

Name _____

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

- 1) Which of the following statements is correct with regard to the opening case entitled "The Ups and Downs of Commodities"? 1) _____
- A) The steep decline in the price of oil caused many oil companies to put new oil sands projects on hold.
 - B) Unlike oil, palladium and palm oil have not fluctuated much in price during the past decade.
 - C) The Alberta oil sands become more profitable when oil prices decline.
 - D) The demand for commodities in China stayed high even during the recession of 2008.
 - E) The ups and downs in the prices of commodities provide low risk opportunities for profits for investors.
- 2) Profit is 2) _____
- A) double the amount the company pays in taxes.
 - B) the amount of sales minus 50 percent.
 - C) equal to the market value of shares in a company.
 - D) equal to total revenue minus cash expenses.
 - E) what remains after business expenses are subtracted from business revenues.
- 3) This week, Jessica's Variety Store had sales of \$4,000, employees were paid \$1,000, the cost of goods was \$1,500, and rent was \$500. Profit for the week was 3) _____
- A) \$2,000. B) \$1,000. C) \$4,000. D) \$3,000. E) \$1,500.
- 4) _____ is the difference between a business firm's revenues and its expenses. 4) _____
- A) Productivity
 - B) Profit
 - C) Cost of goods sold
 - D) Sales
 - E) Debt
- 5) Profit is 5) _____
- A) the market value of shares of stock in a company.
 - B) the level of expenses divided by the firm's assets.
 - C) gross revenue minus taxes a company pays.
 - D) what remains after business expenses are subtracted from business revenues.
 - E) gross sales minus taxes a company pays.
- 6) Examples of businesses include all of the following *except* 6) _____
- A) large corporations like Canadian Pacific or Alcan Aluminum.
 - B) one-person businesses, like barbershops.
 - C) non-profit organizations.
 - D) local supermarkets.
 - E) farms.

- 7) Most of the goods and services consumed in Canada are produced by _____
A) the Canadian government.
B) business firms.
C) countries in the European Union.
D) businesses in the U.S.
E) countries of the Pacific Rim.
- 8) Generally speaking, which one of the factors of production is most important? _____
A) Land
B) Capital
C) Entrepreneurship
D) Labour
E) None of these
- 9) An economic system is _____
A) a government decree that requires certain goods and services to be provided.
B) an agreement between countries that deal with free trade.
C) a long standing agreement between citizens and governments on how an economy is run.
D) a large government department that oversees how the economy is running.
E) the way in which a nation allocates its resources among its citizens.
- 10) The key difference between economic systems is _____
A) the structure of government.
B) who controls the banks.
C) the management of capital and labour.
D) the management of the factors of production.
E) who controls large industries like steel and auto manufacturing.
- 11) A nation's economic system is its way of _____
A) collecting taxes.
B) allocating resources among its citizens.
C) regulating business firms by government laws.
D) supplementing low-income families.
E) managing the money supply.
- 12) In terms of factors of production, Imperial Oil's crude oil reserves are an example of _____, while market forecasts are an example of _____.
A) information; natural resources
B) information; labour
C) labour; entrepreneurs
D) natural resources; information
E) capital; information
- 13) All of the following are factors of production *except* _____
A) capital.
B) labour.
C) natural resources.
D) technology.
E) entrepreneurs.

- 14) Entrepreneurs are important because they 14) _____
A) make lots of money.
B) are good at making decisions.
C) are good managers.
D) take risks to start new businesses.
E) are rich.
- 15) Labour includes 15) _____
A) only non-unionized employees.
B) only unionized employees.
C) only managers.
D) only workers who do physical work.
E) everyone in a business.
- 16) A factor that contributes *directly* to improving labour as a factor of production is 16) _____
A) programs that decrease unemployment.
B) increased purchasing power by employees.
C) creation of more manual-labour jobs.
D) free tuition at post-secondary educational institutions.
E) better education for more of the population.
- 17) Natural resources, as a factor of production for mining, are a practical consideration when a mining 17) _____
company considers
A) the profit that could be made from mining the ore.
B) the ease with which ore could be mined.
C) the amount of capital required to build the mine.
D) the number of customers who want to buy ore.
E) the number of miners available to mine the ore.
- 18) What is the difference between a command economy and a market economy? 18) _____
A) A command economy relies on centralized government control of the factors of production, while in a market economy supply and demand determine production and allocation decisions.
B) A command economy is found only in communist countries, while a market economy is found only in capitalist countries.
C) A command economy is more efficient than a market economy.
D) There really are no significant differences between a command economy and a market economy.
E) A market economy gives greater "life satisfaction" to people.
- 19) A command economy is 19) _____
A) one in which the government controls all or most factors of production.
B) the type of economy found in Australia and New Zealand.
C) one where there is a mix of government regulation and free enterprise.
D) one in which the market directs what is made and in what quantity.
E) one in which customers demand what new products are to be made.

- 20) The economic system in which producers and consumers control production and allocation decisions through supply and demand is called 20) _____
A) communism.
B) socialism.
C) a market economy.
D) privatization.
E) a centrally planned economy.
- 21) Which country would most likely have a command economy? 21) _____
A) Australia B) Japan C) Canada D) Cuba E) Germany
- 22) Which of the following is correct with regard to the communist economic system? 22) _____
A) The government owns and operates all sources of production.
B) The centralized planning emphasis on capital equipment and military hardware has caused declines in the prices of consumer goods.
C) Overall production expands rapidly because of central planning.
D) Most government-operated enterprises are very efficient because of central planning.
E) Government ownership of the means of production is only temporary.
- 23) Elizabeth wants to set up a consulting business that specializes in mathematical problem solving. Which of the following factors of production would she require? 23) _____
A) Labour
B) Information resources
C) Capital
D) Natural resources
E) All of these
- 24) Stanislav lives in a country where all the factors of production are owned by the government. The economic system in his country is 24) _____
A) communism.
B) socialism.
C) mixed market.
D) capitalism.
E) It is not possible to tell with the information provided.
- 25) "Embrace the opportunities and accept the risks" is a phrase that *best* characterizes the _____ attitude. 25) _____
A) socialist
B) capitalist
C) mixed market
D) communist
E) entrepreneurial
- 26) John lives in a country where producers and consumers control production and allocation decisions are made through the mechanism of supply and demand. John lives in a country with a _____ economy. 26) _____
A) privatized
B) communist
C) socialist
D) market
E) It is not possible to tell with the information given.

- 27) Something that would contribute *directly* to improving labour as a factor of production would be 27) _____
A) programs designed to decrease unemployment.
B) finding new oil reserves.
C) finding more efficient ways to produce products.
D) better education for more of the population.
E) increasing the purchasing power of employees.
- 28) Which of the following is correct with regard to the Entrepreneurship and New Ventures box 28) _____
entitled "A Shrine to Wine"?
A) Genuwine started by focusing on building wine cellars, but now most of its business is the actual production of wine.
B) Genuwine has resisted moving some of its operations to lower-cost countries.
C) Genuwine found that government agencies were not very helpful with advice on how to succeed.
D) Genuwine Cellars has very little competition for its products.
E) All these are correct.
- 29) What is the major source of capital for small businesses? 29) _____
A) Bank loans
B) Personal investment by owners
C) Sale of shares of stock
D) Venture capital firms
E) It is not known what the major source of capital is.
- 30) Which of the following is an example of a natural resource? 30) _____
A) Trained engineers
B) The mental and physical capabilities of people
C) Money
D) Land, water, and mineral deposits
E) Computer software
- 31) Which factor of production is Imperial Oil trying to increase when it spends large sums of money 31) _____
in an attempt to find new oil fields?
A) Information
B) Capital
C) Labour
D) Natural resources
E) Entrepreneurship
- 32) A major drawback to communism as an economic system is that 32) _____
A) people don't like communism.
B) production of goods and services is inefficient because of the lack of a profit incentive.
C) individuals contribute according to their ability.
D) government control of the factors of production is only temporary.
E) individuals receive economic benefits according to their needs.

- 33) Olga lives in a country where the government owns and operates selected major industries. The economic system in her country is most likely to be 33) _____
- A) deregulation.
 - B) socialism.
 - C) communism.
 - D) mixed market.
 - E) privatization.
- 34) Command economies are most likely to be found in 34) _____
- A) the newly emerging economies of southeast Asia.
 - B) communist and socialist nations.
 - C) Canada and the U.S.
 - D) Japan.
 - E) western European countries.
- 35) An economy that has a strong central government that controls labour, capital, and natural resources and has few entrepreneurs is a 35) _____
- A) free-enterprise economy.
 - B) oligopolistic economy.
 - C) market economy.
 - D) capitalist economy.
 - E) command economy.
- 36) Communism and socialism are 36) _____
- A) identical forms.
 - B) basic forms of market economies.
 - C) becoming more popular.
 - D) extreme opposites.
 - E) basic forms of command economies.
- 37) Sara lives in an economy where the government restricts the number of children she can give birth to. Sara lives in a _____ economy. 37) _____
- A) market
 - B) communist
 - C) capitalist
 - D) backward
 - E) mixed market
- 38) Mexico allows producers and consumers to make production and allocation decisions through the mechanism of supply and demand. Such a system is called 38) _____
- A) socialism.
 - B) a market economy.
 - C) privatization.
 - D) nationalization.
 - E) communism.

- 39) Cuba, North Korea, and Vietnam are all _____ economies. 39) _____
A) mercantile
B) market
C) mixed
D) communist
E) socialist
- 40) Socialist economies may stifle economic growth because 40) _____
A) they encourage excessive unionization of employees.
B) they are usually found in countries with cold climates.
C) they have too few regulations concerning product safety.
D) they are found in countries where people don't have many skills.
E) management positions in state-controlled industries are often filled on the basis of political considerations.
- 41) An economic system that permits private ownership and control of small businesses but where the government controls large critical industries is known as 41) _____
A) capitalism.
B) socialism.
C) communism.
D) mercantilism.
E) a mixed economy.
- 42) Which of the following statements is correct? 42) _____
A) The United States is a pure capitalist economy.
B) Many countries in the world have a purely communist economy.
C) A GlobeScan poll found that the greatest support for the free market economy was found among the citizens of India.
D) Under socialism, smaller businesses are often privately owned.
E) Sweden is the best example of a country with a pure socialist economy.
- 43) Socialism is best described as 43) _____
A) a kind of command economy in which the government owns and operates all industries.
B) an economy that is free from any regulation or planning.
C) a market economy in which markets decide what, when, and how much to produce.
D) an economic system with elements of market economy, but not a planned economy.
E) a kind of command economy in which the government owns and operates large critical industries.
- 44) Market economies have all of the following characteristics, *except* that they 44) _____
A) allow customers free choice.
B) allow businesses to charge whatever they want for their products and services.
C) encourage entrepreneurship by offering profits as an incentive.
D) require government intervention in order to prosper.
E) rely on markets, not governments, to decide what, when, and for whom to produce.

- 45) Canada is home to a(n) _____ economy. 45) _____
A) socialist
B) mixed market
C) market
D) command
E) oligopolistic
- 46) Socialism is best described as 46) _____
A) a type of command economy in which the government owns and operates large, critical industries.
B) a kind of command economy in which the government owns and operates all industries.
C) an economic system with elements of both a planned economy and a market economy.
D) a market economy in which markets decide what, when, and how much to produce.
E) None of these statements describe socialism.
- 47) Market economies are considered beneficial for small businesses because they 47) _____
A) allow small businesses to fail.
B) provide a central economic plan within which small businesses can easily prosper.
C) protect small businesses from the power of large corporations.
D) allow the business to do whatever it wants as long as it doesn't break the law.
E) provide small businesses with lots of government assistance and protection.
- 48) In which economic system will profit motivate entrepreneurs to use resources efficiently and to produce goods that consumers want? 48) _____
A) A barter economy
B) A market economy
C) A centrally planned economy
D) Socialism
E) Communism
- 49) Jose is from Guatemala. He is unsure about the nature of business in Canada. You point out that a typical business in Canada operates the same as a typical business in 49) _____
A) England.
B) Poland.
C) Peru.
D) Japan.
E) The People's Republic of China.
- 50) Which of the following is correct with respect to mixed market economies? 50) _____
A) The mixed market economy is the best type of economic system.
B) Very few countries have this type of system.
C) As a result of the financial crisis of 2008, there is a trend toward increased government regulation of business in mixed market economies.
D) There is a trend toward increased government ownership of business in mixed market economies.
E) They have features that are not found in either command or market economies.

- 51) The process of converting government-owned enterprises into enterprises owned by individuals or profit seeking firms is known as 51) _____
- A) privatization.
 - B) marketing.
 - C) socialism.
 - D) entrepreneurship.
 - E) deregulation.
- 52) The federal government sold the Lester B. Pearson International Airport in Toronto to a group of entrepreneurs, which then set up the Greater Toronto Airports Authority. This sale is an example of 52) _____
- A) socialism.
 - B) deregulation.
 - C) freedom of choice.
 - D) entrepreneurship.
 - E) privatization.
- 53) Which of the following is correct with respect to privatization? 53) _____
- A) The TNT Post Group in the Netherlands has been converted from private to government ownership.
 - B) Privatization is most likely to occur in communist countries.
 - C) The recession of 2008 accelerated the trend toward privatization.
 - D) Privatization has been a general trend during the last decade, but some countries are going in the opposite direction and pursuing nationalization instead.
 - E) Several companies have been nationalized in Canada in recent years.
- 54) The process by which control of a company is shifted from government to business is called 54) _____
- A) socialism.
 - B) government bailouts.
 - C) mercantilism.
 - D) nationalization.
 - E) privatization.
- 55) Which of the following is correct with respect to input and output markets? 55) _____
- A) Consumer buying patterns provide information that helps companies decide which products to produce.
 - B) In the input market, firms supply good and services in response to demand on the part of households.
 - C) Input and output markets exist only in communist countries.
 - D) Consumers are restricted in the companies they can work for.
 - E) In the output market, firms buy resources from households, which then supply those resources.
- 56) The role of government in our economic system includes all of the following *except* 56) _____
- A) customer.
 - B) regulator.
 - C) innovator.
 - D) competitor.
 - E) taxation agent.

- 57) Sandy is responsible for monitoring compliance with regulations in her company. She needs to know that the important areas of government regulation are 57) _____
- A) protecting social goals, upholding environmental regulations, and protecting shareholder rights.
 - B) protecting competition, protecting consumers, protecting social goals, and protecting the environment.
 - C) protecting competition and upholding environmental regulations.
 - D) protecting shareholder rights, and following business law.
 - E) protecting competition, protecting consumers, and upholding environmental regulations.
- 58) Madeline is responsible for answering questions about what her company can do under the Competition Act. Which one of the following is allowed under the Act? 58) _____
- A) Pricing products unreasonably low to eliminate competition
 - B) Forming a merger or a monopoly that lessens competition
 - C) The return of surpluses by credit unions to their members
 - D) Refusal to sell to a retailer who, in turn, sells the product significantly below the suggested retail price
 - E) Giving selective allowances and rebates to cover advertising expenses to specific retailers
- 59) Why are income taxes called progressive taxes? 59) _____
- A) Because the more one makes, a greater proportion of additional amounts is paid in income taxes
 - B) Because poorer people spend proportionally more on necessities
 - C) Because the more one progresses in a company, the more one pays in income taxes
 - D) Because they increase total consumption
 - E) Because the more one makes, the higher the income tax rate that is applied to one's entire income
- 60) Why are sales taxes called regressive taxes? 60) _____
- A) Because the more one makes, the lower the rate of sales tax that is applied to one's purchases
 - B) Because food and drugs are often exempt
 - C) Because they discourage the purchase of some products
 - D) Because poorer people pay a higher percentage of their income than richer people
 - E) Because it applies to sales taxes
- 61) Incentive programs are designed to 61) _____
- A) encourage families to move to depressed parts of the country.
 - B) encourage businesses to locate in depressed parts of the country.
 - C) encourage families to have more babies.
 - D) encourage businesses to make unprofitable products.
 - E) create "corporate welfare bums".
- 62) The textbook describes three main ways in which business can influence government policy. They are 62) _____
- A) trade associations, lobbyists, letters to the editors of newspapers.
 - B) advertising, trade associations, political contributions.
 - C) advertising, lobbyists, trade associations.
 - D) lobbyists, political contributions, advertising.
 - E) political contributions, letters to the editors of newspapers, advertising.

- 63) If a semiconductor firm is opening a new manufacturing facility in Canada and is looking for ways to better influence government policy in their industry, it could 63) _____
- A) ensure worker safety in its business facilities.
 - B) obtain export business for the new facility.
 - C) hire a lobbyist or join a trade association.
 - D) keep its manufacturing plants in Canada.
 - E) obtain a government contract for supplies and equipment.
- 64) As part of the Lobbyist Registration Act, lobbyists are required to 64) _____
- A) register with the Department of Finance.
 - B) register with the Registrar of Lobbyists.
 - C) meet with members of Parliament on a regular basis.
 - D) register with the Department of Consumer and Commercial Relations.
 - E) attend at least two sessions in the House of Commons each year.
- 65) Suppose that microelectronics manufacturers want to set up a trade association. They need to know that trade associations are allowed to do all of the following *except* 65) _____
- A) influence the kind of legislation that is passed.
 - B) publish newsletters featuring articles on new products.
 - C) allocate markets for their members.
 - D) arrange trade shows.
 - E) conduct training programs relevant to the industry.
- 66) Which law forbids most monopolies in Canada? 66) _____
- A) Consumer Protection Act
 - B) Lobbyists Registration Act
 - C) Fair Trade Act
 - D) Environmental Contaminants Act
 - E) Competition Act
- 67) When the government of Canada prevented the merger of the Royal Bank and the Bank of Montreal, this was an application of the _____ Act. 67) _____
- A) Consumer Protection
 - B) Bank Act
 - C) CRTC
 - D) Competition
 - E) Fair Trade
- 68) Nutrition labeling and claims are intended to provide consumers with information to aid them in the selection of a healthy diet aimed at reducing risk of premature illness and death due to diet-related chronic diseases. Insufficient labeling is violation of which act? 68) _____
- A) Advertising and Packaging Act
 - B) Textile Labeling Act
 - C) Weights and Measures Act
 - D) Food and Drug Act
 - E) Consumer Protection Act

- 69) Which of the following statements is *most* correct with respect to government in its role as regulator? 69) _____
- A) because of the move toward deregulation, federal and provincial governments have become less and less involved in regulating business activity.
 - B) The main areas of government regulation of business are achieving social goals, protecting consumers, and providing assistance to small business firms.
 - C) The government really has very little power in its role as regulator.
 - D) Studies have shown that government regulation reduces the effectiveness of business firms.
 - E) Business complains that the Competition Bureau is too slow in approving or denying merger plans.
- 70) Which Act prohibits cigarette advertising on billboards? 70) _____
- A) Fair Advertising Act
 - B) Food and Drug Act
 - C) Environmental Contaminants Act
 - D) Hazardous Products Act
 - E) Tobacco Act
- 71) When Labatt Brewing sales representatives gave money to store operators who agreed to not lower prices on some brands of beer, the company was prosecuted for engaging in _____ 71) _____
- A) bait-and-switch advertising.
 - B) selling mislabeled products.
 - C) a pyramid scheme.
 - D) a violation of the Beer Act.
 - E) resale price maintenance.
- 72) Which of the following is correct with respect to the issue of government taxation? 72) _____
- A) Progressive revenue taxes are harder on low-income people than on high-income people.
 - B) Restrictive taxes prevent businesses from expanding.
 - C) Revenue taxes are designed primarily to encourage people to buy certain kinds of goods and avoid buying other kinds.
 - D) Regressive revenue taxes are levied at the same rate regardless of a person's income.
 - E) All of the statements are correct.
- 73) John has just received a rather handsome increase in salary, but he is upset because he feels that he should not be charged a higher rate of tax on this extra money. John is being taxed by a _____ tax system. 73) _____
- A) federal
 - B) restrictive
 - C) provincial
 - D) regressive
 - E) progressive
- 74) G.S.T. is considered a regressive tax because 74) _____
- A) the more a person makes, the lower the rate of sales tax that is applied to that person's purchase.
 - B) food and drugs are often exempt.
 - C) it is unfair.
 - D) poorer people pay a higher percentage of their income than richer people.
 - E) it is designed to discourage the purchase of certain products.

- 75) The term "demand" refers to _____
A) the willingness and ability of businesses to sell a product or service.
B) the stock exchange.
C) the willingness of government to sell goods and services.
D) the willingness and ability of buyers to purchase a product or service.
E) the willingness of buyers to accept high prices for high quality goods.
- 76) The law of demand states that _____
A) buyers will purchase more of a product as the price falls.
B) producers will offer more of a product as the price falls.
C) producers will offer more of a product as the price rises.
D) buyers will purchase more of a product as the price rises.
E) demand and supply meet at an equilibrium point.
- 77) The law of supply states that _____
A) demand and supply meet at an equilibrium point.
B) buyers will purchase more of a product as the price rises.
C) producers will offer more of a product as the price falls.
D) producers will offer more of a product as the price rises.
E) buyers will purchase more of a product as the price falls.
- 78) Ian, the owner of 5-for-1 Pizza, has noticed that when he increases the price of his pizzas by \$2.00, the number of pizzas that he sells drops by 30 percent. Ian has discovered _____
A) the law of supply and demand.
B) the supply curve.
C) the law of demand.
D) the law of supply.
E) the demand curve.
- 79) Kristine discovered that when she dropped the price of her paintings, more people were asking her to create paintings for them. Kristine is experiencing _____
A) the law of supply.
B) the law of supply and demand.
C) the law of demand.
D) economic justice.
E) market price variations.
- 80) A demand and supply schedule _____
A) is a formula by which one determines market equilibrium.
B) allows assessment of the relationship between different levels of demand and supply at different prices.
C) describes the supply for a product.
D) describes the demand for a product.
E) is the contractual agreement made between the buyer and seller.
- 81) Which term is used to identify the willingness and ability of buyers to purchase a product? _____
A) Profits B) Demand C) Prosperity D) Obligation E) Wealth

- 82) A producer of automobile batteries notes that the price of batteries has risen over each of the past three years. The firm decides to expand its battery production. This illustrates 82) _____
- A) the law of market price.
 - B) the law of supply and demand.
 - C) the law of supply.
 - D) the law of demand.
 - E) the law of equilibrium.
- 83) A producer of televisions is experiencing difficulty in selling its products. A corporate decision is made to lower the price, anticipating that sales will increase as a result of the lower price. This illustrates 83) _____
- A) the law of market price.
 - B) the law of equilibrium.
 - C) the law of supply.
 - D) the law of supply and demand.
 - E) the law of demand.
- 84) The point at which the quantity of a product or service demanded is the same as the quantity supplied is called 84) _____
- A) the equilibrium point.
 - B) the profit point.
 - C) the demand point.
 - D) the surplus point.
 - E) the supply point.
- 85) On a graph showing the supply curve and the demand curve, the point at which the two curves intersect is called 85) _____
- A) the equilibrium price.
 - B) the break-even point.
 - C) the law of demand.
 - D) the crossover.
 - E) the profit point.
- 86) At the point where the supply curve crosses the demand curve on a graph, it could be said that 86) _____
- A) a shortage will result if the price is too low.
 - B) no sales will be made.
 - C) no profits will be made.
 - D) a surplus will result if the price is too low.
 - E) all products offered for sale will be sold.
- 87) The points on a curve showing the relationship between the price of a good or service and the quantity of that good or service willing to be produced is known as the 87) _____
- A) balance curve.
 - B) variable price curve.
 - C) supply curve.
 - D) demand curve.
 - E) equilibrium curve.

- 88) The points on a curve showing the relationship between the price of a good or service and the quantity of that good or service which customers will purchase is known as the 88) _____
- A) supply curve.
 - B) variable price curve.
 - C) balance curve.
 - D) demand curve.
 - E) equilibrium curve.
- 89) Equilibrium in the market is attained when 89) _____
- A) the laws of supply and demand interact to set the price and quantity of a product at which buyers and sellers agree.
 - B) there are no dramatic changes in the market over time.
 - C) consumers are willing to pay the price being charged.
 - D) no single firm has more than 50 percent of the market.
 - E) suppliers are willing to produce the quantity demanded.
- 90) If the equilibrium point of 5-for-1 Pizza is 2 000 pizzas per week and \$10.00 per pizza, and the owner decides to make 2 200 pizzas and sell them at the same price, what is the likely outcome? 90) _____
- A) The business will have a surplus.
 - B) The business will have a shortage.
 - C) The business will make more profit.
 - D) The business will have less expenses and also have greater profit.
 - E) The business will have less expenses but no more profit.
- 91) 5-for-1 Pizza is operating at the point where the supply curve intersects the demand curve. If the owner decides to increase the price and not change the production level, what will result? 91) _____
- A) A shift in the demand curve
 - B) A shift in the supply curve
 - C) A shortage
 - D) More profit
 - E) A surplus
- 92) The market research department of BSX Corp. estimated that 5 000 CDs would be purchased at a price of \$8.00 each. As it turned out, the demand was 6 000. The company is in a(n) _____ condition. 92) _____
- A) shortage
 - B) depression
 - C) growth
 - D) inflation
 - E) surplus
- 93) If the market for chocolate was at the equilibrium point and suddenly half of the chocolate in the world disappeared, what would be the immediate effect? 93) _____
- A) The price would increase due to a shortage.
 - B) The price would increase due to a surplus.
 - C) The price would decrease due to market equilibrium.
 - D) The price would decrease due to a surplus.
 - E) There would be no change in either price or demand.

- 94) Which of the following is correct with respect to the issue of supply and demand? 94) _____
- A) A supply curve shows that businesses will supply more units of a product, but will lower the level of product quality.
 - B) When the quantity demanded exceeds the amount supplied, businesses shut down.
 - C) It is difficult to achieve an equilibrium price.
 - D) A demand curve shows that consumers usually demand products of higher quality.
 - E) None of the statements are correct.
- 95) An exchange process between buyers and sellers of a particular good or service is known as 95) _____
- A) bartering.
 - B) supply utility.
 - C) mercantilism.
 - D) a market.
 - E) economic trade.
- 96) Tim won \$50 000 on a Lotto 649 ticket and now he wants to buy a Harley Davidson. The term used to identify his willingness and ability to purchase the motorcycle is 96) _____
- A) demand.
 - B) obligation.
 - C) windfall profits.
 - D) unanticipated wealth.
 - E) money supply.
- 97) What is "demand"? 97) _____
- A) The idea that buyers will purchase more of a product as the price drops
 - B) The idea that producers will offer more of a product as the price rises
 - C) The price and quantity of a product at which the quantity demanded is equal to the quantity supplied
 - D) The willingness and ability of buyers to purchase a product
 - E) None of these
- 98) What is "supply"? 98) _____
- A) The idea that buyers will want less of a product as the price increases
 - B) The idea that sellers will sell more of a product as the price increases
 - C) The price and quantity of a product at which the quantity demanded is equal to the quantity supplied
 - D) The willingness and ability of producers to offer a good or service for sale
 - E) None of these
- 99) In the production of wheat, the law of demand 99) _____
- A) reflects the farmer's desire to increase wheat production.
 - B) states that at very high prices, there will be no supply.
 - C) refers to the exchange process between the farmer and the buyer of wheat.
 - D) comes into play when farmers produce a bumper crop of wheat.
 - E) states that buyers will purchase more wheat as the price decreases.

- 100) In economic terms, a "market" is _____
A) the physical location (for example, a grocery store) where exchanges take place between buyers and sellers.
B) located where buyers can most easily access it.
C) available in capitalist nations, but not in communist nations.
D) an exchange process between sellers and buyers.
E) All of these
- 101) A producer of automobile batteries notes that the price of batteries has risen in each of the past three years. The firm decides to expand its battery production. This illustrates _____
A) price gouging by the manufacturer.
B) economic activity in a planned economy.
C) the law of demand.
D) equilibrium pricing in the marketplace.
E) the law of supply.
- 102) What is likely to happen when demand for a commodity is high? _____
A) Consumers will try to find substitutes for the commodity.
B) The price of substitute commodities will increase.
C) The price of the commodity will rise.
D) Criminal behaviour increases with regard to the commodity (e.g., stealing).
E) All of these statements are correct.
- 103) Tom, a real estate agent, wants to convince a potential customer where the price should be set to sell their home. Tom could use a _____
A) demand curve.
B) supply curve.
C) property analysis.
D) demand and supply schedule.
E) variable cost curve.
- 104) A demand and supply schedule _____
A) describes the demand for a product.
B) is the contractual agreement made between a buyer and a seller.
C) is a formula used to determine the market equilibrium price.
D) allows a person to assess the relationship between different levels of demand and supply at different prices.
E) all of the statements are correct.
- 105) A new sales tax has the effect of shifting the supply curve upward. This will generally move the equilibrium point _____
A) down and to the right.
B) up and to the left.
C) up and to the right.
D) down and to the left.
E) It has no effect on the equilibrium point.

- 106) On a graph showing the supply curve and the demand curve, the point at which the two curves intersect is referred to as 106) _____
- A) the demand point.
 - B) the break-even point.
 - C) the equilibrium price.
 - D) the supply point.
 - E) The answer cannot be determined given the information provided.
- 107) The price at which the quantity of a product willing to be purchased by customers and the quantity of product willing to be made by a producer are equal is known as 107) _____
- A) the balanced price
 - B) the oligopoly price.
 - C) the elastic price.
 - D) the break-even price.
 - E) either the market price or the equilibrium price.
- 108) If the equilibrium point of Joe's Pizza Palace is 2,000 pizzas sold at \$10.00 per pizza, and Joe decides to make 2,200 pizzas and sell them at the same price, what is the likely outcome? 108) _____
- A) Joe will make less profit.
 - B) Joe will increase his expenses.
 - C) Joe will increase his expenses and make less profit.
 - D) Joe will make more profit.
 - E) Joe will increase his expenses and make more profit.
- 109) Which of the following statements is correct with regard to the Business Accountability box entitled "The High Price of High Prices"? 109) _____
- A) When the price of a commodity increases, the price of substitute commodities will decrease.
 - B) Consumers are reluctant to try substitutes for a commodity, even when the price of that commodity increases.
 - C) The increased emphasis on biofuels has relieved the world's food shortage problem.
 - D) When the price of a commodity rises, criminal behaviour increases (e.g., stealing).
 - E) All of these statements are correct.
- 110) Private enterprise requires which four elements to function effectively? 110) _____
- A) Communism, capitalism, socialism and privatization
 - B) Supply, demand, equilibrium and monopoly
 - C) The right to product safety, consumer choice, freedom of information, and no government intervention in business
 - D) Private property rights, freedom of choice, profits and competition
 - E) Land, labour, capital, and entrepreneurship
- 111) A few years ago, General Motors decided to develop a new car, the Saturn. Sally checked it out at her local dealership and decided to buy one. We can conclude that 111) _____
- A) Sally exercised her freedom of choice.
 - B) General Motors exercised its freedom of choice.
 - C) both General Motors and Sally exercised their freedom of choice.
 - D) this example doesn't relate to freedom of choice.
 - E) neither General Motors nor Sally exercised their freedom of choice.

- 112) The four degrees of competition include all of the following *except* 112) _____
A) pure competition.
B) pure monopolistic competition.
C) monopolies.
D) monopolistic competition.
E) oligopolies.
- 113) An outcome of competition is that business firms 113) _____
A) can drop out of the pricing war unnoticed.
B) develop a monopoly.
C) reduce their need for expansion capital.
D) must operate efficiently.
E) have unrestricted access to natural resources.
- 114) Which of the following motivates an entrepreneur to operate his or her business efficiently? 114) _____
A) Private property rights
B) Competition
C) Freedom of choice
D) The right to vote
E) Privatization
- 115) Brown Company wants to have an advantage over its competitors. To gain this advantage it must 115) _____
develop a product that is either _____ or of _____ than that of the competition.
A) higher priced; equal quality
B) priced the same; equal quality
C) lower priced; higher quality
D) lower priced; equal quality
E) priced the same; lower quality
- 116) When individual firms are small and the number of firms is large, this describes which degree of 116) _____
competition?
A) Perfect competition
B) Selective competition
C) Monopolistic competition
D) Monopoly
E) Oligopoly
- 117) Bob owns the St. Paul Street one-stop convenience store, one of 300 convenience stores in his 117) _____
region. Which degree of competition is Bob involved in?
A) Oligopoly
B) Monopoly
C) Perfect competition
D) Oligopolistic competition
E) Monopolistic competition
- 118) In a market with perfect competition 118) _____
A) there are very few sellers.
B) price is set by supply and demand.
C) products have very few similarities.
D) buyers and sellers do not know the price structure of the market.
E) firms are relatively large.

- 119) Which one of the following is the *best* example of perfect competition? 119) _____
- A) Soft drink industry
 - B) Agricultural industry
 - C) Automobile industry
 - D) Utility industry
 - E) Clothing industry
- 120) McDonnell Douglas, a manufacturer of large commercial aircraft, raises its prices of aircraft by 10 percent. Boeing, another manufacturer of large commercial aircraft, raises its prices by 9 percent. Airbus, a third manufacturer of large commercial aircraft, follows with an increase of 9.5 percent. Each of these companies is practicing a type of pricing strategy characteristic of 120) _____
- A) perfect competition.
 - B) an oligopoly.
 - C) monopolistic competition.
 - D) a monopoly.
 - E) controlled competition.
- 121) In a given national market, only five firms make and distribute little red wagons. This illustrates which degree of competition? 121) _____
- A) Oligopoly
 - B) Selective competition
 - C) Perfect competition
 - D) Monopolistic competition
 - E) Monopoly
- 122) Competition like that between Tide and Cheer, Coke and Pepsi, and Sears and Ralph Lauren is 122) _____
- A) monopolistic competition.
 - B) oligopolistic competition.
 - C) oligopoly.
 - D) perfect competition.
 - E) monopoly.
- 123) Which of the following businesses has a natural monopoly? 123) _____
- A) A Chapters bookstore
 - B) Your provincial electric company
 - C) Via Rail
 - D) De Beers Diamonds
 - E) Pepsi
- 124) Bailey Wear manufactures children's clothing. The company is able to set its prices higher than its competitors because of the fine material it uses and the attention it pays to the quality of the sewing. Bailey Wear is operating in a competitive environment of 124) _____
- A) monopolistic competition.
 - B) oligopoly.
 - C) oligopolistic competition.
 - D) perfect competition.
 - E) monopoly.

- 125) Competition in which there are many buyers, a lot of product differentiation, and relative ease of entry or exit of the market is known as 125) _____
- A) oligopoly.
 - B) monopoly.
 - C) oligopolistic competition.
 - D) monopolistic competition.
 - E) perfect competition.
- 126) How does monopolistic competition differ from perfect competition? 126) _____
- A) Monopolistic competition is found mostly in communist countries.
 - B) In a perfectly competitive market, products are more dissimilar.
 - C) There are more sellers in a market characterized by monopolistic competition.
 - D) In a market characterized by monopolistic competition, individual firms have some control over price.
 - E) None of these statements are correct.
- 127) Which of the following is correct regarding monopolistic competition? 127) _____
- A) Products are differentiated.
 - B) Competitors can enter and leave the market easily.
 - C) Competitors may be large or small.
 - D) There are many competitors in the industry.
 - E) All of these statements are correct.
- 128) Which of the following is correct regarding monopolistic competition? 128) _____
- A) Prices vary from one competitor to the next, but products are very similar.
 - B) Both products and prices differ from one competitor to the next.
 - C) Prices are similar but products can be differentiated.
 - D) Prices and products are very similar.
 - E) None of these
- 129) _____ exists when an industry has a handful of sellers, most of which are large. 129) _____
- A) A monopoly
 - B) Perfect competition
 - C) An oligopoly
 - D) A natural monopoly
 - E) Monopolistic competition
- 130) Which of the following is the best definition of an oligopoly? 130) _____
- A) An industry with many buyers, but only one seller
 - B) An industry with many buyers and many sellers; sellers have no control over price
 - C) An industry with only a handful of sellers, most of which are large
 - D) An industry with only one buyer, but many sellers
 - E) An industry with many buyers and many sellers; sellers have some control over price
- 131) When there are a handful of very large sellers, market entry is difficult, and a company can have a major impact on the product price, this is a situation known as _____. 131) _____
- A) oligopoly.
 - B) monopoly.
 - C) free market enterprise.
 - D) perfect competition.
 - E) monopolistic competition.

- 132) The airline, automobile, and steel industries illustrate what type of competition? 132) _____
A) Free market enterprise
B) Monopolistic competition
C) Perfect competition
D) Monopoly
E) Oligopoly
- 133) General Motors lowers its price of cars by 10%. Ford matches GM's price decrease. Each of these companies is practicing a type of pricing strategy characteristic of _____. 133) _____
A) monopolistic competition.
B) perfect competition.
C) controlled competition.
D) a monopoly.
E) an oligopoly.
- 134) In the market for breakfast cereals, a few large producers, such as General Mills, Post, Quaker, and Kellogg, dominate the market. This best describes which of the following? 134) _____
A) Monopolistic competition
B) Oligopoly
C) Monopoly
D) Limited cartel
E) Perfect competition
- 135) In an oligopoly, when one firm reduces its prices, how do the other firms of the industry usually react? 135) _____
A) Other firms may not even be aware that a change in price has taken place.
B) Others may reduce their prices too, but very gradually over time.
C) There is no reaction by any of the other firms.
D) Others reduce their prices, usually quite quickly.
E) It is impossible to predict what will happen.
- 136) Market economies that rely on a private enterprise system maintain that the creation of wealth should be the concern of 136) _____
A) work teams.
B) individuals.
C) labour unions.
D) the government.
E) business firms.
- 137) _____ must be present if companies are going to be motivated to offer consumers lower prices. 137) _____
A) Government regulations
B) Freedom of choice
C) Profits
D) Competition
E) Freedom of choice and competition

- 138) A motive to start a business is _____, while _____ creates the need to run the business efficiently. 138) _____
- A) profit; pride
 - B) profit; competition
 - C) competition; profit
 - D) profit; government
 - E) money; government
- 139) Individual ownership of property is a key element in 139) _____
- A) a planned economy.
 - B) the private enterprise system.
 - C) the factors of production.
 - D) socialism.
 - E) communism.
- 140) One outcome of competition is that business firms 140) _____
- A) have unrestricted access to natural resources.
 - B) can ignore "price wars".
 - C) usually develop a monopoly.
 - D) must operate efficiently.
 - E) reduce their need for expansion capital.
- 141) What provides the motivation for an entrepreneur to operate his or her business efficiently? 141) _____
- A) Private property rights
 - B) The right to vote
 - C) Freedom of choice
 - D) Competition
 - E) Privatization
- 142) In a(n) _____ situation, individual firms are small and the number of such firms is large. 142) _____
- A) oligopoly
 - B) monopoly
 - C) mixed market
 - D) monopolistic competition
 - E) perfect competition
- 143) Computers B Us is a manufacturer of customized microcomputers. They are able to set their prices higher than competitors because they can assemble a computer to a customer's exact specifications. Computers B Us is operating in a competitive environment of 143) _____
- A) perfect competition.
 - B) monopolistic competition.
 - C) oligopolistic competition.
 - D) oligopoly.
 - E) monopoly.
- 144) In a market with pure competition 144) _____
- A) products have very few similarities.
 - B) there are very few sellers.
 - C) price is set by supply and demand.
 - D) firms are relatively large.
 - E) the buyers and sellers do not know the price structure of the other party.

- 145) Ontario Hydro operates in a situation of 145) _____
A) pure competition.
B) monopolistic competition.
C) fair competition.
D) monopoly.
E) oligopoly.
- 146) A situation where there are many buyers, a lot of product differentiation, and relative ease of entry or exit of the market is known as 146) _____
A) monopoly.
B) monopolistic competition.
C) oligopoly.
D) oligopolistic competition.
E) pure competition.
- 147) Harcourt Corporation is one of only five firms that make and distribute playground equipment. This illustrates which degree of competition? 147) _____
A) Monopolistic competition
B) Oligopoly
C) Selective competition
D) Monopoly
E) Pure competition
- 148) Competition in which there are a handful of very large sellers and market entry is difficult is known as 148) _____
A) monopoly.
B) pure competition.
C) oligopoly.
D) monopolistic competition.
E) None of these.
- 149) The Gap makes their products appear to be slightly different from those of their competitors by tactics such as brand names. Their degree of competition is 149) _____
A) monopolistic competition.
B) oligopoly.
C) monopoly.
D) pure competition.
E) None of these.
- 150) Great Lakes Power is the only company that supplies power to rural areas. What situation would the company be in? 150) _____
A) Oligopoly
B) Pure competition
C) Monopoly
D) Monopolistic competition
E) None of these

- 151) Tide, Pepsi, Guess, and Body Shop are all corporations involved in which type of competition? 151) _____
A) Oligopoly
B) Pure competition
C) Monopolistic competition
D) Equilibrium
E) None of these
- 152) What are the conditions for an oligopoly? 152) _____
A) All firms must be small and the number of firms small.
B) All firms in a given industry must be small and the number of firms large.
C) All firms must be large and the number of firms small.
D) All firms must be large and the number of firms large.
E) There is no such condition as oligopoly.
- 153) What is a "natural" monopoly? 153) _____
A) One where government finds it "natural" to grant monopoly powers to certain business firms such as consumer products companies
B) A situation where one company can most efficiently supply all the product or service that is needed by consumers
C) One that occurs without any business firm trying to achieve it, i.e., it just happens because the business does things right
D) One that occurs when a business firm sets out to achieve a monopoly and no other firm tries to stop it
E) There is no such thing as a natural monopoly.
- 154) The Industrial Revolution refers to 154) _____
A) development of the Entrepreneurial era.
B) a major change in the production of goods that began in England in the mid 1700s.
C) development of the Internet era.
D) fur and fishing industry in Canada in the 1500s.
E) none of the above.
- 155) Of the following periods, which came first? 155) _____
A) Entrepreneurial Era
B) Global Era
C) Marketing Era
D) Industrial Revolution
E) Production Era
- 156) In his book, *The Wealth of Nations*, Adam Smith maintained that the creation of wealth should be the concern of 156) _____
A) heavenly powers.
B) individuals and firms.
C) students.
D) all citizens.
E) the government.

- 157) What basic argument did Adam Smith make in his book, *The Wealth of Nations*? 157) _____
- A) National wealth was created fastest by the mercantile system.
 - B) Socialism is the best economic system.
 - C) Someone will be more successful in business if he or she is a leader and true entrepreneur.
 - D) Government should not interfere in the economy, but should let businesses function without regulation or restriction.
 - E) The government should own the means of production.
- 158) Adam Smith, author of *The Wealth of Nations*, argued that a society's interests would be best served by 158) _____
- A) monopolies.
 - B) the political parties.
 - C) communism.
 - D) socialism.
 - E) private enterprise.
- 159) Which of the following arrangements of eras most accurately reflects the history of business in Canada, from earliest to most recent? 159) _____
- A) Industrial Revolution, Production Era, Entrepreneurial Era, Marketing Era, Internet Era, Global Era
 - B) Production Era, Industrial Revolution, Entrepreneurial Era, Marketing Era, Global Era, Internet Era
 - C) Entrepreneurial Era, Industrial Revolution, Global Era, Marketing Era, Internet Era, Production Era
 - D) Industrial Revolution, Entrepreneurial Era, Production Era, Marketing Era, Global Era, Internet Era
 - E) Marketing Era, Entrepreneurial Era, Industrial Revolution, Marketing Era, Global Era, Internet Era
- 160) The _____ philosophy says that the government should not interfere in the economy, but should instead let business function without regulation according to its own "natural" laws. 160) _____
- A) laissez-faire
 - B) natural selection
 - C) invisible hand
 - D) entrepreneurship
 - E) market economy
- 161) During the Entrepreneurial Era, businesses were allowed to run without regulation under the philosophy of _____ 161) _____
- A) laissez-faire.
 - B) antitrust.
 - C) specialization of labor.
 - D) socialism.
 - E) mass production.
- 162) Scientific management practices focus on 162) _____
- A) increasing efficiency.
 - B) increasing job quality by adding flexibility.
 - C) developing several ways of doing the same task.
 - D) reducing absenteeism.
 - E) increasing employee satisfaction.

- 163) Scientific management was given impetus when _____ introduced the moving assembly line and ushered in the production era. 163) _____
A) Eli Whitney
B) Andrew Carnegie
C) Frederick Taylor
D) Cyrus McCormick
E) Henry Ford
- 164) Who is *most* closely associated with the Production Era? 164) _____
A) Henry Ford
B) J.P. Morgan
C) John D. Rockefeller
D) Andrew Mellon
E) Andrew Carnegie
- 165) Which of the following eras was prompted by increased consumer demand after World War II? 165) _____
A) Industrial Revolution
B) Entrepreneurial Era
C) Marketing Era
D) Production Era
E) Global Era
- 166) Which of the following eras is tied to the prosperity of the 1950s and 1960s? 166) _____
A) Entrepreneurial Era
B) Production Era
C) Industrial Revolution
D) Marketing Era
E) Internet Era
- 167) During the _____ Era, businesses became less focused on production and sales and more focused on consumers. 167) _____
A) Marketing B) Consumer C) Global D) Sales E) Internet
- 168) One of the most critical elements in the Global Era is the 168) _____
A) producers' expansion to a wider range of activities.
B) All the items on this list are critical elements in the Global Era.
C) willingness of companies to make more items in-house.
D) reduction in the dependence upon outsourcing.
E) importance of technology.
- 169) Technological advances, improved communication, and more efficient transportation networks contributed to the emergence of the 169) _____
A) Industrial Revolution.
B) Global Era.
C) Entrepreneurial Era.
D) Production Era.
E) Marketing Era.

- 170) The early years of business in Canada were motivated by 170) _____
A) a desire to find a way to China.
B) profits from fishing.
C) profits from mining.
D) profits from logging.
E) a desire to settle in the Prairies.
- 171) Why was Canadian manufacturing slow to develop in the 16th and 17th centuries? 171) _____
A) Too few buyers of manufactured goods
B) Too few manufacturing managers
C) Most people were involved in trading of furs.
D) Most people were involved in farming.
E) Policy of mercantilism
- 172) Which government(s) supported the mercantilism philosophy? 172) _____
A) Canadian
B) English and French
C) No governments supported it.
D) English and Asian
E) Asian and North American
- 173) All of the following is true about the Industrial Revolution *except* 173) _____
A) it led to wide use of semi-skilled employees.
B) it discouraged specialization of labour.
C) it led to the decline of cottage industries.
D) it enabled mass production.
E) it led to the development of the factory system.
- 174) During which period did mass production reduce duplication of equipment and allow firms to purchase raw materials at better prices? 174) _____
A) Entrepreneurial era
B) Colonial period
C) Production era
D) Industrial Revolution
E) Marketing era
- 175) Which of the following *best* illustrates specialization of labour? 175) _____
A) Workers who learn new, specialized skills are rewarded with higher pay.
B) Highly skilled craftspeople who can do all the tasks required to make an item.
C) Raw materials were provided to England in return for finished goods.
D) Semiskilled workers are trained to perform only one task.
E) Each labour union represents only one type of worker.
- 176) Which of the following occurred when the factory system began? 176) _____
A) All the materials and labour required to produce items in massive quantities were brought to one place.
B) The size and economic power of some firms meant that other businesses had difficulty competing against them.
C) Factory workers became owners through ESOPs.
D) It produced captains of industry who were interested in meeting the needs of the customer
E) A *laissez-faire* management process developed.

- 177) How did Adam Smith's ideas outlined in *The Wealth of Nations* lead to a policy of *laissez-faire*? 177) _____
- A) There was no connection between Smith's book and a *laissez-faire* policy.
 - B) The book outlined steps that could be taken to improve international trade.
 - C) *The Wealth of Nations* argued that the government should not interfere in the economy, but should let businesses function without regulation or restriction.
 - D) Smith's book was an inspirational book that motivated many entrepreneurs.
 - E) Smith argued that governments should be actively involved in the economy.
- 178) The first manufacturing in Canada consisted of all of the following *except* 178) _____
- A) sawmills.
 - B) shipbuilding.
 - C) shoemakers' shops.
 - D) breweries.
 - E) grist mills.
- 179) The entrepreneurial era in Canada occurred 179) _____
- A) in the last half of the 18th century.
 - B) in the first half of the 19th century.
 - C) in the first half of the 20th century.
 - D) in the last half of the 19th century.
 - E) in the first half of the 18th century.
- 180) The Scientific Management Movement can be best characterized by the phrase 180) _____
- A) the "one best way".
 - B) "empowerment to employees".
 - C) "progress through technology".
 - D) "cooperation between management and union".
 - E) "quality is job 1".
- 181) Which *best* completes the following sentence? During the production era 181) _____
- A) the factory system brought together in one place all the materials and workers required to produce items in large quantities.
 - B) great emphasis was placed upon satisfying the customer.
 - C) Henry Ford introduced the first moving assembly line which brought automobile parts to the worker.
 - D) the presence of big firms aided individuals who wished to go into business for themselves.
 - E) the improved production output resulting from assembly lines was obtained by increasing worker freedom.
- 182) The development of labour unions and collective bargaining agreements were major elements of the 182) _____
- A) production era.
 - B) global era.
 - C) industrial revolution.
 - D) colonial period.
 - E) entrepreneurial era.

- 183) The marketing era involved 183) _____
- A) the production of the same type of goods.
 - B) the identification of the customer's needs.
 - C) an emphasis on efficiency so that the selling price may be lowered.
 - D) the hiring of the right salespeople.
 - E) the production of items within the existing factories.
- 184) What are the three countervailing powers in today's society? 184) _____
- A) Government, business, public opinion
 - B) Consumers, business, public opinion
 - C) Government, business, labour
 - D) Consumers, government, business
 - E) Consumers, government, public opinion
- 185) Which era held the philosophy "use market research to determine what customers want and then make it for them"? 185) _____
- A) Finance
 - B) Production
 - C) Scientific
 - D) Marketing
 - E) Sales
- 186) Why did businesses move from a production orientation to a sales orientation? 186) _____
- A) Businesses were able to develop niche marketing schemes.
 - B) Businesses discovered the power of advertising.
 - C) Businesses experienced greater competition.
 - D) Businesses were becoming very good at creating new products.
 - E) Businesses were able to keep their production costs low.
- 187) Why did businesses adopt the marketing approach? 187) _____
- A) There was pent-up demand after World War II.
 - B) The competition for sales representatives increased as employees became very intense.
 - C) Competition between businesses became greater than ever.
 - D) Production costs got to be about as low as they were going to get, thus profit would not improve.
 - E) Mass markets required mass advertising, which is what marketing does.
- 188) Able Manufacturing is very good at making kitchen utensils. However, it wants to ensure that its products will always be profitable. What should it do? 188) _____
- A) Lower the costs of production so the products are always profitable.
 - B) Determine customer needs and focus its product lines to fill those needs.
 - C) Try charging a lot of money for its products in the hope that it will result in snob appeal.
 - D) Change its product lines to fit what its management thinks customers want.
 - E) Hire the finest sales representatives to sell what it makes.
- 189) One characteristic of specialization is 189) _____
- A) it requires training all the workers to perform all tasks required to make an item.
 - B) it requires firms to spend more money on the purchase of raw materials.
 - C) it is more cost effective.
 - D) it is more expensive.
 - E) it requires highly skilled craftspeople.

- 190) The dominance of big firms in the production era led to the creation of company towns. Such companies included 190) _____
- A) only forestry and mining companies.
 - B) mining companies.
 - C) railroad companies.
 - D) forestry firms.
 - E) All of these.
- 191) The finance era is sometimes referred to as the decade of 191) _____
- A) laissez-faire.
 - B) efficiency.
 - C) specialization.
 - D) mercantilism.
 - E) greed.
- 192) Which of the following is correct with regard to the factory system and the industrial revolution? 192) _____
- A) British manufacturing did not advance rapidly until the middle of the 19th century.
 - B) The factory system developed as an alternative to mercantilism.
 - C) Great Britain prevented the development of the factory system in Canada.
 - D) British laws forbade the export of technology and manufacturing to North America.
 - E) Manufacturing activity in Canada rapidly increased in the early 1800s.
- 193) The laissez-faire attitude toward the economy as adopted by the Canadian government was a characteristic of the _____ era. 193) _____
- A) finance
 - B) sales & marketing
 - C) production
 - D) global
 - E) entrepreneurial
- 194) When were the concepts of specialization and mass production fully refined in Canada? 194) _____
- A) Early 19th century
 - B) 18th century
 - C) 20th century
 - D) Late 19th century
 - E) None of these
- 195) The _____ era was the result of the moving assembly line introduced by Henry Ford. 195) _____
- A) entrepreneurial
 - B) production
 - C) sales and marketing
 - D) global
 - E) finance

- 196) Which of the following is correct with respect to the production era? 196) _____
- A) The scientific management movement emphasized the management of people through an understanding of the needs they brought to the workplace.
 - B) Workers gained more freedom during the production era.
 - C) Mass production increased the available labour pool because many people could be trained to carry out assembly line tasks.
 - D) It began with the invention of the steam engine.
 - E) None of these statements are accurate.
- 197) How does the Internet affect domestic and global business? 197) _____
- A) It boosts trade in all sectors.
 - B) It has made it easier for trade to occur.
 - C) It offers networking potential to businesses.
 - D) It levels the playing field between small and large firms.
 - E) All of these statements are accurate.
- 198) Which of the following was a characteristic of the sales and marketing eras? 198) _____
- A) During the sales era, much emphasis was placed on market research to find out what customers wanted.
 - B) By the first decade of the 20th century production had resulted in spectacular increases in the amount of goods and services that were available.
 - C) During the marketing era, it was assumed that business profits and business success depended on hiring the right salespeople and advertising heavily.
 - D) During the sales era, business firms produced what they were good at producing, rather than what consumers wanted.
 - E) None of these statements are accurate.
- 199) Which of the following is correct with respect to the global era? 199) _____
- A) The internet has given larger firms a competitive advantage because they have more to spend on internet development.
 - B) The rapid increase in internet usage has facilitated global business activity.
 - C) The internet has given a boost to only certain sectors of the economy.
 - D) Most Canadian business firms have been hurt by foreign competition.
 - E) None of these statements are correct.

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

- 200) Profits from business are used to support government as well as business owners and stockholders 200) _____
- 201) A business is an organization that seeks to earn profits by providing goods and services. 201) _____
- 202) The reward that the owners of a business receive for taking the risks of investing their money and time is called capital. 202) _____
- 203) The term "business" typically includes large organizations such as General Motors, which seek a profit, but does not include individuals who are self-employed, e.g., a carpenter, or a beautician who operates a shop in her home. 203) _____
- 204) A charity is classified as a business firm if it provides physical goods, but not if it provides only services. 204) _____

- 205) A business is an organization that seeks to earn profits by providing one or more of the factors of production. 205) _____
- 206) The term "business" includes large organizations such as Canadian Pacific, which seek a profit, but does not include smaller companies like the local supermarket. 206) _____
- 207) An economic system allocates a nation's resources among its citizens. 207) _____
- 208) Labour is a factor of production. 208) _____
- 209) Capital is needed only to start up a business. 209) _____
- 210) Natural resources include land and mineral deposits. 210) _____
- 211) The natural resources component of the factors of production includes the physical and mental capabilities of people in the work force. 211) _____
- 212) In a command economy, a centralized government controls all, or most, of the factors of production and makes most decisions involving production of goods and services. 212) _____
- 213) Communism is an example of a market economy where a central government controls most factors of production. 213) _____
- 214) In the input market, firms supply goods and services in response to demand on the part of households. 214) _____
- 215) Communism and socialism are both types of command economies. 215) _____
- 216) Although workers in socialist countries are usually allowed to choose their occupations, a large proportion generally work for the government. 216) _____
- 217) Capitalism relies on the factors of demand and supply in the marketplace to determine what, when, and for whom to produce. 217) _____
- 218) A mixed market economy has elements of both a command economy and a market economy. 218) _____
- 219) Human resources are a factor of production. 219) _____
- 220) Capital is the reward which the owners of a business receive for taking the risks of investing their money and time. 220) _____
- 221) Natural resources include land, mineral deposits, water, as well as trees. 221) _____
- 222) There are more command economies in the world now than there were 30 years ago. 222) _____
- 223) Some entrepreneurial activity is now allowed in North Korea, whereas just a few years ago such activity would have resulted in a person being imprisoned. 223) _____

- 224) A GlobeScan poll of 20,000 people in 20 different countries showed that the highest support for capitalism was in the U.S. and the lowest level of support was in India. 224) _____
- 225) China's constitution has been amended to elevate private enterprise to a place alongside the state sector in China's official economic ideology. 225) _____
- 226) In Canada, government does not own and operate any business firms. 226) _____
- 227) The government plays several different roles in the Canadian economy, including the roles of customer, competitor and regulator. 227) _____
- 228) Crown corporations exist only at the federal level and account for a significant and wide variety of economic activity in Canada. 228) _____
- 229) The reasons why the government regulates many aspects of business activity include protecting competition, protecting consumers, achieving social goals, and protecting the environment. 229) _____
- 230) Revenue taxes are levied to control certain activities that legislative bodies believe should be controlled. 230) _____
- 231) Government incentive programs always have the desired effect of stimulating the economy. 231) _____
- 232) If the Canadian Auto Workers (CAW) want to bring their interests to government officials they could hire a lobbyist. 232) _____
- 233) The Competition Act prohibits resale price maintenance, which is the refusal of companies to sell their products to discount stores. 233) _____
- 234) The Hazardous Products Act prohibits the sale of any food that contains harmful substances. 234) _____
- 235) The four main reasons government regulates business activity are: to encourage importing and exporting, to protect consumers, to protect businesses from foreign competition, and to protect the environment. 235) _____
- 236) A demand and supply schedule is derived from market research and other systematic studies of the market. 236) _____
- 237) The law of demand states that buyers will purchase more of a product as its price drops. 237) _____
- 238) In economic terms, the exchange process between buyers and sellers is called "supply." 238) _____
- 239) In economic terms, a "market" refers to a specific place like a supermarket. 239) _____
- 240) The law of supply states that producers will offer more of a product for sale as its price rises. 240) _____
- 241) If the market for diamonds is at equilibrium and De Beers increased its prices, people would still demand the same quantity of diamonds. 241) _____

- 242) A demand curve shows the amount of goods and services a producer will create at different prices. 242) _____
- 243) The point on a demand and supply schedule where supply and demand are equal is known as the break-even point. 243) _____
- 244) The equilibrium price occurs where the supply of a particular product is equal to the number of customers who wish to purchase that product. 244) _____
- 245) A surplus in the market is good news for the firm selling a product or service because there are additional customers still trying to purchase the product. 245) _____
- 246) If a hot dog vendor cooked 14 too many sausages, those 14 sausages would not sell. The excess supply of sausages can also be referred to as surplus. 246) _____
- 247) The equilibrium price is the profit-maximizing point at which the quantity demanded equals the quantity supplied. 247) _____
- 248) Private property rights are an essential element of a communist economic system. 248) _____
- 249) The private enterprise system guarantees a profit for each business firm. 249) _____
- 250) The concept of freedom of choice applies only to buyers of goods and services. 250) _____
- 251) What a company chooses to produce will, by definition, be affected by the profits it hopes to make. 251) _____
- 252) The private enterprise system guarantees that competition among business firms will be fair. 252) _____
- 253) In monopolistic competition, sellers try to make their products at least appear to be slightly different from those of other competitors by tactics such as brand names, design or styling, and advertising. 253) _____
- 254) Coke and Pepsi represent oligopolistic competition. 254) _____
- 255) In an oligopoly only a handful of sellers compete mainly through product differentiation. 255) _____
- 256) A natural monopoly exists when a single company can fill the needs of all customers in a specific area. 256) _____
- 257) The private enterprise system guarantees a profit for each business firm if it provides the right goods and services to consumers. 257) _____
- 258) People who believe in private enterprise usually argue that a society's interests are best served by a command economy. 258) _____
- 259) Private enterprise requires the presence of four elements: (1) private property rights, (2) freedom of choice, 3) competition, and (4) no government control. 259) _____
- 260) Gasoline stations are an example of a type of business involved in pure competition. 260) _____

- 261) An oligopoly exists when firms in an industry are so small and numerous that no one is powerful enough to dominate the market. 261) _____
- 262) A monopoly exists when there is only one firm producing a certain product or providing a certain service. 262) _____
- 263) Adam Smith argued that a society's interests are best served by a command economy. 263) _____
- 264) The earliest business activity in Canada involved trapping. 264) _____
- 265) One of the main advantages of the mass production system in factories was that it avoided costly duplication of machinery. 265) _____
- 266) In 1800, Canadian exports of manufactured goods were more important than exports of fur. 266) _____
- 267) In effect, the assembly line increased the supply of labour. 267) _____

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

- 268) What is a business? 268) _____
- 269) What are profits and why are they important to the economic system in Canada? 269) _____
- 270) Explain the terms, "command economy" and "market economy." Give an illustration of each. 270) _____
- 271) What are the factors of production? Explain each briefly. 271) _____
- 272) How does a command economy differ from a market economy? 272) _____
- 273) What is an entrepreneur? 273) _____
- 274) There are three major types of economic systems in existence. Identify and briefly describe them. 274) _____
- 275) What is the difference between capitalism and socialism? 275) _____
- 276) What is socialism? 276) _____
- 277) Explain the effects of monopolies on consumers and the economy. 277) _____
- 278) Describe the law of demand. 278) _____
- 279) Explain what happens when the demand curve intersects with the supply curve. 279) _____
- 280) What does the supply curve reflect? 280) _____

- 281) List the four elements required in a private enterprise system. 281) _____
- 282) Describe the four degrees of competition that can exist in a private enterprise system. 282) _____
- 283) Briefly describe the concept of *laissez-faire*. 283) _____

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

- 284) Explain the role of both profit-seeking businesses and non-profit organizations in the overall "meaning of business."
- 285) Consider the following statement: "A nation's economic system is its system for allocating its resources among its citizens, both individuals and organizations." What are a nation's "resources", and what important role do they play in a nation's economic system?
- 286) Discuss the benefits and drawback of each type of economic system. In which economic system would you prefer to work, and why?
- 287) Explain the terms "command economy" and "market economy." Give an example of each.
- 288) "All the different economic systems of the world are moving toward a mixed economy with elements of a planned economy and of a market economy." Agree or disagree and support your position.
- 289) Discuss the government's role as: (a) a competitor, (b) a regulator, (c) a taxation agent, and (d) a provider of incentive programs.
- 290) Discuss the two reasons that the government uses to justify regulation of business activities. Do you believe regulation of business is justified as an owner or manager? As a consumer?
- 291) Explain how demand and supply work in a capitalistic economy.
- 292) Inaccuracies in forecasting an exact supply-demand schedule create surpluses and shortages. Describe what surpluses and shortages are using the concepts of supply and demand and indicate the probable impact of each upon price.
- 293) Describe the potential impact if a company underestimates demand.
- 294) Explain the four essential elements of private enterprise.
- 295) Identify and explain the four basic degrees of competition. Provide an example of each.
- 296) Discuss the reasons why the Canadian government permits certain "natural" monopolies while forbidding attempts by business firms to create a monopoly in other parts of the economy.
- 297) Describe perfect competition in terms of the number of competitors, ease of entry into the market, similarity of goods/services offered by competing firms, and level of control over price by individual firms. Give an example of a purely competitive market or industry.

- 298) Describe monopolistic competition in terms of the number of competitors, ease of entry into the market, similarity of goods/services offered by competing firms, and level of control over price by individual firms. Give an example of a market or industry characterized by monopolistic competition.
- 299) Describe oligopoly in terms of the number of competitors, ease of entry into the market, similarity of goods/services offered by competing firms, and level of control over price by individual firms. Give an example of a market or industry that is an oligopoly.
- 300) Describe monopoly in terms of the number of competitors, ease of entry into the market, and level of control over price by individual firms. Give an example of a market or industry that is a monopoly.
- 301) Briefly trace the development of business in Canada from the early colonial years to the present day.
- 302) What was the Industrial Revolution?

Answer Key

Testname: UNTITLED1

- 1) A
- 2) E
- 3) B
- 4) B
- 5) D
- 6) C
- 7) B
- 8) E
- 9) E
- 10) D
- 11) B
- 12) E
- 13) D
- 14) D
- 15) E
- 16) E
- 17) B
- 18) A
- 19) A
- 20) C
- 21) D
- 22) A
- 23) E
- 24) A
- 25) E
- 26) D
- 27) D
- 28) D
- 29) B
- 30) D
- 31) D
- 32) B
- 33) B
- 34) B
- 35) E
- 36) E
- 37) B
- 38) B
- 39) D
- 40) E
- 41) B
- 42) D
- 43) E
- 44) D
- 45) B
- 46) A
- 47) D
- 48) B
- 49) A
- 50) C

Answer Key

Testname: UNTITLED1

- 51) A
- 52) E
- 53) D
- 54) E
- 55) A
- 56) C
- 57) B
- 58) C
- 59) A
- 60) D
- 61) B
- 62) C
- 63) C
- 64) B
- 65) C
- 66) E
- 67) D
- 68) D
- 69) E
- 70) E
- 71) E
- 72) D
- 73) E
- 74) D
- 75) D
- 76) A
- 77) D
- 78) C
- 79) C
- 80) B
- 81) B
- 82) C
- 83) E
- 84) A
- 85) A
- 86) E
- 87) C
- 88) D
- 89) A
- 90) A
- 91) E
- 92) A
- 93) A
- 94) E
- 95) D
- 96) A
- 97) D
- 98) D
- 99) E
- 100) D

Answer Key

Testname: UNTITLED1

- 101) E
- 102) E
- 103) D
- 104) D
- 105) B
- 106) C
- 107) E
- 108) C
- 109) D
- 110) D
- 111) C
- 112) B
- 113) D
- 114) B
- 115) C
- 116) A
- 117) C
- 118) B
- 119) B
- 120) B
- 121) A
- 122) A
- 123) B
- 124) A
- 125) D
- 126) D
- 127) E
- 128) B
- 129) C
- 130) C
- 131) A
- 132) E
- 133) E
- 134) B
- 135) D
- 136) B
- 137) D
- 138) B
- 139) B
- 140) D
- 141) D
- 142) E
- 143) B
- 144) C
- 145) D
- 146) B
- 147) B
- 148) C
- 149) A
- 150) C

Answer Key

Testname: UNTITLED1

- 151) C
- 152) C
- 153) B
- 154) B
- 155) D
- 156) B
- 157) D
- 158) E
- 159) D
- 160) A
- 161) A
- 162) A
- 163) E
- 164) A
- 165) C
- 166) D
- 167) A
- 168) E
- 169) B
- 170) B
- 171) E
- 172) B
- 173) B
- 174) D
- 175) D
- 176) A
- 177) C
- 178) B
- 179) D
- 180) A
- 181) C
- 182) A
- 183) B
- 184) C
- 185) D
- 186) C
- 187) C
- 188) B
- 189) C
- 190) A
- 191) E
- 192) D
- 193) E
- 194) C
- 195) B
- 196) C
- 197) E
- 198) D
- 199) E
- 200) FALSE

Answer Key

Testname: UNTITLED1

- 201) TRUE
- 202) FALSE
- 203) FALSE
- 204) FALSE
- 205) FALSE
- 206) FALSE
- 207) TRUE
- 208) TRUE
- 209) FALSE
- 210) TRUE
- 211) FALSE
- 212) TRUE
- 213) FALSE
- 214) FALSE
- 215) TRUE
- 216) TRUE
- 217) TRUE
- 218) TRUE
- 219) TRUE
- 220) FALSE
- 221) TRUE
- 222) FALSE
- 223) TRUE
- 224) FALSE
- 225) TRUE
- 226) FALSE
- 227) TRUE
- 228) FALSE
- 229) TRUE
- 230) FALSE
- 231) FALSE
- 232) TRUE
- 233) FALSE
- 234) FALSE
- 235) FALSE
- 236) TRUE
- 237) TRUE
- 238) FALSE
- 239) FALSE
- 240) TRUE
- 241) FALSE
- 242) FALSE
- 243) FALSE
- 244) FALSE
- 245) FALSE
- 246) TRUE
- 247) TRUE
- 248) FALSE
- 249) FALSE
- 250) FALSE

Answer Key

Testname: UNTITLED1

- 251) TRUE
- 252) FALSE
- 253) TRUE
- 254) TRUE
- 255) FALSE
- 256) TRUE
- 257) FALSE
- 258) FALSE
- 259) FALSE
- 260) TRUE
- 261) FALSE
- 262) TRUE
- 263) FALSE
- 264) FALSE
- 265) TRUE
- 266) TRUE
- 267) TRUE
- 268) A business is an organization that provides goods or services that are then sold to earn profits
- 269)
 - revenues minus expenses
 - They are rewards for taking risks.
 - used to support government and charities, pay wages
 - needed to continue producing goods and services
- 270)
 - *command*: government dominated, government controls the factors of production, people often work for the government, share the wealth equally, one class society, example—China
 - *market*: the people have a say in what the government does, individuals control factors of production, independent wealth, rich/middle class/poor, example—Canada
 - No economy is purely command or market, even China and Canada.
- 271)
 - *natural resources*: items used in the production of goods and services in their natural state, including land, water, minerals, and trees
 - *labour*: the mental and physical training and talents of people; sometimes called human resources
 - *capital*: the funds needed to operate an enterprise
 - *entrepreneur*: an individual who organizes and manages natural resources, labour, and capital to produce goods and services to earn a profit, but who also runs the risk of failure
 - Newer perspectives tend to broaden the idea of "natural resources" to include all physical resources.
 - While the production of tangible goods once dominated most economic systems, today *information resources* play a major role—information resources refers to information such as market forecasts, economic data, and specialized knowledge of employees that is useful to a business and that helps it achieve its goals.
- 272) A command economy relies on a centralized government to control all or most factors of production and to make all or most production and allocation decision. In a market economy, individuals control production and allocation decisions through supply and demand.
- 273)
 - an individual who organizes and manages labour, capital and natural resources to produce goods and services to earn a profit, but who also runs the risk of failure
 - business person
 - manager
 - initiator
 - leader
 - risk taker

Answer Key

Testname: UNTITLED1

- 274) • command economies: a type in which the government controls all or most factors of production and makes all or most production decisions
- market economies: a type in which individuals control all or most factors of production and make all or most production decisions
 - mixed economies: a type with elements of both a command economy and a market economy
- 275) • capitalism: an economic system in which markets decide what, when and for whom to produce
- capitalist market economy: citizens run businesses, more efficient, choose your own job
 - socialism: a kind of command economy in which the government owns and operates the main industries, while individuals own and operate less crucial industries
 - less efficient, large proportion of people end up working for government
- 276) Socialism is a less extensive command system in which the government owns and operates selected major industries. The government may control banking, transportation or manufacturing industries, for example. Smaller businesses, such as clothing stores and restaurants, are privately owned.
- 277) If a company has a monopoly, it can harm consumers by raising prices, cutting output, or stifling innovation. Furthermore, because most monopolies have total control over certain products and prices and the market share for those products, competitors are likely to find it extremely difficult to enter markets where monopolies exist. Consequently, a number of laws and regulations have been established by the federal government to help prevent individual companies or groups of companies from gaining control of markets in ways that restrain competition or harm consumers.
- 278) The law of demand states that buyers will purchase more of a product as its price drops and less of a product as its price increases.
- 279) At this intersection, we have the equilibrium or market price. At this price, there will be neither a shortage nor surplus. Over time, markets tend to price products at the equilibrium price.
- 280) The supply curve shows how much of a product will be supplied at different prices.
- 281) Private property, freedom of choice, profits, and competition
- 282) Perfect competition, monopolistic competition, oligopoly, and monopoly
- 283) The concept of laissez-faire refers to the idea that the government should not interfere in the economy.
- 284) Businesses are organizations that provide goods and services that are then sold to earn profits. Indeed, the prospect of earning profits—the difference between a business's revenue and its expenses—is what encourages people to open and expand businesses. After all, profits are the reward owners get for risking their money and time. The right to pursue profits distinguishes a business from non-profit organizations, such as universities, hospitals, and government agencies, that run in much the same way but that generally do not seek profits. Whereas profits may be considered the final reward in profit-seeking businesses, the final reward for non-profit organizations might be operational efficiency, for example.
- 285) A nation's resources, often referred to as the *factors of production*, include four traditional factors: labor, capital, entrepreneurs and physical resources. Recently, information resources were added to the list. An economic system is defined by how it manages and allocates these factors of production. In a planned economy, for example, the factors of production are government-owned and controlled. In a market economy, such as that of the United States, individual producers and consumers control production and allocation by creating combinations of supply and demand. In a mixed-market economy, which features characteristics of both a planned and a market economy, there is some government control of some factors of production—often through the nation's major industries, such as transportation, communication, and information—alongside some private ownership.
- 286) • market economy—is most efficient; work for own purposes;
- command economy—equality/one class, no poor
- 287) • Command: government dominated, government controls the factors of production, people work "for" the government, share the wealth equally, one class society (theoretically); Example: China
- Market: The people have say in what the government does, individuals control the factors of production, independent wealth, rich/middle class/poor; Example: Canada.
 - No economy is purely command or market, even China and Canada.

Answer Key

Testname: UNTITLED1

- 288) • Communist countries are adopting deregulation and privatization.
• Capitalist countries are continually developing legislation to regulate private enterprise.
- 289) • *competitor*: the government competes with business through Crown corporations (energy, Royal Canadian Mint, St. Lawrence Seaway Authority).
• *regulator*: federal and provincial governments in Canada still regulate many aspects of business activity. Government regulates business through many administrative boards, tribunals or commissions (CRTC, CTC, Canadian Wheat Board).
• *taxation agent*: taxes are imposed to fund government services and programs, and to regulate and control certain activities. There are revenue taxes and restrictive taxes.
• *provider of incentive programs*: through programs like the Industrial Regional Development Program, federal assistance is delivered to industries, particularly those in disadvantaged regions. Other programs include tax and duty rebates.
- 290) • to encourage and protect competition by seeking to eliminate restrictive trade practices
• to provide consumer protection
• *owner/manager*: government regulations create a fair and honest business world in the best interests of everyone
• *consumer*: government creates fair business for corporations and consumers
- 291) • Demand is the willingness and ability of buyers to purchase a product or service.
• Supply is the willingness and ability of producers to offer a good or service for sale.
• Supply and demand equilibrate such that buyers pay a fair price and sellers obtain a fair price for their goods and services.
- 292) • Surpluses occur when the quantity supplied exceeds the quantity demanded, prices will decrease.
• Shortages occur when the quantity demanded exceeds the quantity supplied, prices will increase.
- 293) • Too few products produced.
• Potential profits lost.
• Angry customers cannot buy what they want.
• Knowledge of the shortage attracts more competition.
- 294) • *private property*: right to buy, own, use, and sell an item
• *freedom of choice*: the right to choose what to buy or sell, including one's labour
• *profits*: we earn what we work for, and thus work hard and efficiently
• *competition*: rivalry between firms in a specific market to best satisfy consumer demands and earn profits
- 295) • *perfect competition*: a market or industry characterized by a very large number of small firms producing an identical product so that none of the firms has any ability to influence price; completely run by the law of supply/demand, e.g., shoe store
• *monopolistic competition*: a market or industry characterized by a large number of firms supplying products that are similar but distinctive enough from one another to give firms some ability to influence price; severe competition, e.g., soda pop producers
• *oligopoly*: a market or industry characterized by a small number of very large firms that have the power to influence the price of their product and/or resources; slightly competitive, look to differentiation, e.g., breakfast cereals
• *monopoly*: a market or industry with only one producer, who can set the price of its product and/or resources; watched very closely by government, e.g., basic cable service
- 296) • Natural monopolies are industries in which one economy can most efficiently supply all the product or service that is needed.
• Natural economies eliminate unnecessary costs and waste.
• competition, which is the root of why business works so well in capitalistic society
• no competition, firm run less efficiently and quality is not as high and society does not benefit as much
- 297) For perfect competition to exist, all of the firms in an industry must be small and the number of the firms in the industry must be large. Under these conditions, no single firm is powerful enough to influence the price of its product. The products of each firm are so similar that buyers will perceive them as identical to those of other firms. Because each firm is small, it is easy for firms to enter or leave the market. U.S. agriculture is a good example of perfect competition.

Answer Key

Testname: UNTITLED1

- 298) In a market characterized by monopolistic competition, there are fewer sellers than in perfect competition. Sellers will attempt to differentiate their product from those of their competitors. Product differentiation gives sellers some control over prices. While monopolistically competitive businesses can be large or small, they can enter and exit the market easily. There are many examples of monopolistically competitive markets, particularly in the retail market (the market for jeans, the market for laundry detergents, the market for soft drinks, etc.).
- 299) When an industry has only a few sellers, an oligopoly exists. While there are only a few sellers, they tend to be large. The entry of new competitors is difficult because of the large capital investment needed. As with monopolistic competition, sellers will attempt to differentiate their product from those of their competitors and each seller will have some control over price. However, when one firm cuts prices, others will tend to do the same. Therefore, the prices of comparable products are usually similar. The automobile, airline, and steel industries are all oligopolies.
- 300) A monopoly exists when an industry or market has only one producer. The sole supplier enjoys complete control over the prices of its products. Its only constraint is a decrease in consumer demand due to increased prices. In the United States, the Sherman Antitrust Act and the Clayton Act forbid many monopolies and regulate prices charged by natural monopolies.
- 301) • Business activity and profit from commercial fishing in the late 1400s motivated European involvement in Canada.
- French and British adventurers began trading with the native peoples in the 1500s.
 - By the late 1600s *coureurs de bois* travelled west in search of new sources of furs.
 - European settlers arrived in Canada in the 16th and 17th centuries.
 - Canadian manufacturing slowly developed under mercantilism.
 - Industrial revolution brought about mass production.
 - Entrepreneurial era saw the emergence of people willing to take risks in hope of profits.
 - Production era refined concepts of specialization and mass production.
 - Sales and marketing era focused on sales forces, advertising and supply.
 - Finance era focused on the buying and selling of business enterprises.
 - global era noted for the emergence of a truly global economy
 - internet era of business
- 302) The Industrial Revolution began in the middle of the eighteenth century with advances in technology and the development of the factory system. Prior to the Industrial Revolution, cottage workers produced products one item at a time. The factory system brought together materials and workers to produce items in large quantities and the new machines needed for mass production. In turn, mass production reduced duplication of equipment and allowed firms to buy materials at better prices by buying in larger lots. It also encouraged the specialization of labor. Mass production replaced a system of highly skilled craftspeople who performed all the different tasks required to make a single item. Instead, a series of semiskilled workers each trained to perform only one task and aided by specialized equipment, greatly increased output.