

Student Name: _____



Assessment Guide

Economics/Business/ Free Enterprise



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Economics EOC Test Prep Packet for GCA

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Item 1

The economic term “scarcity” relates MOST directly to a situation in which

- A. individuals lack money needed to purchase goods
- B. businesses lack customers needed to make a profit
- C. employees lack experience needed to earn a promotion
- D. manufacturers lack raw materials needed to satisfy demand

Item 2

Use the scenario to answer the question that follows.

Marta and Shanika open their own computer repair shop and agree to share the decision-making, the profits, and the risks. Marta will manage their parts inventory and all the accounting duties. Shanika will work out front to meet customers when they drop off and pick up their computers. Marta will work on desktop computers while Shanika will repair laptops.

Marta and Shanika’s arrangement is an example of

- A. competition
- B. specialization
- C. incorporation
- D. consumption

Item 3

Which role does money have in economic systems?

- A. a good to consume
- B. a medium of exchange
- C. a measure of satisfaction
- D. a resource for production

Item 4

What MOST often happens when demand for a product is highly elastic?

- A. Substitution occurs when its price rises.
- B. Demand for the product increases even when its price rises.
- C. Higher productivity does not always reduce the product's price.
- D. Supply of the product increases to establish its equilibrium price.

Item 5

A recent high school graduate has never searched for a job before. He does not know what he is qualified to do. He turns down a job at a factory, hoping for better-paying work. What kind of unemployment is he experiencing?

- A. cyclical
- B. frictional
- C. structural
- D. institutional

Item 6

Which monetary policy decision is meant to increase the U.S. money supply?

- A. Congress passes a bill to reduce personal income taxes.
- B. The Federal Reserve buys treasury bonds in the open market.
- C. Congress passes a bill to reduce regulations on business monopolies.
- D. The Federal Reserve borrows money from a foreign bank to cover a budget deficit.

Item 7

The calculation of a country's balance of trade involves the value of its

- A. exports and imports
- B. net exports and gross domestic product
- C. foreign exchange rate and discount rate
- D. foreign investments and investments by foreigners

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Item 8

Which statement BEST supports the argument that countries should engage in free trade?

- A. Free trade encourages less wealthy countries to develop mixed market economies.
- B. Free trade eliminates the need for exporters to pursue greater comparative advantages.
- C. Free trade eliminates the need for importers to rely on absolute advantages.
- D. Free trade encourages countries to allocate their resources more efficiently.

Item 9

A woman recently took time off from work while recovering from a car accident. Which insurance provided her with financial support while she recovered?

- A. life
- B. health
- C. disability
- D. property

Item 10

To maximize profits, a bank would charge

- A. a rate of interest that is the same for deposits and loans
- B. a higher rate of interest for large corporations than for small businesses
- C. a lower rate of interest on loans and pay higher interest rates on deposits
- D. a higher rate of interest on loans and pay lower interest rates on deposits

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Additional Sample Item Keys

| Item | Standard/ Element | DOK Level | Correct Answer | Explanation |
|------|----------------------|-----------|-------------------|---|
| 1 | SSEF1a | 2 | D | The correct answer is choice (D) manufacturers lack raw materials needed to satisfy demand. Scarcity is an economic problem having to do with raw materials that are limited by nature. Although people may have unlimited wants, raw materials can be limited, or scarce. Choices (A), (B), and (C) are incorrect because although they represent a lack, or perceived scarcity, of something, they are not related to raw materials. Scarcity, in economics, is directly related to raw materials. |
| 2 | SSEF3a | 2 | B | The correct answer is choice (B) specialization. Choice (A) is incorrect because Marta and Shanika are working together. Choice (C) is incorrect because there is no indication that the company has been incorporation. Choice (D) is incorrect because Marta and Shanika are considered suppliers of a service, not producers. |
| 3 | SSEMI1b | 1 | B | The correct answer is choice (B) a medium of exchange. Money, or currency, is a medium that is exchanged with an individual or an entity for goods and services. Choice (A) is incorrect because it refers to money as the good rather than the method for obtaining the good. Choice (C) is incorrect because it essentially defines money as a market survey instead of a resource, a medium for exchange. Choice (D) is incorrect because it defines money as a resource for production. Money can be used to purchase any good or service, not just production. |

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| 4 | SSEMI3c | 3 | A | <p>The correct answer is choice (A) Substitution occurs when its price rises. Other suppliers will enter the market with new products to compete with the product that has high demand elasticity. Choice (B) is incorrect because demand will decrease not increase. Choice (C) is incorrect because higher productivity will create cost savings allowing the producer to lower prices. Choice (D) is incorrect because the reason the price is affected is from the elastic demand, which may not respond to changes in supply.</p> |
| 5 | SSEMA1d | 2 | B | <p>The correct answer is choice (B) frictional. Frictional unemployment is the result of job skills of unemployed workers not matching the requirements of jobs that are available. The high school graduate's skills may not match what is available in the market. Choice (A) is incorrect because cyclical unemployment refers to the unemployment caused by the business cycle during periods of economic recession. Choice (C) is incorrect because structural unemployment refers to old sectors of the economy no longer being necessary and as a result, eliminating jobs. There is no indication in the scenario that there has been a shift in the economy resulting in old technology and skills becoming unwanted. Choice (D) is incorrect because there is no indication in the scenario that external institutional agencies, such as labor unions or government agencies, are affecting employment at the factory.</p> |
| 6 | SSEMA2c | 3 | B | <p>The correct answer is choice (B) the Federal Reserve buys treasury bonds in the open market. The purchase of treasury bonds results in the Federal Reserve giving money to banks and financial institutions, which increases the money supply. Choice (A) is incorrect because this is an example of fiscal policy and would not increase the money supply. Choice (C) is a regulatory policy and would not increase the money supply. Choice (D) would not increase the money supply because the Federal Reserve usually does not borrow money from foreign banks to cover a budget deficit.</p> |

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| 7 | SSEIN1c | 1 | A | The correct answer is choice (A) exports and imports. A country's balance of trade is the difference between the value of its imports and the value of its exports. If a country imports more than it exports, it has a trade deficit, and if it exports more than it imports, it has a trade surplus. Choices (B), (C), and (D) are incorrect because although they relate to international economics, they do not factor in both imports and exports. They describe aspects of international economics that are not directly tied to the calculation of a balance of trade. |
| 8 | SSEIN2e | 3 | D | The correct answer is choice (D) Free trade encourages countries to allocate their resources more efficiently. In a free trade system, countries can specialize in producing goods or services in industries in which they have an advantage. Specialization leads to increased production efficiencies, which lead to higher productivity and increased output. Choice (A) is incorrect because the ability to trade internationally, without government interventions and taxes, would not logically result in the recommendation of a mixed market system, which features some government regulation. Choice (B) is incorrect because free trade is typically what makes specialization so advantageous, and any increases would make production even more efficient. Choice (C) is incorrect because it confuses the issue: exporters, not importers, benefit from absolute advantages in a given industry, and free trade makes this possible. |

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| 9 | SSEPF5a | 1 | C | The correct answer is choice (C) disability. The woman's accident left her temporarily disabled, so her disability insurance provided her some support while she recovered. Choice (A) is incorrect because life insurance would not come into play for an injury. Choice (B) is incorrect because health insurance would be relevant only for her treatment and time spent in the hospital. Choice (D) is incorrect because property insurance is meant to cover the cost of property repair, not recovery from an injury. |
| 10 | SSEPF2B | 2 | D | The correct answer is choice (D). The profits that banks earn are the difference between the interest rates received for loans against the interests rates paid on deposits. Choice (A) is incorrect because a bank will not earn a profit if it made interest rates the same for loans and deposits. Choice (B) is incorrect because banks will typically charge the same rate for loans to businesses regardless of their size. Their creditworthiness and ability to repay the loan has a larger impact on determining the interest rate on the loan than their size. Choice (C) is incorrect because paying a lower interest rate on loans than on deposits will result in the bank losing money. |

EOC Practice Test Prep Bubble Sheet Answer Key

Student Name: _____

- 1 (A) (B) (C) (D)
- 2 (A) (B) (C) (D)
- 3 (A) (B) (C) (D)
- 4 (A) (B) (C) (D)
- 5 (A) (B) (C) (D)

- 6 (A) (B) (C) (D)
- 7 (A) (B) (C) (D)
- 8 (A) (B) (C) (D)
- 9 (A) (B) (C) (D)
- 10 (A) (B) (C) (D)