

**True/False**

*Indicate whether the sentence or statement is true or false. Mark **T** for True, **F** for False*

- \_\_\_\_\_ 1. Resource scarcity forces nations to make economic choices.
- \_\_\_\_\_ 2. Germany has a socialist economy; therefore the German people pay much less in taxes than Americans pay.
- \_\_\_\_\_ 3. As a factor of production, the term labor refers to both skilled and unskilled workers.
- \_\_\_\_\_ 4. In a command economy, it is individual consumers who decide what items will best satisfy their wants and needs.
- \_\_\_\_\_ 5. A country's infrastructure includes its sewers, highways, and phone lines.
- \_\_\_\_\_ 6. Almost two thirds of the profits of US businesses come from international trade and foreign investments.
- \_\_\_\_\_ 7. The difference in value between exports and imports of a nation is called its balance of trade.
- \_\_\_\_\_ 8. In international trade, a quota is a limit on the number or monetary value of a product that can be imported.
- \_\_\_\_\_ 9. GATT is a trade agreement among these nations: the U.S., Japan, Korea, and China.
- \_\_\_\_\_ 10. A nation experiences a trade surplus when it exports more than it imports.
- \_\_\_\_\_ 11. According to the laws of supply and demand, businesses lower a product's price when the supply of the product exceeds the demand for it.
- \_\_\_\_\_ 12. Without competition nothing can stop a company from acting without regard for the customer.
- \_\_\_\_\_ 13. Providing information utility for their products would be important for businesses engaging in nonprice competition.
- \_\_\_\_\_ 14. Because of deregulation of the utility companies, the United States government no longer restricts the prices that gas and electric companies charge.
- \_\_\_\_\_ 15. According to the U.S. Department of Labor, the private sector is primarily engaged in producing the same product or group of products.
- \_\_\_\_\_ 16. In its role as regulator, the U.S. government makes laws that protect consumers, workers, and businesses.
- \_\_\_\_\_ 17. The Federal Trade Commission assists businesses in establishing trade relations with other countries.
- \_\_\_\_\_ 18. Charitable organizations and other non-profit businesses do not earn income.
- \_\_\_\_\_ 19. Although Ben and Jerry's Homemade Inc. contributes part of its pre-tax income to charitable and environmental causes, the company is a for-profit business.
- \_\_\_\_\_ 20. In business, ethics are guidelines for good behavior.

## Multiple Choice

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

- \_\_\_\_\_ 21. In a market economy, who decides how products are produced?
  - a. businesses
  - b. consumers
  - c. government
  - d. labor
  
- \_\_\_\_\_ 22. In a market economy, who decides whether a business will survive or fail?
  - a. the government
  - b. the business itself
  - c. the consumers
  - d. the competitors
  
- \_\_\_\_\_ 23. In economic terms, land, labor, and capital refers to
  - a. infrastructure
  - b. scarcity
  - c. factors of production
  - d. free enterprise system
  
- \_\_\_\_\_ 24. Which economy would best describe that of the U.S.?
  - a. mixed economy
  - b. traditional economy
  - c. market economy
  - d. command economy
  
- \_\_\_\_\_ 25. What is the organized way a nation provides for the needs and wants of its people?
  - a. capital
  - b. resources
  - c. purely command
  - d. economy
  
- \_\_\_\_\_ 26. Select the trade alliance that establishes guidelines for international trade.
  - a. WTO
  - b. NAFTA
  - c. EU
  - d. all the above
  
- \_\_\_\_\_ 27. During the Persian Gulf War, the U.S. placed a ban on all exports to Iran. What is another term for this ban?
  - a. protective tariff
  - b. quota
  - c. embargo
  - d. time draft
  
- \_\_\_\_\_ 28. The major trade benefit of contract manufacturing is called
  - a. inexpensive labor
  - b. less expensive merchandise
  - c. use of overseas facilities
  - d. all the above
  
- \_\_\_\_\_ 29. Key economic factors relevant to doing business in another country include
  - a. technology
  - b. language and symbols
  - c. foreign exchange rate
  - d. all the above
  
- \_\_\_\_\_ 30. Global Marketing strategies include which of the following?
  - a. language and symbols
  - b. multinationals
  - c. customization
  - d. quota
  
- \_\_\_\_\_ 31. What is the term for the struggle between companies for customers?
  - a. profit
  - b. promotion
  - c. surplus
  - d. competition
  
- \_\_\_\_\_ 32. Sales and rebates are examples of what market strategy?
  - a. price competition
  - b. low fares
  - c. competitive edge
  - d. roll backs

- \_\_\_\_ 33. What is the function of a licensing agreement?
- a. allows hairdressers and barbers to perform their services
  - b. protects corporations from deceptive investors
  - c. protects businesses and individuals from unauthorized copying
  - d. allows businesses to operate in areas previously zoned as residential
- \_\_\_\_ 34. In business, when does the potential for profit increase?
- a. as the competition increases
  - b. as the risk increases
  - c. as taxes decrease
  - d. as the marketing expenditure decreases
- \_\_\_\_ 35. What is the group that decides whether or not a business will survive?
- a. the consumers
  - b. the owners or board of directors
  - c. the government
  - d. the competing businesses
- \_\_\_\_ 36. What is the purpose of the Federal Reserve Board?
- a. provide loans to prevent businesses from failing
  - b. control the monetary supply
  - c. regulate trade with other countries
  - d. monitor business practices
- \_\_\_\_ 37. Chemicals at a certain manufacturing plant were improperly stored and caused employees to become ill. To what federal regulatory agency should the employees go to for help with this problem?
- a. Environmental Protection Agency
  - b. Security Exchange Commission
  - c. Federal Trade Commission
  - d. Occupational Safety and Health Admin.
- \_\_\_\_ 38. In 1970, which agency was established to protect human health and monitor air and water pollution?
- a. Environmental Protection Agency
  - b. Occupational Safety and Health Admin.
  - c. Food and Drug Agency
  - d. Equal Employment Opportunity Comm.
- \_\_\_\_ 39. How would you describe a company that voluntarily commits some of its income to helping the community?
- a. nonprofit organizations
  - b. socially responsible
  - c. ethical
  - d. consumer-oriented
- \_\_\_\_ 40. Which government agency limited the use of chlorine as a pesticide to trained professionals?
- a. Federal Trade Commission
  - b. Consumer Product Safety Commission
  - c. Occupational Safety and Health Admin.
  - d. Environmental Protection Agency

## Completion

*Complete each sentence or statement.*

41. In order to raise money for its own operation, a government can sell state-owned assets to private individuals in a process called\_\_\_\_\_.
42. The condition of a country's roads, its sewage system, and its telephone service are all part of its \_\_\_\_\_.
43. Jack LaMesa, owner of Tables R Us, would like to establish a foreign office and manufacturing plant in the country of Mongolia. The government of Mongolia does not allow foreign businesses to have full ownership of a business in its country. Currently, Jack is looking for a Mongolian businessperson with whom to set up a joint \_\_\_\_\_.
44. The three main types of trade barriers are tariffs, quotas and \_\_\_\_\_.
45. The price of one country's currency if you were to buy it with another country's currency is known as the \_\_\_\_\_.
46. Because they prevent competition, \_\_\_\_\_ are prohibited in a free enterprise system.
47. The function of business that involves money management is called \_\_\_\_\_.
48. Statements that reflect income from sales revenue and investments as well as cost and expenses of doing business are known as \_\_\_\_\_ and \_\_\_\_\_ statements.
49. The Occupational Safety and Health Administration is a governmental regulatory agency created to protect \_\_\_\_\_.
50. Federal and state governments set a minimum wage that businesses must pay their employees. The wage-setting is an example of government's role as a(n) \_\_\_\_\_.

**ch 3-6****Answer Section****TRUE/FALSE**

1. ANS: T
2. ANS: F
3. ANS: T
4. ANS: F
5. ANS: T
6. ANS: F
7. ANS: T
8. ANS: T
9. ANS: F
10. ANS: T
11. ANS: T
12. ANS: T
13. ANS: T
14. ANS: F
15. ANS: F
16. ANS: T
17. ANS: F
18. ANS: F
19. ANS: T
20. ANS: T

**MULTIPLE CHOICE**

21. ANS: A
22. ANS: C
23. ANS: C

24. ANS: A

25. ANS: D

26. ANS: D

27. ANS: C

28. ANS: D

29. ANS: C

30. ANS: C

31. ANS: D

32. ANS: A

33. ANS: C

34. ANS: B

35. ANS: A

36. ANS: B

37. ANS: D

38. ANS: A

39. ANS: B

40. ANS: D

## **COMPLETION**

41. ANS: privatization

42. ANS: infrastructure

43. ANS: venture

44. ANS: embargo

45. ANS: foreign exchange rate

46. ANS: monopolies

47. ANS: finance

48. ANS: profit, loss

49. ANS: workers

50. ANS: regulator