Chapter 1 Test

True/False

Indicate whether the statement is true or false.

1. If everyone in the world were rich, scarcity would not exist.

Multiple Choice

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

2. Factors of production include which of the following?
   a. land, labor, and capital
   b. technology products and entrepreneurship
   c. goods and services
   d. all of the products produced in an economy

3. The value of the next best alternative that has to be given up for the action that is chosen is the
   a. factor of production.
   b. trade-off.
   c. opportunity cost.
   d. productivity.

4. A company's office buildings are an example of capital.
   a. land.
   b. labor.
   c. entrepreneurship.

5. Economics is primarily concerned with which of the following?
   a. future costs of goods
   b. values and objectives of a society
   c. use of resources
   d. methods of production

6. Entrepreneurship refers to the ability to
   a. manage other people.
   b. adapt technology efficiently.
   c. start new businesses, introduce new products and processes, and improve management techniques.
   d. borrow capital successfully and expand an existing business to meet customer demand.

7.
What factor of production do these images illustrate?

a. labor  c. capital  
b. land  d. entrepreneurship

8. The need to make choices arises because
   a. some things are not limited.
   b. shortages are a constant situation.
   c. everything that exists is limited.
   d. people need to share their resources.

9. The basic problem of economics is
   a. scarcity.
   b. shortages.
   c. lack of choice.
   d. overabundance of resources.

10. To an economist, a want is
    a. something you do not have.
    b. something you must have to survive.
    c. something other than a basic survival need.
    d. something most people have.

11. As an economic term, land includes
    a. work people do.
    b. machinery.
    c. natural resources.
    d. knowledge.

12. What trade-off is involved when you buy a CD?
    a. exchanging time for money
    b. exchanging money for goods
    c. exchanging one service for another
    d. exchanging goods for services

13. The amount of military goods given up in a year is the opportunity cost for producing
14. Economic models are useful because they  
   a. show the way people react to changes in the economy.  
   b. provide every detail about a problem to be studied.  
   c. judge the value of economic events.  
   d. make testing hypotheses unnecessary.

15. Why can't economic models judge whether policies are good or bad?  
   a. Models are not good enough.  
   b. Judgments depend on values.  
   c. Models are not based on fact.  
   d. Economists do not test their hypotheses.

16. Different schools of economic thought exist because  
   a. economics deals with values.  
   b. political leaders determine economic theories.  
   c. personal beliefs influence how economists apply facts to theories.  
   d. economists evaluate different kinds of data.

17. Scarcity always exists because  
   a. stores cannot stock enough merchandise to keep up with customer demand.  
   b. factories sometimes have difficulty producing enough goods.  
   c. there is not enough of all goods and services to satisfy everyone's needs and wants.  
   d. natural disasters, such as hurricanes and floods, destroy goods and property.

18. A company's fleet of trucks represents which kind of factor of production?  
   a. land  
   b. labor  
   c. capital  
   d. machinery

19. Economists build economic models  
   a. to describe how a business should combine the factors of production to produce goods.  
   b. to help analyze the way the world works.  
   c. to find out how high teenage unemployment is.  
   d. to be able to use graphs to show how the economy works.

20. A car used by a messenger service is a type of  
   a. capital.  
   b. labor.  
   c. trade-off.
21. All the combinations of goods and services that can be produced in a given time with a fixed amount of resources are called
   a. factors of production.
   b. costs of production.
   c. opportunity costs.
   d. production possibilities.

22. What factor of production do these images illustrate?
   a. land
   b. labor
   c. capital
   d. entrepreneurship

Matching

Using Key Terms
Match each item with the correct statement below.

- a. economics
- b. labor
- c. goods
- d. capital
- e. factors of production
- f. productivity
- g. entrepreneurship
- h. scarcity
- i. services
- j. economic model

23. the amount of output that results from a given level of inputs
24. a situation in which people do not have enough resources to satisfy every desire
25. land, labor, capital, and entrepreneurship
26. the study of how individuals, families, businesses, and societies use limited resources to fulfill their unlimited wants
27. activities done for a fee
28. a simplified representation of the real world
29. manufactured goods used to make other goods and services
30. the work people do
31. the ability of individuals to start new businesses, introduce new products and processes, and improve management techniques
32. tangible items that people buy
Chapter 1 Test
Answer Section

TRUE/FALSE

1. F

MULTIPLE CHOICE

2. A
3. C
4. A
5. C
6. C
7. B
8. C
9. A
10. C
11. C
12. B
13. C
14. A
15. B
16. C
17. C
18. C
19. B
20. A
21. D
22. C
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