M Business 7th edition Ferrell Test Bank

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M Business 7th Edition by Ferrell CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) A service, such as a haircut, is a type of product.

1) _____

◎ true
◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : automatic

2) National Public Radio (NPR) is a nonprofit organization because it does not have the fundamental purpose of earning a profit.

2) _____

◎ true
◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : automatic

3) Tony invests in an electronics company by purchasing stock. Because he is a shareholder, he is *not* a stakeholder.

3) _____

◎ true
◎ false

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : automatic

4) Businesses have the right to keep and use their profits as they choose, without limitations.

4) _____

◎ true
◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : automatic

5) Zoe′s responsibilities include developing plans, coordinating employees′ actions to achieve the firm′s goals, organizing people to work efficiently, and motivating them to achieve the business′s goals. Zoe′s role falls under marketing.

5) _____

◎ true
◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : Functions of Management
Gradable : automatic

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6) The functions of management are decision making, leadership, and the implementation of work tasks.

6) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : Functions of Management
Gradable : automatic

7) The four P's of marketing are product, purchasing, price, and promotion.

7) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : The Marketing Mix
Gradable : automatic

8) Arya wants to intern in the finance department for a major retailer. Since Arya will be learning about finance which refers to all activities concerned with obtaining money and using it effectively.

8) _____

- ◎ true
- ◎ false

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : Financial Management
Gradable : automatic

9) Marcus wants to start a business, but he isn't worried about securing funding for the company because owners have little responsibility to provide funds for the operation of the business.

9) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Definition of Business
Learning Objective : 01-02 Identify the main participants and activities of business.
Gradable : automatic

10) Most businesses charge a reasonable price for their products to ensure that they cover their production costs, pay their employees, provide their owners with a return on their investment, and perhaps give something back to their local communities and societies.

10) _____

- ◎ true
- ◎ false

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Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
AACSB : Knowledge Application
Topic : Economics and the Types of Economic Systems
Learning Objective : 01-03 Explain why studying business is important.
Gradable : automatic

11) No country practices a pure form of communism, socialism, or capitalism.

11) _____

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
AACSB : Knowledge Application
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

12) In a communist system, competition is restricted in basic industries but encouraged in other businesses.

12) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

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13) In a modified capitalist system, all economic decisions are made without government intervention.

13) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

14) In socialist Sweden, most businesses are owned and operated by private individuals. This demonstrates a mixed economy.

14) _____

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
AACSB : Knowledge Application
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

15) For free enterprise to exist, individuals and businesses must have the right to make decisions about how a business operates without regulation.

15) _____

- ◎ true
- ◎ false

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

16) A company is willing to sell its products for the same price that the consumers are willing to buy the product. This price represents the equilibrium price.

16) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

17) According to Adam Smith, competition fosters efficiency and low prices by forcing producers to offer the best products at the highest price.

17) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Topic : Competition
Gradable : automatic

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18) MacDonald's Farm, Green Acres, and Mickey's Farm sell wheat in a pure-competition environment which means that no business sells enough of the product to influence the price.

18) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Topic : Competition
Gradable : automatic

19) Edward receives a patent on a product he invented. This means Edward has a monopoly on that product.

19) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Topic : Competition
Gradable : automatic

20) Contractions of the economy lead to inflation.

20) _____

- ◎ true
- ◎ false

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

21) GDP measures only those goods and services made within a country.

21) _____

◎ true
◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-06 Specify why and how the health of the economy is measured.
Topic : Key Economic Indicators and How They Affect Business
Gradable : automatic

22) The country of Bartovia spends more than it takes in from taxes, so it has a budget deficit.

22) _____

◎ true
◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Learning Objective : 01-06 Specify why and how the health of the economy is measured.
Topic : Key Economic Indicators and How They Affect Business
Gradable : automatic

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23) Nations with a high GDP always have a higher standard of living.

23) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Key Economic Indicators and How They Affect Business
Gradable : automatic

24) A positive relationship exists between a country's employment rate and economic growth and between output and employment.

24) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Key Economic Indicators and How They Affect Business
Gradable : automatic

25) There is a negative relationship between regulatory actions and innovation in firms.

25) _____

- ◎ true
- ◎ false

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Gradable : automatic

26) The colonists in the early history of the American economy operated primarily as an agricultural economy.

26) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Gradable : automatic

27) The COVID-19 pandemic accelerated the adoption of certain technologies in business such as cloud technology, cybersecurity, and artificial intelligence.

27) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Gradable : automatic

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28) Service industries now account for about half of the U.S. economy.

28) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Gradable : automatic

29) Mark Zuckerberg (Facebook), Oprah Winfrey (OWN), and Elon Musk (Tesla and SpaceX) are all entrepreneurs.

29) _____

- ◎ true
- ◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-08 Explain the role of the entrepreneur in the economy.
Topic : Define Entrepreneurship
Gradable : automatic

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

30) _____

- ◎ true
- ◎ false

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Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-08 Explain the role of the entrepreneur in the economy.
AACSB : Ethics
Topic : The Ethical Concerns that Affect Business
Gradable : automatic

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

31) _____ is the primary goal of business.

31) _____

A) Quality
B) Strategy
C) Charity
D) Profit
E) Bureaucracy

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : automatic

32) The outcomes of a business's efforts are

32) _____

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A) tangible goods.
B) features.
C) intangible goods.
D) benefits.
E) products and services.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : automatic

33) While both businesses and nonprofit organizations engage in management, marketing, and finance activities to help reach their goals, businesses differ in that their focus is on

33) _____

A) goods.
B) price.
C) profit.
D) charity.
E) fund-raising.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : automatic

34) Which of the following is NOT an example of a service?

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34) _____

A) dry cleaning
B) telemedicine visit
C) smartphone
D) sports event
E) haircut

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : automatic

35) Diya wants to sell her single-family home, so she hires a realtor. The home is an example of a product that is a(n)

35) _____

A) idea.
B) service.
C) process.
D) tangible item.
E) free service.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Bloom's : Apply
AACSB : Reflective Thinking
Difficulty : 3 Hard
Gradable : automatic

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36) Which of the following statements is true about businesses and profits?

36) _____

A) Profit-making is a business activity that seldom requires risk taking.
B) Businesses do not have the right to use their profits the way they choose.
C) Profit-making businesses often weaken the economy of a country.
D) Ignoring the interests of stakeholders is the best way for a business to be profitable.
E) Earning profits contributes to society by creating resources that support social institutions and government.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : automatic

37) All of the following are true of nonprofit organizations *except* they

37) _____

A) include charities and social causes.
B) utilize skills related to management, marketing, and finance.
C) may provide goods and services.
D) may engage in fund-raising.
E) support businesses through donations from employees.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : automatic

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38) Businesses must produce quality products, operate efficiently, and be socially responsible in dealing with all the groups that have an interest in an organization's success and outcomes. These are known as the organization's

38) _____

A) shareholders.
B) agencies.
C) stakeholders.
D) owners.
E) investors.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Responsibilities to a Firm's Stakeholders
Gradable : automatic

39) Lisa needs to determine the price for her new product. She wants to list it at a price point her customers will approve of while keeping it high enough that she earns a decent profit to benefit shareholders. Lisa is trying to please multiple

39) _____

A) shareholders.
B) stakeholders.
C) clients.
D) businesses.
E) priorities.

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Bloom's : Apply
Difficulty : 3 Hard
AACSB : Knowledge Application
Topic : Responsibilities to a Firm's Stakeholders
Gradable : automatic

40) All of the following are people and forces beyond an organization's control that have an impact on the business's daily operations *except*

40) _____

A) employees.
B) regulatory forces.
C) competition.
D) the political environment.
E) technology.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Definition of Business
Learning Objective : 01-02 Identify the main participants and activities of business.
Gradable : automatic

41) Amal is a small business owner. She has a team of managers including a human resources manager, an operations manager, a sales manager, and a marketing manager. Who is responsible for the financial decisions that arise in the course of business?

41) _____

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A) Amal
B) the human resources manager
C) the operations manager
D) the sales manager
E) the marketing manager

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Bloom's : Apply
AACSB : Knowledge Application
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : The Advantages and Disadvantages of Small Business Ownership
Gradable : automatic

42) _____ is an important element of the management activity in a business.

42) _____

A) Publicity
B) Operations
C) Advertising
D) Sales promotion
E) Personal selling

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : Functions of Management
Gradable : automatic

43) Rory is hired by a company to handle organizing, staffing, planning, and controlling activities. These functions are most closely associated with

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43) _____

A) managers.
B) assembly line workers.
C) investment advisors.
D) stockbrokers.
E) direct sales executives.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Bloom's : Apply
AACSB : Knowledge Application
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : Functions of Management
Gradable : automatic

44) Rhiannon, a long-time employee for a healthy pet food company, conducts research about what customers want for their pets. She also tries to understand changes in competition and consumers. What major activity of business is Rhiannon responsible for?

44) _____

A) marketing
B) finance
C) decision making
D) management
E) operations

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Bloom's : Apply
AACSB : Knowledge Application
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : The Marketing Mix
Gradable : automatic

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45) _____ plan and develop products and make decisions about how much to charge for their products and when and where to make them available.

45) _____

A) Accountants
B) Engineers
C) Marketers
D) Supervisors
E) Stockbrokers

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Knowledge Application
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : The Marketing Mix
Gradable : automatic

46) Dexter coordinates coupons, advertising, and publicity which are forms of the _____ aspect of marketing activities.

46) _____

A) product
B) price
C) place
D) distribution
E) promotion

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : The Marketing Mix
Gradable : automatic

47) A snack subscription service wants to attract new customers. The company offers coupons to new users and a sweepstake on social media to get people to subscribe. These are all examples of

47) _____

A) sales promotion.
B) publicity.
C) advertising.
D) personal selling.
E) direct retail.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Bloom's : Apply
AACSB : Knowledge Application
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : The Marketing Mix
Gradable : automatic

48) Which of the following is *not* true of the marketing mix?

48) _____

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A) Product management involves product adoption or deletion, branding, and product positioning.

B) It is essential to select the right price for the product.

C) Distribution involves making sure products are available in the right place at the right time.

D) Marketers use promotion to increase sales.

E) Product management involves making sure products are available in the right place at the right time.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-02 Identify the main participants and activities of business.
Topic : The Marketing Mix
Gradable : automatic

49) Morgan owns XYZ Corp., but after a year of operation the company has yet to earn a profit. Who has the most to lose if XYZ Corp. fails?

49) _____

A) XYZ Corp. consumers
B) media agencies
C) government bodies
D) Morgan
E) market experts

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Definition of Business
Learning Objective : 01-02 Identify the main participants and activities of business.
Gradable : automatic

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50) David is an accountant for a small company. As such, he participates primarily in _____ activities.

50) _____

A) management
B) financial
C) operations
D) marketing
E) advertising

Question Details
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Definition of Business
Bloom's : Apply
AACSB : Knowledge Application
Learning Objective : 01-02 Identify the main participants and activities of business.
Gradable : automatic

51) Erika studies how resources are distributed for the production of goods and services within a social system. What topic is Erika studying?

51) _____

A) public relations
B) sociology
C) demographics
D) psychographics
E) economics

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

52) A firm's _____ resources are also known as labor.

52) _____

A) human
B) economic
C) intangible
D) financial
E) natural

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

53) _____ is the funds used to acquire the natural and human resources needed to provide products.

53) _____

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A) Capital
B) Skills
C) Exchanges
D) Labor charges
E) Barter charges

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-04 Compare the four types of economic systems.
Gradable : automatic

54) Which of the following is a factor of production for a firm?

54) _____

A) advertising media
B) legal consultants
C) customers
D) land
E) company reputation

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : The Factors of Production
Gradable : automatic

55) Which of the following is a natural resource?

55) _____

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A) minerals
B) people
C) capital
D) money
E) labor

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : The Factors of Production
Gradable : automatic

56) Drive & Co. is an auto repair company with a reputation for quality service and being socially responsible. Drive & Co.'s reputation is an example of

56) _____

A) an intangible resource.
B) an intangible service.
C) an intangible good.
D) a tangible good.
E) a financial asset.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : The Factors of Production
Gradable : automatic

57) A(n) _____ describes how a particular society distributes its resources to produce goods and services.

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57) _____

A) labor system
B) economic system
C) political ideology
D) legal framework
E) judicial scheme

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

58) Beth is a business professional in the communist country in which she lives. Which of the following statements is true about a communist economy?

58) _____

A) It provides scope for the production of a large variety of goods and services.
B) It encourages the free market and competition.
C) It is characterized by the people (through the government) owning and operating most businesses.
D) It relies on supply and demand to make decisions about pricing and production of goods.
E) It encourages private ownership of the means of production.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Bloom's : Apply
AACSB : Knowledge Application
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

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59) Which of the following is considered a command economy?

59) _____

A) capitalism
B) libertarianism
C) private enterprise
D) communism
E) laissez-faire market

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

60) In practice, community economies have been marked by

60) _____

A) critical shortages of consumer goods.
B) high standards of living.
C) low prices.
D) excessive freedom.
E) absence of corruption.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

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61) Which of the following was the first communist country to make strong economic gains by adopting capitalist approaches to business?

61) _____

A) Singapore
B) India
C) Thailand
D) China
E) Japan

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

62) How are profits handled in communist systems?

62) _____

A) Profits earned by small businesses may be reinvested in the business.
B) Individuals are free to keep profits after paying taxes.
C) Businesses are free to keep profits after paying taxes.
D) Excess income goes to the government.
E) Only profits from government-owned industries go to the government.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

63) Which of the following is MOST true of product availability in a communist system?

63) _____

A) Consumers have a limited choice of goods and services.
B) Consumers have a limited choice of services.
C) Choice varies but prices are usually low.
D) Consumers have a wide choice of goods.
E) Consumers have a wide choice of services.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

64) In which of the following economic systems do most people work for government-owned industries or farms?

64) _____

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A) capitalist
B) communist
C) socialist
D) libertarian
E) neo-realist

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

65) In a socialist economy,

65) _____

A) the government owns all businesses, large and small.
B) everyone works for government organizations.
C) competition is restricted in major industries.
D) consumers have a wide choice of goods and services.
E) demand and supply have no role to play in the pricing of products and services.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

66) Sofia lives in a country with an economic system in which the government owns and operates basic industries. What type of economic system is this?

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66) _____

A) collectivism
B) capitalism
C) socialism
D) egalitarianism
E) utilitarianism

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

67) Which of the following is a true statement about a socialist system of economy?

67) _____

A) Individuals own and operate the majority of businesses that provide goods and services.
B) Competition, supply, and demand determine which goods and services are produced and how they are produced.
C) All economic decisions are made without government intervention.
D) Consumers have a wide choice of goods and services.
E) Central planning determines what basic goods and services are produced.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

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68) In the country Freedonia, income and social services are distributed equally among its citizens. However, they must pay high taxes, and they experience high levels of unemployment. Freedonia is an example of a(n) _____ nation.

68) _____

A) communist
B) socialist
C) capitalist
D) supply and demand
E) entrepreneurial

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
Difficulty : 3 Hard
AACSB : Knowledge Application
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

69) In a free-market system,

69) _____

A) all economic decisions are made without government intervention.
B) laissez-faire capitalism is absent.
C) government regulates business.
D) modified capitalism is the norm.
E) central government planning determines what goods and services satisfy citizens' needs.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

70) In a capitalist economic system,

70) _____

A) the majority of people possess government jobs.
B) prices of goods and services are determined by supply and demand.
C) the government owns and operates all businesses.
D) there is little scope for competition.
E) consumers have a limited choice of goods and services.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

71) _____ is often called the father of capitalism.

71) _____

A) Karl Marx
B) Milton Friedman
C) Benjamin Franklin
D) John Maynard Keynes
E) Adam Smith

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

72) How does modified capitalism differ from pure capitalism?

72) _____

A) The government intervenes and regulates all business.
B) The government doesn't intervene or regulate business at all.
C) The government intervenes and regulates business to some extent.
D) The government intervenes and regulates basic industries only.
E) The government relies on individuals to regulate all aspects of business, including passing laws.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

73) During an economic recession, The United Provinces of Utopia government provided loans and took ownership positions the country's primary financial institution, Bank Co. What economic system does this exemplify?

73) _____

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A) modified capitalism
B) pure capitalism
C) laissez-faire capitalism
D) communism
E) socialism

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
AACSB : Reflective Thinking
Difficulty : 3 Hard
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

74) Egalitarianism refers to the

74) _____

A) exemption of taxes for successful businesses.
B) restrictions on taking up non-government jobs.
C) equal distribution of income and social services.
D) concept of the rich getting richer and the poor getting poorer.
E) restriction of competition in small businesses by government regulations.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

75) The United States, Canada, Japan, and Australia are examples of economic systems based on

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75) _____

A) capitalism.
B) egalitarianism.
C) Marxism.
D) communism.
E) socialism.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

76) All of the following are examples of mixed economies *except*

76) _____

A) in socialist France, the French government owns the postal service industry.
B) in socialist Sweden, most businesses are owned and operated by private individuals.
C) in capitalist United States, an independent federal agency operates the postal service.
D) in once-communist Russia, private ownership of businesses has been implemented.
E) in communist China, state capitalism is used to advance the economy.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

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77) Andy is a business professional in a country that promotes the individual right to own property, earn profits, make decisions about business operations, and choose productivity systems. This country's economy is based on

77) _____

A) mixed economies.
B) the free market.
C) communism.
D) free enterprise.
E) socialism.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
Difficulty : 3 Hard
AACSB : Knowledge Application
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : automatic

78) _____ relates to the number of goods and services that consumers are willing to buy at different prices at a specific time.

78) _____

A) Demand
B) Supply
C) Elasticity
D) Balance of payments
E) Deficit

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

79) _____ is the price at which the number of products that businesses are willing to supply equals the number of products consumers are willing to purchase at a point in time.

79) _____

A) Bundled
B) Equilibrium
C) Discount
D) Competitive
E) Maximum retail

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

80) _____ is the number of products that businesses are willing to sell at different prices at a specific time.

80) _____

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A) Equilibrium
B) Distribution
C) Cost pricing
D) Demand
E) Supply

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

81) Hiten owns an outdoor gear store. He decides to announce a storewide sale. Generally, when a retailer announces a discount sale on all its products

81) _____

A) consumers will not demand more than usual.
B) the store will not supply more products than it normally does.
C) consumers will demand more products.
D) the manufacturer will halt production.
E) consumers will demand fewer products than usual.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

82) Members of wholesale clubs, like BJs, Costco, or Sam's Club, tend to buy items like toilet paper and groceries in bulk to save money. This is an element of

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82) _____

A) supply.
B) demand.
C) equilibrium.
D) pricing.
E) free enterprise.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
Topic : Key Economic Indicators and How They Affect Business
Difficulty : 3 Hard
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
AACSB : Knowledge Application
Gradable : automatic

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

83) _____

A) Prices for goods and services vary according to the changes in supply and demand.
B) Supply and demand curves intersect at the point where supply and demand are not equal.
C) Changing the price of a product does not alter the supply curve.
D) The price at which the number of products that businesses are willing to supply is inversely proportional to the amount of products that consumers are willing to buy at a specific point in time.
E) Businesses are willing to supply more of a good or service at higher prices because the potential for profits is higher.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

84) Which of the following markets is most likely to be a monopoly?

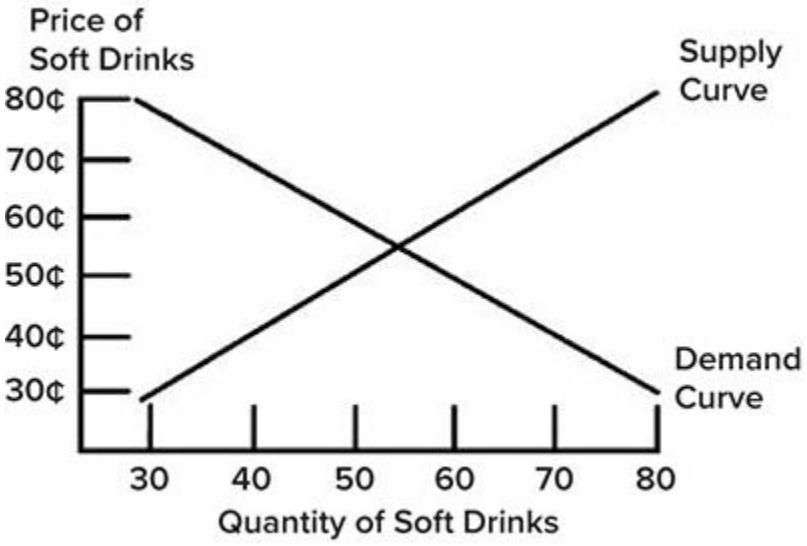
84) _____

A) agricultural commodities
B) lifestyle gadgets
C) airlines
D) utility companies
E) automobile manufacturers

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

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



85) _____

A) 30 cents
B) 45 cents
C) 50 cents
D) 55 cents
E) 80 cents

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Bloom's : Apply
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

86) According to Adam Smith, competition

86) _____

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A) mitigates growth.
B) fosters efficiency.
C) prevents low prices.
D) increases demand.
E) increases prices.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Topic : Competition
Gradable : automatic

87) Marlon is an entrepreneur who sells homemade goods such as custom aprons and kitchen tools. Since his business is done exclusively online and he makes his goods at home, he saves on building and other brick-and-mortar costs, which allows him to pass that savings on to his customers. Reducing prices to customers is an element of

87) _____

A) competition.
B) supply.
C) demand.
D) equilibrium pricing.
E) resource distribution.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Topic : Competition
AACSB : Knowledge Application
Gradable : automatic

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88) DrEye and Eye Tears are two eyedrop companies. They promote similar products that differ in some characteristics such as packaging but satisfy the same consumer need. The competitive environment is most likely to be

88) _____

A) a monopoly.
B) pure competition.
C) monopolistic competition.
D) an oligopoly.
E) socialist.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Topic : Competition
Gradable : automatic

89) _____ is an example of a product of monopolistic competition.

89) _____

A) Cotton
B) Wheat
C) Aspirin
D) Electricity
E) An airline fare

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Topic : Competition
Gradable : automatic

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90) Martha owns a local farm and sells her produce at the farmers' market. Although she sells fruit and vegetables like the grocery stores in the area, she has some power over the price she charges because she can offer consumers features that they want. For instance, her fruit and vegetables are organic and locally grown. This is an example of

90) _____

A) monopolistic competition.
B) pure competition.
C) oligopoly.
D) monopoly.
E) competition.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Topic : Competition
AACSB : Knowledge Application
Gradable : automatic

91) Which of the following exists when there are many small businesses selling one standardized product, such as agricultural commodities like wheat, corn, and cotton?

91) _____

A) pure competition
B) monopolistic rivalry
C) imperfect competition
D) oligopoly
E) monopoly

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Topic : Competition
Gradable : automatic

92) The wheat market in one particular country 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

92) _____

A) forces of supply and demand.
B) government.
C) absence of competition.
D) businesses that sell the corn.
E) consumers that buy the corn.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
Topic : Key Economic Indicators and How They Affect Business
AACSB : Reflective Thinking
Difficulty : 3 Hard
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

93) Fischer's Appliances is the only business that sells appliances in the household and commercial appliances markets in the country in which it operates. When there is only one business providing a product in a given market, there exists

93) _____

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A) an oligopoly.
B) modified competition.
C) pure competition.
D) monopolistic competition.
E) a monopoly.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

94) In the airline industry, companies such as Southwest and United have control over airfare prices because each business supplies a large portion of the products sold in the marketplace. What type of market structure does this represent?

94) _____

A) monopsony
B) monopoly
C) oligopoly
D) government-granted monopoly
E) coercive gambling

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Apply
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

95) Which of the following is true regarding an oligopoly?

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95) _____

A) 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.

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

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

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

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

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

96) Following a devastating storm which resulted in a bad harvest, the prices of soy, wheat, and corn in a country increased dramatically. Though the government attempted to intervene, efforts failed to arrest the rising prices. Based on this information, the country is undergoing

96) _____

A) deflation.

B) stagflation.

C) contraction.

D) depression.

E) inflation.

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Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
Topic : Key Economic Indicators and How They Affect Business
AACSB : Reflective Thinking
Difficulty : 3 Hard
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

97) Economic expansion occurs when

97) _____

A) employment levels decline over time.
B) fewer goods and services are produced than consumer demand.
C) an economy is growing and people are spending more money.
D) a nation's standard of living drops dramatically.
E) prices begin to rise and incomes begin to fall.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

98) Nevaeh retired last fall and now lives on a fixed income. Her income is not increasing at the same rate as the rising prices in her country because the economy is expanding rapidly. This could result in

98) _____

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A) inflation.
B) depression.
C) a recession.
D) economic contraction.
E) deflation.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Bloom's : Apply
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
AACSB : Knowledge Application
Gradable : automatic

99) Which of the following is true of economic expansion?

99) _____

A) The standard of living rises because more people are employed and have money to spend.
B) There is a decline in production, employment, and income.
C) There is a decline in spending.
D) Consumer spending is low and business output is sharply reduced.
E) The prices stagnate during this period.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

100) Which of the following is a characteristic of economic depression?

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100) _____

A) Unemployment levels are low or almost absent.
B) Consumer spending is high.
C) Individuals' incomes increase at the same pace as rising prices.
D) Buying power of consumers is significantly increased.
E) Business output is sharply reduced.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

101) Financial institutions are reporting that the rate of spending is declining based on customer data. Which of the following is associated with a decline in spending?

101) _____

A) inflation
B) economic contraction
C) economic expansion
D) employment boom
E) job expansion

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

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102) Contractions of the economy lead to

102) _____

A) inflation.
B) recession.
C) rising levels of employment.
D) an increase in production.
E) an increase in income.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

103) The rate of unemployment in a country spiked. In the following weeks, the country experiences a reduction in consumer demand for goods and services, leading to

103) _____

A) economic expansion.
B) inflation.
C) deflation.
D) budget surplus.
E) recovery.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Gradable : automatic

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104) Which of the following statements is true about GDP as a measure of a country's economic health?

104) _____

A) It measures only those goods and services made within a country.
B) It does not include the services produced in a country.
C) It includes profits from companies' overseas operations.
D) It does not include profits earned by foreign companies within the country being measured.
E) It essentially takes into account the concept of GDP in relation to population.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-06 Specify why and how the health of the economy is measured.
Topic : Key Economic Indicators and How They Affect Business
Gradable : automatic

105) The United States has a budget deficit of more than $15 trillion. A budget deficit occurs when a nation

105) _____

A) reduces its expenditures.
B) receives excess taxes.
C) has no national debts.
D) spends more than it takes in from taxes.
E) balances taxes and expenditures.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 01-06 Specify why and how the health of the economy is measured.
Bloom's : Apply
Topic : Key Economic Indicators and How They Affect Business
Gradable : automatic

106) At one point in time, the United States balanced the money it spent for social, defense, and other programs with the amount of money it took in from taxes. This is an example of eliminating a

106) _____

A) budget deficit.
B) national debt.
C) budget surplus.
D) trade imbalance.
E) recession.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-06 Specify why and how the health of the economy is measured.
Topic : The Economic Foundations of Business
Bloom's : Apply
AACSB : Reflective Thinking
Difficulty : 3 Hard
Gradable : automatic

107) _____ measures changes in the prices of goods and services purchased for consumption by typical urban households.

107) _____

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A) GDP
B) Per capita income
C) Worker productivity
D) Trade balance
E) Consumer price index

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-06 Specify why and how the health of the economy is measured.
Topic : Key Economic Indicators and How They Affect Business
Gradable : automatic

108) _____ indicates the income level of "average" Americans. It is useful in determining how much "average" consumers spend and how much money Americans are earning.

108) _____

A) Per capita income
B) GDP
C) Budget deficit
D) Consumer price index
E) Worker productivity

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-06 Specify why and how the health of the economy is measured.
Topic : The Economic Foundations of Business
Gradable : automatic

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

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109) _____

A) high standard of living.
B) low standard of living.
C) high cost of living.
D) low GDP per capita.
E) average standard of living.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-07 Outline the evolution of the American economy.
Difficulty : 2 Medium
Bloom's : Apply
Topic : Key Economic Indicators and How They Affect Business
Gradable : automatic

110) Which of the following is true of an open economy, like that of the United States?

110) _____

A) Open economies tend to grow very slowly.
B) Open economies do not engage in international trade.
C) Open economies tend to lack efficiency and productivity.
D) Open economies are major players in international trade and tend to grow fast.
E) Open economies lack access to technology.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-07 Outline the evolution of the American economy.
Bloom's : Understand
Difficulty : 2 Medium
Topic : Key Economic Indicators and How They Affect Business
Gradable : automatic

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111) Before the Industrial Revolution, the economy of North America under the colonists was characterized by

111) _____

A) hunting and gathering instead of agriculture.
B) the export of manufactured goods to England.
C) a scarcity of natural resources.
D) dependence on England for everyday goods.
E) the domestic system of producing goods.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Technology
Gradable : automatic

112) Which of the following is a change that occurred in the United States during the Industrial Revolution?

112) _____

A) Fewer goods were available, and prices of goods increased.
B) Farm production decreased as industrial production increased.
C) As work became more localized, productivity decreased.
D) Trade within the country decreased as regions became self-sufficient.
E) Farmers began to move to cities to find jobs in factories.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Bloom's : Understand
Difficulty : 2 Medium
Gradable : automatic

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113) In the history of the American economy, the period following the Industrial Revolution was known for an increasing emphasis on

113) _____

A) manufacturing.
B) services.
C) artisanship.
D) agriculture.
E) information.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Difficulty : 2 Medium
AACSB : Technology
Gradable : automatic

114) Why did businesses enter the marketing economy?

114) _____

A) Businesses became more concerned with the needs of the consumer.
B) People were self-sufficient and produced everything they needed at home.
C) Ford's assembly line could manufacture many automobiles efficiently.
D) Manufacturing was too laborsome.
E) The country abandoned the free-enterprise system.

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Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Difficulty : 2 Medium
AACSB : Technology
Gradable : automatic

115) Which of the following is a characteristic of the marketing economy phase of the American economy?

115) _____

A) People were self-sufficient and produced everything they needed at home, including food, clothing, and furniture.
B) People found natural resources, such as coal and iron ore, and used them to produce goods, such as horseshoes.
C) Farm families who produced surplus goods sold or traded them for things they could not produce themselves.
D) The development of retail institutions created the demand for more manufactured products.
E) Factories began to spring up along the railways to manufacture farm equipment and a variety of other goods to be shipped by rail.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Technology
Gradable : automatic

116) Which of the following is a characteristic of a service economy?

116) _____

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A) It is concerned with the indigenous production of food, clothing, and furniture.
B) It is devoted to producing services that make life easier for busy consumers.
C) It is devoted to producing goods and services rather than producing agricultural products.
D) It is significant for the development of factories along the railways to manufacture farm equipment.
E) It is particularly important for enabling farmers to send their surplus crops and goods all over the nation for barter or for sale.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Bloom's : Understand
Difficulty : 2 Medium
Gradable : automatic

117) Which of the following is *not* one of artificial intelligence's enablers?

117) _____

A) manufacturing
B) big data
C) blockchain
D) drones
E) robotics

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Gradable : automatic

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118) Christina uses an email marketing platform that can analyze thousands of emails with customer service concerns and create a response that is faster and more accurate than Christina herself could respond. This email marketing platform likely uses

118) _____

A) artificial intelligence.
B) big data.
C) blockchain.
D) drones.
E) robotics.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Gradable : automatic

119) A large grocery store chain uses a system that can track product history through the entire supply chain to the store, verify transactions, and handle payments. What technology is this system most likely based on?

119) _____

A) artificial intelligence
B) big data
C) blockchain
D) drones
E) robotics

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Gradable : automatic

120) Computers 'R Us, a well-known corporation, makes headlines after its employees are arrested for intentionally selling defective computer parts and accessories to their customers. Scandals like this

120) _____

A) do not affect corporations.
B) undermine public confidence in corporations.
C) cause society to boycott corporations.
D) have a positive effect on retired employees.
E) resolve the debate about ethics in business.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Apply
Difficulty : 3 Hard
Learning Objective : 01-08 Explain the role of the entrepreneur in the economy.
AACSB : Ethics
Topic : The Ethical Concerns that Affect Business
Gradable : automatic

121) Which of the following is true of the role of ethics and social responsibility in business?

121) _____

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A) Ethical conduct and corporate social responsibility are linked to increased profits.
B) Businesses do not need to consider social values in the contemporary scenario.
C) Investors and retired employees remain unaffected in case of scandals.
D) Businesses' reputations depend solely on their profits.
E) Business misconduct is likely to be widely excused if it enhances firms' profits.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-08 Explain the role of the entrepreneur in the economy.
AACSB : Ethics
Topic : The Ethical Concerns that Affect Business
Gradable : automatic

122) Alex bought a chain of salons and spas. He invested his wealth and time to enhance the salons with full-service bars, child care for employees and guests, and premium furniture. Since other salons and spas in the area are not offering these types of amenities, he expects this innovation will result in a profit. Alex is a(n)

122) _____

A) category captain.
B) early adopter.
C) entrepreneur.
D) trade creditor.
E) risky investment.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Bloom's : Apply
AACSB : Technology
Learning Objective : 01-08 Explain the role of the entrepreneur in the economy.
Topic : Define Entrepreneurship
Gradable : automatic

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M Business 7th Edition by Ferrell CH01

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

123) What are nonprofit organizations? Differentiate between nonprofit organizations and businesses.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Define basic concepts such as business, product, profit, and economics.
Topic : Definition of Business
Gradable : manual

124) Management is one of the primary activities of business. Describe the business responsibilities associated with management.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Topic : Definition of Business
Learning Objective : 01-02 Identify the main participants and activities of business.
Gradable : manual

125) Name at least three benefits of studying business.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
Topic : Definition of Business
Learning Objective : 01-03 Explain why studying business is important.
Gradable : manual

126) Differentiate between communist, socialist, and capitalist economic systems.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Compare the four types of economic systems.
Topic : Economics and the Types of Economic Systems
Gradable : manual

127) Until recently, Company A was the only firm selling electric bicycles. Now that Company B is selling electric bicycles at a more affordable price, Company A decides to decrease its prices to be more reasonable. Additionally, one of the bikes Company B sells has far more features than any of the models Company A currently sells, so Company A decides to research ways to improve its products. How does this exemplify the benefits of competition?

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the role of supply, demand, and competition in a free-enterprise
Topic : Competition
Gradable : manual

128) Specify why and how the health of the economy is measured.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-06 Specify why and how the health of the economy is measured.
Topic : Key Economic Indicators and How They Affect Business
Difficulty : 3 Hard
Gradable : manual

129) Describe how technology is rapidly changing the environment of business.

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-07 Outline the evolution of the American economy.
Topic : Evolution of Business
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Ethics
Gradable : manual

130) Describe the role of ethics and social responsibility in business.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-08 Explain the role of the entrepreneur in the economy.
AACSB : Ethics
Topic : The Ethical Concerns that Affect Business
Gradable : manual

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M Business 7th Edition by Ferrell CH01

Answer Key

Test name: CH01

1) TRUE
This is true, a product can be tangible goods or intangible services.

2) TRUE
Nonprofit organizations—such as National Public Radio (NPR), Habitat for Humanity, and other charities and social causes—do not have the fundamental purpose of earning profits.

3) FALSE
Customers, employees, investors (including shareholders), government regulators, and the community are all stakeholders.

4) FALSE
Within legal limitations, businesses have the right to keep and use their profits as they choose.

5) FALSE
Management involves the functions of planning, organizing, leading, and controlling. Marketing includes all the activities designed to provide goods and services that satisfy consumers' needs and wants.

6) FALSE
Management involves the functions of planning, organizing, leading, and controlling.

7) FALSE
Marketing focuses on the four P's—product, price, place (or distribution), and promotion—also known as the marketing mix.

8) TRUE

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Finance refers to all activities concerned with obtaining money and using it effectively. Financial resources must be managed effectively if the business aims to succeed.

9) FALSE
The primary responsibility of the owners is to provide financial resources for the operation of the business.

10) TRUE
Studying business can also help you better understand the many business activities that are necessary to provide satisfying goods and services. Most businesses charge a reasonable price for their products to ensure that they cover their production costs, pay their employees, provide their owners with a return on their investment, and perhaps give something back to their local communities and societies.

11) TRUE
No country practices a pure form of communism, socialism, or capitalism, although most tend to favor one system over others.

12) FALSE
In a socialist system, competition is restricted in basic industries but encouraged in other businesses.

13) FALSE
Modified capitalism differs from pure capitalism in that the government intervenes and regulates business to some extent.

14) TRUE
Most nations operate as mixed economies, which have elements from more than one economic system.

15) FALSE

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For free enterprise to work, individuals and businesses must have the right to make decisions that determine the way the business operates. Although there is government regulation, the philosophy in countries like the United States and Australia is to permit maximum freedom within a set of rules of fairness.

16) TRUE
The price at which the number of products that businesses are willing to supply is equal to the amount of products that consumers are willing to buy at a specific point in time is the equilibrium price.

17) FALSE
According to Adam Smith, competition fosters efficiency and low prices by forcing producers to offer the best products at the most reasonable price.

18) TRUE
Pure competition exists when there are many small businesses selling one standardized product, such as agricultural commodities like wheat, corn, and cotton. No one business sells enough of the product to influence the product's price.

19) TRUE
This monopoly allows the developer to recover research, development, and production expenses and to earn a reasonable profit.

20) FALSE
Contractions of the economy lead to recession—a decline in production, employment, and income.

21) TRUE
GDP measures only those goods and services made within a country and therefore does not include profits from companies' overseas operations.

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22) TRUE
When a nation spends more than it takes in from taxes, it has a budget deficit.

23) FALSE
A higher GDP per capita does not automatically translate into a higher standard of living. Costs of goods and services is also a factor.

24) TRUE
A positive relationship exists between a country's employment rate and economic growth. A nation's output depends on the amount of labor used in the production process, so there is also a positive correlation between output and employment.

25) TRUE
Research indicates a negative relationship between regulatory actions and innovation in firms, suggesting that too much regulation hinders business activities and their contribution to the American economy.

26) TRUE
The colonists who came later operated primarily as an agricultural economy. People were self-sufficient and produced everything they needed at home, including food, clothing, and furniture.

27) TRUE
The economy experienced a major shift in 2020 as a result of the COVID-19 pandemic. The virus accelerated the adoption of certain technologies in business such as cloud technology, cybersecurity, and artificial intelligence.

28) FALSE

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Service industries such as restaurants, banking, health care, child care, auto repair, leisure-related industries, and even education are growing rapidly and may account for as much as 80 percent of the U.S. economy.

29) TRUE
An entrepreneur is an individual who risks his or her wealth, time, and effort to develop for profit an innovative product or way of doing something. All of these men were entrepreneurs.

30) FALSE
Research has shown that ethical behavior can not only enhance a company's reputation but can also drive profits.

31) D
The primary goal of all businesses is to earn a profit, the difference between what it costs to make and sell a product and what a customer pays for it.

32) E
The outcomes of a business's efforts are products that have both tangible and intangible characteristics that provide satisfaction and benefits.

33) C
Businesses strive to earn profits; nonprofit organizations do not. Nonprofit organizations do not have the fundamental purpose of earning profits, although they may provide goods or services and engage in fund-raising.

34) C

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Most people associate the word *product* with tangible goods. However, a product can also be a service, which occurs when people or machines provide or process something of value to customers. Some examples of services include dry cleaning, a telemedicine visit, and a movie or sports event.

35) D
A home is a tangible product.

36) E
Earning profits contributes to society by creating resources that support our social institutions and government. Businesses that create profits, pay taxes, and create jobs are the foundation of our economy.

37) E
Nonprofit organizations may provide goods or services and engage in fund-raising. They also utilize skills related to management, marketing, and finance. Some examples of nonprofit organizations are National Public Radio, Habitat for Humanity, and other charities and social causes. Profits earned by businesses support nonprofit organizations through donations from employees.

38) C
Groups that have a stake in the success and outcomes of a business are called stakeholders.

39) B
This is an example of a company that is trying to please multiple stakeholders. In this case, Lisa is attempting to please customers and shareholders.

40) A

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People and forces beyond an organization's control—such as legal and regulatory forces, the economy, competition, technology, the political environment, and ethical and social concerns—all have an impact on the daily operations of businesses.

41) A
The owner of a company has the ultimate responsibility for all financial issues.

42) B
Operations is an element of management. Managers must oversee the firm's operations to ensure that resources are successfully transformed into goods and services.

43) A
Managers plan, organize, staff, and control the tasks required to carry out the work of the company or nonprofit organization.

44) A
Marketers gather information and conduct research about what customers want. They also analyze the marketing environment to understand changes in competition and consumers.

45) C
Marketing includes all the activities designed to provide goods and services that satisfy customers' needs and wants. Marketers 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.

46) E

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Marketing focuses on the four P's, which include product, price, place, and promotion. Advertising, personal selling, sales promotion, and publicity are part of the promotion aspect of marketing.

47) A
Marketers use promotion—advertising, personal selling, sales promotion (coupons, games, sweepstakes, movie tie-ins), and publicity—to communicate the benefits and advantages of their products to consumers and increase sales. Nonprofit organizations also use promotion.

48) E
Marketing focuses on the four P's, also known as the marketing mix. Product management involves product adoption or deletion, branding, and product positioning. Selecting the right price for the product is essential because it relates to profitability. Distribution involves making sure products are available to consumers in the right place at the right time. Marketers use promotion to communicate the benefits and advantages of their products to consumers and increase sales.

49) D
It is the primary responsibility of the owners to provide financial resources for the operation of the business. Moreover, the owners have the most to lose if the business fails to make a profit.

50) B
Finance refers to all activities concerned with obtaining money and using it effectively. People who work as accountants, stockbrokers, investment advisors, or bankers are all part of the financial world.

51) E
Economics is the study of how resources are distributed for the production of goods and services within a social system.

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52) A
Human resources, or labor, refer to the physical and mental abilities that people use to produce goods and services.

53) A
Financial resources, or capital, are the funds used to acquire the natural and human resources needed to provide products.

54) D
Factors of production are natural, human, and financial resources.

55) A
Land, forests, minerals, water, and other things that are not made by people are natural resources.

56) A
A firm can have intangible resources such as a good reputation for quality products or being socially responsible.

57) B
An economic system describes how a particular society distributes its resources to produce goods and services. A central issue of economics is how to fulfill an unlimited demand for goods and services in a world with a limited supply of resources.

58) C
In a communist economy, the people (through the government) own and operate all businesses and factors of production.

59) D
In many cases, the government owns or controls the production of goods and services. Communism and socialism are, therefore, considered command economies.

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60) A
On paper, communism appears to be efficient and equitable, producing less of a gap between rich and poor. In practice, however, communist economies have been marked by low standards of living, critical shortages of consumer goods, high prices, corruption, and little freedom.

61) D
China has become the first communist country to make strong economic gains by adopting capitalist approaches to business. Economic prosperity has advanced in China with the government claiming to ensure market openness, equality, and fairness through state capitalism.

62) D
In communist systems, excess income goes to the government. The government supports social and economic institutions.

63) A
In a communist system, consumers have a limited choice of goods and services; prices are usually high.

64) B
In a communist system, people have little choice in choosing a career and most work for government-owned industries or farms.

65) C
In socialist systems, competition is restricted in major industries; encouraged in small business.

66) C
Socialism is an economic system in which the government owns and operates basic industries, including postal service, telephone, utilities, transportation, health care, banking, and some manufacturing. However, individuals own most businesses.

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67) E
In socialist systems, competition is restricted in major industries; encouraged in small business. Central planning determines what basic goods and services are produced, how they are produced, and how they are distributed. Individuals and small businesses provide other goods and services based on consumer demand and the availability of resources.

68) B
This is an example of a socialist nation. Socialist economies profess egalitarianism, or equal distribution of income and social services, claiming this creates a more stable economy. However, taxes and unemployment are generally higher in socialist countries.

69) A
In pure capitalism, also called a free-market system, all economic decisions are made without government intervention.

70) B
In a capitalist economic system, consumers have a wide choice of goods and services; prices are determined by supply and demand.

71) E
The modern free-market system was first described by Adam Smith in *The Wealth of Nations* in 1776. Smith, often called the father of capitalism, believed that the "invisible hand of competition" best regulates the economy.

72) C
Modified capitalism differs from pure capitalism in that the government intervenes and regulates business to some extent. One way the United States and Canadian governments regulate business is through laws.

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73) A
This is an example of modified capitalism. In this system, the government intervenes and regulates business to some extent. One way a government can regulate business is through laws. During recessions, a government may provide loans and take ownership positions in banks or companies to keep them from going out of business and creating a financial disaster for the economy.

74) C
Socialist economies profess egalitarianism—equal distribution of income and social services.

75) A
The United States, Canada, Japan, and Australia are examples of economic systems based on capitalism.

76) A
In socialism, the government owns and operates basic industries. For example, the French government owns the postal service industry. Mixed economies have elements from more than one economic system. For instance, in socialist Sweden, most businesses are owned and operated by private individuals; in capitalist United States, an independent federal agency operates the postal service; in once-communist Russia, private ownership of businesses has been implemented; and in communist China, state capitalism has been used to advance the economy.

77) D

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This scenario exemplifies free enterprise. For free enterprise to work, individuals and businesses must have the right to own property and pass it on to heirs; earn profits and use those profits as they wish; make decisions that determine the way the business operates; and choose their location, what goods and services to purchase or produce, what resources to use in the production process, and so on.

78) A
Demand is defined as the number of goods and services that consumers are willing to buy at different prices at a specific time.

79) B
Equilibrium price is defined as the price at which the number of products that businesses are willing to supply equals the number of products consumers are willing to purchase at a point in time.

80) E
Supply is the number of products that businesses are willing to sell at different prices at a specific time. In general, because the potential for profits is higher, businesses are willing to supply more of a good or service at higher prices.

81) C
Generally, when prices decrease, consumers will increase demand.

82) B
Shopping at wholesale clubs is an element of demand. Consumers are usually willing to buy more of an item as its price falls because they want to save money.

83) A

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Prices for goods and services vary according to changes in supply and demand. This concept is the force that drives the distribution of resources (goods and services, labor, and money) in a free-enterprise economy.

84) D
When there is one business providing a product in a given market, a monopoly exists. Utility companies that supply electricity, natural gas, and water are monopolies.

85) D
The equilibrium price is where the supply and demand curves intersect.

86) B
According to Adam Smith, competition fosters efficiency and low prices by forcing producers to offer the best products at the most reasonable price; those who fail to do so are not able to stay in business. Thus, competition should improve the quality of the goods and services available or reduce prices.

87) A
This scenario focuses on an element of competition: reducing prices. Competition allows entrepreneurs to discover new technology, ways to lower prices, and methods for providing better distribution of services. Marlon can offer products at competitive prices by avoiding building and other brick-and-mortar costs.

88) C
Monopolistic competition exists when there are fewer businesses than in a pure-competition environment and the differences among the goods they sell are small. These products differ slightly in packaging, warranty, name, and other characteristics, but all satisfy the same consumer need.

89) C

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Aspirin, soft drinks, and vacuum cleaners are examples of products of monopolistic competition. These products differ slightly in packaging, warranty, name, and other characteristics, but all satisfy the same consumer need.

90) A
In monopolistic competition, businesses have some power over the price they charge because they can make consumers aware of product differences through advertising. Consumers value some features more than others and are often willing to pay higher prices for a product with the features they want. For instance, a farm stand that sells organic and locally grown fruit and vegetables may be able to charge more than a grocery chain.

91) A
Pure competition exists when there are many small businesses selling one standardized product, such as agricultural commodities like wheat, corn, and cotton.

92) A
Because no one business sells enough agricultural commodities to influence the price and there are no differences among the commodities, prices are determined solely by forces of supply and demand.

93) E
A monopoly exists where there is just one business providing a product in a given market.

94) C
An oligopoly exists when there are very few businesses selling a product. In an oligopoly, individual businesses have control over their products' price because each business supplies a large portion of the products sold in the marketplace.

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95) A
An oligopoly exists when there are very few businesses selling a product. In an oligopoly, individual businesses have control over their products' price because each business supplies a large portion of the products sold in the marketplace. Nonetheless, the 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.

96) E
Inflation is a condition characterized by a continuing rise in prices. Inflation can be harmful if individuals' incomes do not increase at the same pace as rising prices, thus reducing their buying power.

97) C
When people spend more money, it stimulates the production of goods and services, which in turn stimulates employment.

98) A
Rapid expansions of the economy may result in inflation, a continuing rise in prices.

99) A
Economic expansion occurs when an economy is growing and people are spending more money. Their purchases stimulate the production of goods and services, which in turn stimulates employment. The standard of living rises because more people are employed and have money to spend.

100) E
Severe recession may turn into a depression, in which unemployment is very high, consumer spending is low, and business output is sharply reduced, such as what occurred in the United States in the early 1930s.

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101) B
Economic contraction occurs when spending declines. Businesses cut back on production and lay off workers, and the economy as a whole slows down.

102) B
Contractions of the economy lead to recession, the decline in production, employment, and income.

103) C
In an economic contraction, unemployment increases and people spend less money, which can lead to deflation or decrease in market prices.

104) A
GDP measures only those goods and services made within a country and therefore does not include profits from companies' overseas operations.

105) D
An important indicator of a nation's economic health is the relationship between its spending and income (from taxes). When a nation spends more than it takes in from taxes, it has a budget deficit.

106) A
If a country balances the money it spends for social, defense, and other programs with the amount of money it takes in from taxes, it is eliminating a budget deficit.

107) E
Consumer price index measures changes in prices of goods and services purchased for consumption by typical urban households.

108) A

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

109) A
The United States, Germany, Australia, and Norway all have a high standard of living, meaning that most of their citizens are able to afford basic necessities and some degree of comfort.

110) D
The American economy is an open economy, or an economy in which economic activities occur between the country and the international community. Open economies are major players in international trade and tend to grow faster than economies that do not engage in international trade.

111) E
The colonists operated primarily as an agricultural economy. People were self-sufficient and produced everything they needed at home. Some families spent time turning raw materials into clothes and household goods. Because these goods were produced at home, this system was called the domestic system.

112) E
During the Industrial Revolution, farmers began to move to cities to find jobs in factories and a higher standard of living.

113) A
The Industrial Revolution brought factories and therefore the American economy gradually became a manufacturing economy.

114) A

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Businesses became more concerned with the needs of the consumer and entered the marketing economy.

115) D
The development of retail institutions created the demand for more manufactured products. Companies conducted research to find out what products consumers needed and wanted. Advertising made consumers aware of products and important information about features, prices, and other competitive advantages.

116) B
Time-pressed Americans are increasingly paying others to do tasks they used to do at home, like cooking, laundry, landscaping, and child care. These trends have gradually changed the United States to a service economy—one devoted to the production of services that make life easier for busy consumers.

117) A
Artificial intelligence (AI) relates to machine (computer) learning that is able to perform activities and tasks that usually require human intelligence such as decisions, visual perception, and speech recognition. AI's enablers include big data, blockchain, drones, robotics, and more.

118) A
Artificial intelligence (AI) relates to machine (computer) learning that is able to perform activities and tasks that usually require human intelligence such as decisions, visual perception, and speech recognition. AI's enablers include big data, blockchain, drones, robotics, and more.

119) C

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Blockchain is a decentralized record-keeping technology that stores linked block of ordered transactions over time. It can track product history, generate invoices, detect counterfeit products, manage returned products, and help find and reuse materials rather than new resources. It can enable firms to trace deliveries, verify transactions, and handle payments.

120) B
When scandals occur in well-known corporations, it undermines public confidence in corporations and sparks a new debate about ethics in business. Misconduct by individuals in a firm has an adverse effect on current and retired employees, investors, and others associated with the firm.

121) A
Research has shown that ethical behavior can not only enhance a company's reputation but can also drive profits.

122) C
An entrepreneur is an individual who risks his or her wealth, time, and effort to develop for profit an innovative product or way of doing something.

123) Nonprofit organizations are organizations that may provide goods or services but do not have the fundamental purpose of earning profits. Nonprofit organizations, such as the Red Cross, National Public Radio (NPR), and other charities and social causes, do not have the fundamental purpose of earning profits, although they may provide goods or services and engage in fund-raising. Businesses, on the other hand, try to earn a profit by providing products that satisfy people's needs.

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124) Management involves developing plans, coordinating employees' actions to achieve the firm's goals, organizing people to work efficiently, and motivating them to achieve the business's goals. Management involves the functions of planning, organizing, leading, and controlling. Management is also concerned with acquiring, developing, and using resources (including people) effectively and efficiently. Management involves organization, teamwork, and communication. Operations and supply chain management are also important.

125) Studying business can help you develop skills and acquire knowledge to prepare for your future career, regardless of whether you plan to work for a multinational Fortune 500 firm, start your own business, work for a government agency, or manage or volunteer at a nonprofit organization. The field of business offers a variety of interesting and challenging career opportunities throughout the world, such as marketing, human resources management, information technology, finance, production and operations, wholesaling and retailing, and many more. Studying business can also help you better understand the many business activities that are necessary to provide satisfying goods and services—and that these activities carry a price tag.

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126) Karl Marx (1818-1883) first described communism as a society in which the people, without regard to class, own all the nation's resources. In his ideal political-economic system, everyone contributes according to ability and receives benefits according to need. In a communist economy, the people (through the government) own and operate all businesses and factors of production. Central government planning determines what goods and services satisfy citizens' needs, how the goods and services are produced, and how they are distributed. Socialism is an economic system in which the government owns and operates basic industries—postal service, utilities, health care, and banking—but individuals own most businesses. Central planning determines what basic goods and services are produced, how they are produced, and how they are distributed; while individuals and small businesses provide other goods and services based on consumer demand and the availability of resources. Citizens are dependent on the government for many goods and services. Capitalism, or free enterprise, is an economic system in which individuals own and operate the majority of businesses that provide goods and services. Competition, supply, and demand determine which goods and services are produced, how they are produced, and how they are distributed.

127) Competition fosters efficiency and low prices by forcing producers to offer the best products at the most reasonable price. In this case, Company A is pushed to lower prices because Company B offers a similar product at a more affordable price. Additionally, Company B offers a bike model that is superior to the products sold by Company A, so Company A will likely improve its products to better compete. Thus, competition should improve the quality of the goods and services available and reduce prices.

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128) Countries measure the state of their economies to determine whether they are expanding or contracting and whether corrective action is necessary to minimize the fluctuations. One commonly used economic measure is gross domestic product (GDP)—the sum of all goods and services produced in a country during a year. GDP measures only those goods and services made within a country and therefore does not include profits from companies' overseas operations; it does include profits earned by foreign companies within the country being measured. However, it does not take into account the concept of GDP in relation to population (GDP per capita). Another important indicator of a nation's economic health is the relationship between its spending and income (from taxes). When a nation spends more than it takes in from taxes, it has a budget deficit. Other ways we evaluate our nation's economy include trade balance, Consumer Price Index, per capita income, unemployment rate, inflation, and worker productivity.

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129) New technology associated with artificial intelligence enabled by big data and advanced computing systems are changing the way work is accomplished. The result is disruptive technology such as smart buildings, digital wallets, and drones, robotics, and machines that can communicate and make decisions like humans. This creates opportunities for new business models and job opportunities. Artificial intelligence (AI), for example, can perform activities and tasks that usually require human intelligence such as decisions, visual perception, and speech recognition. AI is moving rapidly across business functions because it can resolve predictable business activities. This also leads to new challenges such as issues related to privacy or bias. Big data can be combined with AI machine learning to provide important information and help leaders make decisions on key issues. Blockchain combined with AI can enable new business models. For example, cryptocurrency such as bitcoin is based on blockchain technology. Drones can help extend the reach of businesses, and robots can create a personalized shopping experience. These advanced technologies will make it possible to create entrepreneurs that will develop new business.

130) Business ethics refers to the standards and principles used by society to define appropriate and inappropriate conduct in the workplace. In many cases, these standards have been codified as laws prohibiting actions deemed unacceptable. Society is increasingly demanding that businesspeople behave socially responsibly toward their stakeholders. Research has shown that ethical behavior can not only enhance a company's reputation but can also drive profits. There is growing recognition that the long-term value of conducting business in an ethical and socially responsible manner that considers the interests of all stakeholders creates superior financial performance.

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