of South Africa has a growing economy that is one of the best in Africa. South Africa's annual GDP growth rate is almost 3%. Many private businesses are flourishing in the country. South Africa produces the majority of Africa's electricity. However, one of the major threats to South Africa's economy is the shortage of electricity to all areas of the country. Fortunately, the government of South Africa is presently addressing the problem by constructing and financing new electric power stations.

What kind of economic system does South Africa have?

A) None of these
B) Mixed
C) Command
D) Traditional

46) A headline in a local paper reads, "New Product Aims to Attract Teen Girls". Which economic question does this headline answer?

A) What should be produced?
B) When will it be produced?
C) How will it be produced?
D) For whom will it be produced?

47) All of these are ways a society can improve its productivity EXCEPT...

A) Education.
B) Technology.
C) Regulation.
D) Trade.

48) Senator English Touts Tax Bills Aimed to Blunt Impact of Slowing Economy

January 24, 2008

The Job Creation Economic Stimulus Act of 2008, components of which have received broad support from the business community, provides tax incentives for employers to make capital investments. Expensing allows companies to deduct from their taxes the cost of purchasing equipment or other capital investment. This has the added benefit of making capital equipment more affordable, meaning that for some companies expensing means the difference between being able to afford new equipment or not. Expensing is a proven vehicle for injecting money into the economy, offers the most bang-for-the-buck, and often attracts bipartisan support.

Under the English plan, employers could recover up to 100 percent of their capital investment if they purchase and place in service “high productivity” equipment, such as computers or high technology medical devices, among others, before January 1, 2009.

How will the Senator’s plan spur economic growth?

A) The business community will support the plan.
B) Employers can use 10 percent of all their taxes to purchase new equipment.
C) Using tax breaks will allow businesses to upgrade outdated equipment.
D) Businesses will be able to save the money they will receive back from taxes.
49) The regulatory “invisible hand” of the market economy consists of:

A) Regulation & Taxation  
B) Economic Freedom & Consumer Choice  
C) Self Interest & Competition  
D) Oversight & Accountability

50) Fill in the blank: “___________________” is the unequal distribution of wealth;  
“___________________” is the equal distribution of misery.

A) Scarcity; Resources  
B) Capitalism; Socialism  
C) Talent; Initiative  
D) Communism; Fascism