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Lesson 1 - Exploring the World of Business and Economics

1. You prefer to purchase products from a certain retailer over others because it donates a percentage of its profits to community organizations. This demonstrates which benefit of studying business?
   a. improves your grades
   b. helps you choose a career
   c. helps you become a more influential community member
   d. increases your profits as a business owner

ANSWER: c

2. In business class you really enjoy learning about balance sheets and income statements and how those documents can help analyze a company's financial position. You decide you will major in accounting and become a certified public accountant. In this case, what you learned in business class helped you to do which of the following?
   a. learn how businesses earn profits
   b. make better investments
   c. be a more informed consumer
   d. choose a career

ANSWER: d

3. You would like to use some of your savings to purchase shares in a local company. You've narrowed your decision to two companies. You remember from your business class that it is better for a company to have a higher return on sales than a lower one. Which benefit of studying business does this understanding demonstrate?
   a. helps you be a more informed consumer and investor
   b. helps you understand how companies make bigger profits
   c. helps you understand financial ratios
   d. helps you increase your profits as a business owner

ANSWER: a

4. The vast majority of businesses in Canada have approximately how many employees?
   a. 100–200
   b. 200–500
   c. fewer than 100
   d. more than 500

ANSWER: c

5. Which of the following best demonstrates how studying business can help improve your career?
   a. you learn about financial management and analysis
   b. you learn about the environmental and social impacts of a business
   c. you learn about business and management best practices
   d. you learn about how businesses create products

ANSWER: c

6. In business class you learn that a leading manufacturer of kitchen products uses more expensive raw materials than its competitors, but as a result the products last much longer. Learning about trade-offs like this can help you in doing which of the following?
   a. choosing a career
   b. making a bigger profit
   c. becoming a more influential community member
   d. being a more informed consumer and investor

ANSWER: d

7. You supervise a team at work, but morale has been low lately. In business class you are learning about various techniques for motivating employees to perform at a higher level. After trying some of these techniques at work, you notice the team is performing better and customers are happier. As a result, upper management decides to put you in charge of an additional location. In this case, what you learned in business class helped you in doing which of the following?

a. becoming a more influential community member
b. making better investments
c. choosing your purchases wisely
d. improving your career

ANSWER: d

8. When a firm's sales revenues are greater than its expenses, what has the firm earned?

a. a profit
b. a loss
c. a financial resource
d. a factor of production

ANSWER: a

9. How can the relationship between sales and profits be written?

a. sales revenues + expenses = profit
b. profit – expenses = sales revenue
c. expenses + loss = sales revenue + profit
d. sales revenue – expenses = profit

ANSWER: d

10. During 2019, Luxury Jewellery Inc. had sales revenues of $1,500,000. This retailer also had expenses that totalled $800,000. What is the firm's profit or loss amount?

a. $2,300,000
b. $1,500,000
c. $800,000
d. $700,000

ANSWER: d

11. Which of the following is a benefit of business in society?

a. adding jobs to the community
b. using unsafe materials in manufacturing
c. avoiding taxes
d. offering defective products

ANSWER: a

12. In the course of a year, Canadian businesses pay billions of dollars in taxes to federal, provincial, and municipal governments. How does this benefit society?

a. by providing employment
b. by offering quality products
c. by creating health and safety risks
d. by improving quality of life

ANSWER: d

13. Aiden just graduated with a degree in business. The local insurance company has experienced tremendous growth and profits in the last three years. As a result, they are expanding, and Aiden immediately gets the opportunity to work in the claims department. If all goes well, he'll move up to management next year. This is an example of the insurance company providing what benefit to society?

a. quality products
b. payment of taxes
c. convenience for customers
d. increased employment

ANSWER: d

14. Under Armor uses a number of different fabrics in its clothing designed to be moisture wicking, regulate body temperature, or provide support. This is an example of providing what benefit to society?

a. offering valuable products
b. increasing employment
c. contributing to economic growth
d. improving quality of life

ANSWER: a

15. Merck, a global pharmaceutical company, donates its pharmaceuticals and vaccines in support of disaster relief and emergency situations worldwide through the Merck Medical Outreach Program (MMOP). This is an example of providing which benefit to society?

a. paying taxes
b. contributing to economic growth
c. providing employment
d. charitable giving

ANSWER: d

16. Canadian businesses contribute to communities in many different ways. Which of the following is NOT one of those ways?

a. paying taxes
b. providing employment
c. charitable giving
d. raising the standard of living

ANSWER: d

17. If Nike offers a variety of shoe styles, upgrades its shoes to last longer, and begins utilizing more environmentally friendly glues in its manufacturing process, this is an example of the company benefiting society in what way?

a. contributing to economic growth
b. promoting community development
c. providing employment
d. offering valuable products

ANSWER: d

18. The Dairy Diner's profits are down from the previous quarter. Which of the following would NOT be an explanation for the decrease in profits?

a. sales revenues stayed the same while expenses decreased
b. sales revenues stayed the same while expenses increased
c. sales revenues decreased while expenses stayed the same
d. sales revenues were less than expenses

ANSWER: a

19. GM once employed thousands of people in Ontario. For a variety of reasons GM closed factories or moved them to different locations. As a result, thousands of people were laid off and not able to find jobs that paid as well. This is an example of which of the following?

a. offering valuable products
b. social disruption
c. health and safety risks
d. community development

ANSWER: b

20. Oil- and gas-producing companies, eager to find additional sources of oil and gas, began using hydraulic fracturing, or “fracking,” to help stimulate the release of oil and gas underground. Fracking is controversial as the water and chemicals used in the process can contaminate ground and surface water. In addition, fracking may trigger earthquakes. Companies

that utilize fracking are likely to cause which social concern?

a. employment and health and safety risks
b. employment and environmental damage
c. environmental damage and social disruption
d. health and safety risks and environmental damage

ANSWER: d

21. The lawyer for a group of workers at a meat packing plant holds a news conference to discuss the high rate of injury experienced by these workers. This highlights which potential concern about the impact of business on society?

a. environmental damage
b. offering products that aren't valuable
c. health and safety risks
d. poor quality of life in the community

ANSWER: c

22. Many small communities attempt to block Walmart from opening new stores in their towns. Although a new Walmart location can add hundreds of jobs, it tends to increase traffic and drive "mom and pop shops" out of business. This is an example of which of the following?

a. health and safety risks
b. social disruption
c. community development
d. increased convenience

ANSWER: b

23. A new regulation requires the local coal plant to install filtering technology to reduce its carbon emissions by 50%. Purchasing the necessary equipment is too expensive for this business, forcing it to close the plant and lay off its 500 employees. Although the intent of the new regulation was to address potential environmental damage caused by the plant, because so many of its residents relied on jobs at the plant the closing of the business will likely cause which of the following in this community?

a. social disruption
b. economic growth
c. taxes
d. valuable products

ANSWER: a

24. An undercover investigation of large electronics manufacturing plants overseas revealed that employees often work in crowded conditions for long hours, and are exposed to a variety of hazardous chemicals. In addition, it was suspected that some of these chemicals are disposed of in nearby drainage pipes that lead to the sea. These are examples of which two concerns regarding the impact of business on society?

a. employment and environmental damage
b. social disruption and health and safety risks
c. quality of life and social disruption
d. health and safety risks and environmental damage

ANSWER: d

25. Increased competition from firms in other nations is an example of which factor in the business environment?

a. economic
b. global
c. technology
d. environmental

ANSWER: b

26. If you have trouble finding a job because the majority of businesses have falling revenues and profits, you are being

impacted by what factor of the business environment?

a. economic
b. competitive
c. global
d. employment

ANSWER: a

27. Even though the most recent recession ended several years ago, youth unemployment continues to be high. This is an example of youth being impacted by which factor of the business environment?

a. competitive
b. educational
c. economic
d. employment

ANSWER: c

28. For many years, HBO insisted that its current shows would be offered only via paid cable subscription. Partly because of the rise of Hulu, Netflix, and other on-demand viewing services, HBO launched its own HBO Go on-demand service. This is an example of HBO being influenced by what factor in the business environment?

a. competitive
b. social
c. environmental
d. global

ANSWER: a

29. Beginning in 2017 a large heating, ventilation, and air-conditioning company transferred manufacturing to Mexico, resulting in the elimination of 700 North American jobs. This move is in response to which type of changing factors in the business environment?

a. economic
b. environmental
c. technology
d. demographic

ANSWER: a

30. Your town's local hardware store has served the community for over 70 years. However, business has been way down ever since two big box hardware stores opened less than 10 minutes away. This local hardware store is looking to cut costs and increase marketing efforts as a response to which type of changing factors in the business environment?

a. environmental
b. economic
c. marketing
d. competitive

ANSWER: d

31. The increase of manufacturing in lower-wage countries like China is part of the reason prices for televisions have continued to decrease even as technology has improved. This is a benefit of which type of factors in the business environment?

a. economic
b. global
c. competitive
d. technology

ANSWER: b

32. Canada has lost hundreds of thousands of high-tech manufacturing jobs in the last decade, mainly to Asia. The result is that many Canadian workers have to update the skills needed for a successful career. This change is due to which type of factors in the business environment?

a. economic
b. social
c. technology
d. global

ANSWER: d

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33. Amazon is now one of the top retailers in Canada, even though it does not have any substantial physical retail presence. This illustrates the impact of which type of factors in the business environment?

a. economic	b. technology
c. competitive	d. global

ANSWER: b

34. Procter & Gamble added new fragrances to its laundry detergent line in an effort to appeal to a demographic who like to use fragrances in their homes. This is an example of which type of changing factors in the business environment?

a. technology	b. environmental
c. competitive	d. economic

ANSWER: a

35. In the last few years, there has been increasing competition from Chinese smartphone makers. Some Chinese-made smartphones are sold at prices well below those made by competitors Apple and Samsung, in part due to low labour costs. For US-based Apple, the increase of Chinese smartphone manufacturers will likely have an impact on all of the following type of factors EXCEPT which one?

a. economic	b. technology
c. social	d. competitive

ANSWER: c

36. Which of the following is the best example of how technology factors affect the business environment?

a. Even several years after the 2008 recession ended, several million people still faced long-term unemployment.

b. To keep up with one another, car companies now offer as standard many features that customers previously had to pay extra for.

c. The majority of electronics products are produced in factories in Asia.

d. The cost of a 32" flat-screen HDTV is less than half of what it was eight years ago.

ANSWER: c

37. An increase in marketing to different ethnic groups of consumers and an expected increase in education spending in Canada are examples of how which type of factors are impacting the business environment?

a. language	b. social
c. cultural	d. financial

ANSWER: b

38. Changing Canadian demographics create both opportunities and challenges. Which of the following will have a major impact on the business community in years to come?

a. more immigration	b. retiring baby boomers
c. fewer babies per family	d. more working from home

ANSWER: b

39. Which of the following scenarios most accurately describes Adam Smith's view of an economic system that best serves the interests of society?

a. Individuals are selected to fill certain positions within the economy of their nation according to the needs of the nation as a whole.

b. Markets are carefully regulated to ensure that all individuals within a nation are treated fairly and charged standardized prices.

c. Government scarcely exists in this country, and transactions are based on a system of barter, or trading goods for other goods.

d. Individuals in the country may pursue their own economic gain and self-interest by doing whatever is best for them.

ANSWER: d

40. Which of the following rights is a feature of laissez-faire capitalism?

a. right to own private property and resources

b. right to government wealth creation

c. right to own another person’s property

d. right to economic dominance

ANSWER: a

41. Capitalism stems from the theories of which eighteenth-century Scottish economist?

a. Adam Smith
b. Fidel Castro
c. Karl Marx
d. John Kenneth Galbraith

ANSWER: a

42. According to Adam Smith, what should be the role of government in a capitalistic society?

a. collective ownership of land and resources, distribution of goods and pay according to work done and owner of industries

b. to redistribute wealth by taxing the private sector, promote social objectives, and centrally plan the economy

c. limited to providing defence against foreign enemies, ensuring internal order, and furnishing public works and education

d. controlling interest in industry, distribution of resources, and promoting social objectives

ANSWER: c

43. The nationalization of key industries in countries such as Sweden and France is indicative of which type of economy?

a. socialist
b. communist
c. capitalist
d. nationalist

ANSWER: a

44. What is meant by Adam Smith’s idea of the “invisible hand”?

a. Individuals’ efforts to pursue their own interest may indirectly benefit society and the people in that society.

b. Instructing individuals to act in a way that benefits society will produce benefits for the individuals themselves.

c. In order for society to be productive, individuals must be guided by a government’s laws.

d. A competitive economy will provide the least amount of benefit for society.

ANSWER: a

45. Production in a communist country such as Cuba is planned based on which of the following?

a. government demands
b. consumer needs

c. demand for exports
d. demand for key natural resources

ANSWER: a

46. Although changes have occurred over the years, which of the following countries is historically considered to have a communist economy?

a. Denmark
b. Sweden
c. Japan
d. North Korea

ANSWER: d

47. Tim owns and operates his own small automobile repair shop. However, the prices he can charge are fixed, and he rents his land and building from the government. Most of his friends work for industries owned by the government, although they also enjoy a high level of social services. Tim’s country is most likely which type of economy?

a. market
b. communist
c. socialist
d. capitalist

ANSWER: c

48. What is the term used to describe the economy of Canada, which exhibits elements of both capitalism and socialism?

a. planned
b. nationalized
c. mixed
d. centralized

ANSWER: c

49. Alia works for a real estate development company that builds office complexes and leases them to private businesses and nonprofit organizations. Although her company owns the land upon which it builds and has the right to profits from its activities, it often has to navigate a variety of regulations, permits, and taxes whenever it starts a new development. Alia’s employer most likely operates in what kind of economy?

a. mixed
b. communist
c. socialist
d. laissez-faire

ANSWER: a

50. Perfect competition is characterized by which of the following?

a. many buyers and many sellers
b. few buyers and few sellers
c. few buyers and many sellers
d. a few companies that control the market

ANSWER: a

51. As a farmer, Gary is familiar with the economics of perfect competition. How is the price at which he sells his corn determined?

a. It is determined by Gary, because he has a product that many people want.
b. The price is determined by combining the actions of all buyers and all sellers together.
c. The government sets the price of the corn to level the playing field for everyone.
d. The price will be approximately 25 percent higher than what other farmers are selling the same corn for because Gary is an astute businessperson.

ANSWER: b

52. Which of the following describes the market situation in monopolistic competition?

a. sellers must differentiate their products from competitors

b. a few identical products are available
c. the same price is charged for all products
d. the government regulates prices

ANSWER: a

53. Although all casual clothing ultimately provides the same purpose, companies such as The Gap strive to make their brand seem unique from the many other brands available on the market. The market for casual clothing can best be characterized as which of the following?

a. pure competition
b. monopolistic competition
c. an oligopoly
d. a monopoly

ANSWER: b

54. In which of the following market situations (or industries) are there few sellers?

a. monopolistic competition
b. pure competition
c. monopoly
d. oligopoly

ANSWER: d

55. Which of the following industries would most likely have the characteristics of an oligopoly?

a. clothing
b. automobiles
c. cameras
d. makeup

ANSWER: b

56. Exxon Mobil and Shell are two of the relatively few sellers in the oil-refining industry. Due to the tremendous capital investment required to enter this industry, these companies are insulated significantly from the threat of new competitive entrants and thus have considerable control over price. What is this market situation referred to as?

a. a cartel
b. a pure market
c. a natural monopoly
d. an oligopoly

ANSWER: d

57. When Toyota experienced declining sales, it began offering price incentives to new car buyers. Nearly immediately, Ford and General Motors began similar promotions. Which of the following describes these businesses in this scenario?

a. They represent an oligopoly in which there are few sellers, and sellers often match the prices of competitors.
b. They are engaging in monopolistic competition in which there are many buyers as well as a relatively large number of sellers that differentiate their products from those of competitors.
c. They are engaging in pure competition, in which no single seller is powerful enough to affect prices.
d. They are engaging in monopolistic competition, in which the products are very similar.

ANSWER: a

58. What is stated by the law of demand?

a. as prices decrease, the quantity demanded decreases
b. as prices decrease, the quantity demanded increases
c. as prices increase, the quantity demanded increases
d. as prices increase, the quantity demanded stays the same

ANSWER: b

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59. What is stated by the law of supply?
    a. as prices decrease, quantity supplied increases
    b. if prices remain the same, quantity supplied decreases
    c. as prices increase, quantity supplied increases
    d. as prices decrease, quantity supplied remains the same

ANSWER: c

60. What is the term for a market or industry with only one seller?
    a. a monopoly
    b. an oligopoly
    c. monopolistic competition
    d. a perfect competitive market

ANSWER: a

61. In monopolistic competition, prices are set by which of the following?
    a. the government
    b. the buyer
    c. the seller
    d. the market

ANSWER: c

62. If all leading corporations in the soft-drink industry merged, forcing all smaller soft-drink companies out of business, which of the following would be created?
    a. pure competition
    b. monopolistic competition
    c. an oligopoly
    d. a monopoly

ANSWER: d

63. As a farmer of avocados, you operate in a market of only one seller. What is the key strategic consideration in running your business?
    a. to differentiate your product from that of your competitors
    b. to minimize your costs
    c. to match the pricing of the handful of other competitors in your market
    d. to set any price you want, because you control the majority of your industry

ANSWER: d

64. The price of computers drops by 20%. What is the most likely impact on supply and demand?
    a. demand down, supply down
    b. demand up, supply up
    c. demand down, supply up
    d. demand up, supply down

ANSWER: d

65. The price of gasoline increases by $1 per litre. What is the most likely impact on supply and demand?
    a. demand down, supply down
    b. demand up, supply up
    c. demand down, supply up
    d. demand up, supply down

ANSWER: c

66. As the price of beef increases, what is the impact on supply and demand?
    a. supply decreases, demand decreases
    b. supply decreases, demand increases

c. supply increases, demand increases
d. supply increases, demanded decreases

ANSWER: d

67. You manufacture construction equipment. The price of steel has increased by 30%, forcing you to increase the price of your equipment by the same amount. What is the likely effect?

a. demand will increase
b. demand will decrease
c. profits will increase
d. profits will decrease

ANSWER: b

68. As the price of jeans rises, how are manufacturers that make and sell jeans likely to respond?

a. decrease production and thus decrease the supply
b. increase production and thus increase the supply
c. do nothing to influence the available supply of jeans
d. discontinue producing jeans in favour of a different product

ANSWER: b

69. What is the term for the price at which the quantity demanded for a product is equal to the quantity produced?

a. market price
b. equality price
c. demand price
d. supply price

ANSWER: a

70. You live in a mixed economy and currently produce granola bars that are organic and non-GMO. As a result, consumers are willing to pay more for your product for others on the market. Based on the concept of supply and demand, how is this likely to affect your production planning?

a. You will leave production unchanged, but upgrade your packaging to differentiate from your competitors.
b. You will decrease production and hope the increased pricing allows you to cover costs.
c. You will increase production to take advantage of the higher prices.
d. You will decrease production, but also minimize costs of production to compete in this industry of perfect (or pure) competition.

ANSWER: c

71. As the price of pencils decreases, what are the manufacturers that make and sell pencils likely to do?

a. do nothing to influence the available supply of pencils
b. decrease production and thus decrease the supply
c. increase production to influence the demand for pencils
d. switch from producing pencils to producing pens

ANSWER: b

72. The price of pumpkins increases by 15% this year. According to the law of _________, we expect the quantity of pumpkins __________ to ________.

a. supply, supplied, increase
b. demand, demanded, increase
c. demand, supplied, decrease
d. supply, supplied, decrease

ANSWER: a

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73. What are the fluctuations in a nation's economy referred to as?

a. economic upheaval
b. inflation problem
c. business cycle
d. recession period

ANSWER: c

74. As Marina and her friends prepare to graduate from college, they are faced with numerous job offers that include starting salaries better than they could have imagined. Based on this information, what is the economy's most likely stage in the business cycle?

a. expansion
b. recession
c. trough
d. contraction

ANSWER: a

75. Which of the following do economists define as two consecutive three-month periods of decline in a country's gross domestic product?

a. repression
b. recession
c. trough
d. recovery

ANSWER: b

76. According to economists, what is inflation?

a. a general decrease in the level of prices
b. a general rise in the level of prices
c. when the economy grows two quarters in a row
d. a function of the size of the labour force

ANSWER: b

77. Which of the following would represent the healthiest economic scenario for Canada?

a. GDP expansion, unemployment at 5%, and 2% inflation
b. GDP contraction, unemployment at 6%, and 10% inflation
c. GDP contraction, unemployment at 4%, and 5% deflation
d. GDP expansion, unemployment at 10%, and 2% deflation

ANSWER: a

78. Which of the following best describes deflation?

a. a sign of economic health
b. scheduled by the nation's economists to make economic corrections
c. a general decrease in the level of prices
d. a decrease in the size of GDP for two quarters or more

ANSWER: c

79. CPI increased by 10% last month, alarming economists. This news is an indication of which of the following?

a. inflation may be spiralling out of control
b. deflation may be spiralling out of control
c. unemployment is decreasing quickly
d. GDP is increasing at a fast rate

ANSWER: a

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80. You see a trending article online mentioning that the unemployment rate has decreased by 2% in the last year. What does this mean?
   a. a smaller percentage of the nation's labour force is working compared to last year
   b. a bigger percentage of the nation's labour force is working compared to last year
   c. the country's population has increased
   d. GDP is contracting

ANSWER: b

81. If the size of the economy has grown for the last three quarters, but prices overall have dropped, which of the following is true?
   a. The economy is in a contraction phase and CPI is increasing.
   b. The economy is in an expansion phase and GDP is decreasing.
   c. The economy is in an expansion phase and CPI is decreasing.
   d. The economy is in a contraction phase and CPI is decreasing.

ANSWER: c

82. If the GDP has decreased in the last two years, which of the following is likely true?
   a. The economy is in a recession and unemployment rate is decreasing.
   b. The economy is in a recession and the unemployment rate is increasing.
   c. The economy is in a recovery phase and the unemployment rate is decreasing.
   d. The economy is in a contraction phase and the CPI is decreasing.

ANSWER: b

83. After several years of high unemployment rates, businesses are hiring more employees after reporting several quarters of increased profits. Which of the following is the economy likely in?
   a. recovery phase
   b. contraction phase
   c. a trough
   d. a peak

ANSWER: a