Principles of Business Marketing and Finance 1st edition Dansby Test Bank

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Chapter 1 Introduction to Business and Economics

MULTIPLE CHOICE

1. ____ is the term for all activities involved in developing and exchanging products.
   A. Business
   B. Entrepreneurship
   C. Economics
   D. Corporation

   ANS: A PTS: 1

2. The customer of a service business is often called a ____.
   A. customer
   B. consumer
   C. client
   D. None of the above.

   ANS: C PTS: 1

3. Anything that is bought or sold is called a(n) ____.
   A. item
   B. service
   C. business
   D. product

   ANS: D PTS: 1

4. Customers who purchase goods and services for their own use are called ____.
   A. individuals
   B. consumers
   C. purchasers
   D. groups

   ANS: B PTS: 1

5. ____ utility is added when a business changes the form of a good or service to make it more useful.
   A. Possession
   B. Time
   C. Form
   D. Place

   ANS: C PTS: 1

6. A ____ is anywhere buyers and sellers meet to buy and sell goods and services.
   A. store
   B. workplace
   C. restaurant
   D. market

   ANS: D PTS: 1

7. The difference between the income earned and the expenses incurred by a business during a specific period of time is called ____.

A. sales
B. profit
C. expenses
D. costs

ANS: B PTS: 1

8. A science that examines how goods and services are produced, sold, and used is called ____.
A. economics
B. social studies
C. biology
D. chemistry

ANS: A PTS: 1

9. A ____ economy is one in which economic decisions are based on a society's values, culture, and customs.
A. command
B. market
C. traditional
D. mixed

ANS: C PTS: 1

10. The law of ____ says that the price of a product is determined by the relationship of the supply of a product and the demand for the product.
A. supply and demand
B. physics
C. consumer behavior
D. business

ANS: A PTS: 1

MATCHING

Match the following terms with their definitions.
A. product
B. customer
C. labor
D. capital
E. trade-off
F. competition
G. need
H. service
I. standard of living
J. capital goods
K. economic system
L. scarcity
M. capitalism
N. opportunity cost
O. entrepreneurship

11. When an item is given up in order to gain something else.
12. Products businesses use to produce other goods.
13. Action or task that is performed, usually for a fee.

14. Anything that can be bought or sold.
15. Organized way in which a nation chooses to use its resources to create goods and services.
16. Actions taken by two or more businesses attempting to attract the same customers.
17. When demand is higher than the available resources.
18. Individual or group who buys products.
19. An economic system where the economic resources are privately owned by individuals rather than the government.
20. Level of material comfort measures by the goods, services, and luxuries available.
21. Work performed by people in businesses, also called *human resource*.
22. Willingness and ability to start a new business.
23. All the tools, equipment, and machinery used to produce goods or provide services.
24. The value of the next best option that was not selected.
25. Something a person must have to survive.

11.	ANS: E	PTS: 1
12.	ANS: J	PTS: 1
13.	ANS: H	PTS: 1
14.	ANS: A	PTS: 1
15.	ANS: K	PTS: 1
16.	ANS: F	PTS: 1
17.	ANS: L	PTS: 1
18.	ANS: B	PTS: 1
19.	ANS: M	PTS: 1
20.	ANS: I	PTS: 1
21.	ANS: C	PTS: 1
22.	ANS: O	PTS: 1
23.	ANS: D	PTS: 1
24.	ANS: N	PTS: 1
25.	ANS: G	PTS: 1

COMPLETION

26. A term for all the activities involved in developing and exchanging products is called ____________________.

    ANS: business

    PTS: 1

27. Customers who purchase goods and services for their own use are called ____________________.

    ANS: consumers

    PTS: 1

28. ____________________ is the difference between the income earned and the expenses incurred by a business during a specific period of time.

    ANS: profit

    PTS: 1

29. Something that a person desires but can live without is called a ____________________.

ANS: want

PTS: 1

30. A(n) ____________________ is anywhere buyers and sellers meet to buy and sell goods and services.

ANS: market

PTS: 1

31. Money earned in exchange for work is called ____________________.

ANS: wages

PTS: 1

32. The science that examines how goods and services are produced, sold, and are used is called ____________________.

ANS: economics

PTS: 1

33. ____________________ is the characteristics of a product that satisfy wants and needs.

ANS: utility

PTS: 1

34. A(n) ____________________ economy is one in which economic decisions are based on a society's values, culture, and customs.

ANS: traditional

PTS: 1

35. ____________________ goods are the products businesses use to produce other goods.

ANS: capital

PTS: 1

36. A(n) ____________________ economy is one in which the government makes all the economic decisions for its citizens.

ANS: command

PTS: 1

37. The process of choosing an option after evaluating the available information and weighing the costs and befits of the alternatives is called ____________________.

    ANS: systematic decision-making

    PTS: 1

38. A(n) ____________________ economy is one in which individuals are free to make their own economic decisions.

    ANS: market

    PTS: 1

39. A(n) ____________________ economy is one in which both the government and individuals make decisions about economic resources.

    ANS: mixed

    PTS: 1

40. The ____________________ is an economic principle that states the price of a product determined by the relationship of the supply of the product and the demand for a product.

    ANS: law of supply and demand

    PTS: 1

SHORT ANSWER

41. What is the basic economic problem?

    ANS:
    Individuals, businesses, and governments must constantly make choices about using limited resources to satisfy unlimited wants. This is known as the basic *economic problem*.

    PTS: 1

42. List three characteristics of a free enterprise system.

    ANS:
    (Any three) Private property, profit, economic freedom, voluntary exchange, and competition.

    PTS: 1

43. Why is competition an important factor in a free enterprise system?

    ANS:
    Competition is the action taken by two or more businesses attempting to attract the same customers. Because consumers have the freedom to choose the products and services they buy, businesses must work to win each consumer's business.

    PTS: 1

44. Explain how the market price for a product is determined.

ANS:
Higher demand generally results in higher prices, and lower demand results in lower prices. An increase in the supply of a product often lowers prices. When the supply of a product decreases, the price usually increases. The market price is determined at the point where supply equals demand for a product. This point is called equilibrium.

PTS: 1

45. What is a mixed economy?

ANS:
In a mixed economy, both the government and individuals make decisions about economic resources. A mixed economy has elements of both command and market economies.

PTS: 1

46. What are the five types of utility?

ANS:
Form, place, time, information, and possession.

PTS: 1

47. How are taxes an economic benefit of business?

ANS:
The taxes paid by businesses help pay for services that benefit the community and fund government activities.

PTS: 1

48. What are the four economic systems?

ANS:
Traditional economy, command economy, market economy, and mixed economy.

PTS: 1

49. What are the functions of business?

ANS:
The functions of business are production, finance, marketing, and management.

PTS: 1

50. What are market forces?

ANS:
Market forces are economic factors that affect the price, demand, and availability of a good or service. Market forces include supply and demand, the profit motive, and competition.

PTS: 1