
Practice Test of Goal 8 – The United States Economic System

Note to teachers: These unofficial sample questions were created to help students review state Goal 8 content , as well as practice for the Civics and Economics EOC. The questions are based on the various lesson plans in the Civic Education Consortium’s Database of Civic Resources, as well as the NC Standard Course of Study. However, these practice questions are not meant to influence teachers in the content they choose to focus on in class, nor do they reflect any knowledge of questions that will actually appear on the state’s EOC.

1. Identify the type of economy featured in the United States.

- A. Command Economy
- B. Market Economy
- C. Mixed Economy
- D. Traditional Economy

2. Which is the strongest motivating force within a market economy system?

- A. Governmental Agencies
- B. Individual Self-Interests
- C. Labor Unions
- D. The United States Constitution

3. The factors of production are owned by _____ in a command economy.

- A. The Government
- B. Individual Citizens
- C. Owners of Property
- D. The Mass Media

4. A mixed economy combines two different economic types. Which two economic types are combined?

- A. Market and Traditional Economies
- B. Command and Market Economies
- C. Traditional and Factor Economies
- D. Market and Traditional Economies

5. A traditional economy is defined as:

- A. A structure run by the government that offers little freedom of choice to citizens
- B. A market run by a single seller
- C. A market with no competition where bartering occurs to obtain goods
- D. An economy where every private seller competes for profit margins

6. Which of the following BEST DEFINES the underlying principles of the free enterprise system?

- A. Anyone can go into business with a partner
- B. Anyone can go into business with express permission from the government
- C. Anyone can go into business for himself or herself
- D. Anyone can go into business so long as they obtain a business degree from an accredited school

7. Which feature defines a sole proprietorship?

- A. One owner of a business
- B. Two owners of a business
- C. Stockholders own a business
- D. The business is under a franchising agreement

8. What is one advantage of forming a corporation?

- A. The owners are regulated less by the government and need fewer licenses to conduct their business
- B. A corporation can hire more employees
- C. A corporation cannot be held legally liable for actions that a private individual would
- D. Owners of a corporation are subject to less liability if the business fails

9. Eduardo is forming a business. His friend Rosalinda asked Eduardo why he was forming a business, and Eduardo said he hoped to make a profit. Rosalinda then asked Eduardo what profit is. How could Eduardo best answer her?

- A. "It's the money a business makes and receives each month."
- B. "It's the money a business makes after it has paid all of its expenses."
- C. "It's a marginal good leveraged on the assets of multiple financial instruments."
- D. "It's the total amount of revenues."

10. Fill in the blank:

_____ between sellers keeps the costs of production low and the quality of goods and service delivery high.

- A. Competition
- B. Exchanges
- C. Profits
- D. Interdependence

11. Jamaal was paid for his work at a baseball game last Friday. He went to the store and bought a video. When Jamaal paid for the video, what type of market did he participate in?

- A. Free Market
- B. Factor Market
- C. Product Market
- D. Command Market

12. What economic model best represents the factor and product markets?

- A. The Invisible Hand
- B. The Circular Flow
- C. The Economic Flow
- D. The Business Cycle

13. Darius works at a law firm for 10 hours a week. He is paid \$10 per hour. When Darius works, what market is he participating in?

- A. The Factor Market
- B. The Product Market
- C. The Free Market
- D. The Command Market

14. What effect does competition between businesses have on consumers?

- A. It gives buyers better value for their money
- B. It forces buyers to travel longer distances to purchase goods
- C. It increases prices for consumers
- D. It decreases the need for advertisements

15. How are prices set in a competitive market?

- A. Prices are set by efficient use of resources
- B. Prices are set by a single seller
- C. Prices are set by supply and demand
- D. Prices are set by a select few corporations

16. If a fast-food restaurant creates a machine to speed up cooking times of French fries (which decreases costs of the goods), which of the following will *most likely* occur?

- A. Supply will increase
- B. Supply will decrease
- C. Demand will increase
- D. Demand will decrease

17. A local newspaper reports that eating broccoli will increase strength, stamina, and performance in sports. This will most likely cause a _____ for broccoli.

- A. Supply increase
- B. Supply decrease
- C. Demand increase
- D. Demand decrease

18. An equilibrium price is *best defined* as:

- A. The price where supply and demand are in a central position
- B. The price where the consumer can best afford the product, good, or service
- C. The price where the quantity demanded and the amount supplied are equal to each other
- D. The price where the producer earns the largest amount of profit

19. Which example *best illustrates* the law of supply and demand?

- A. An oil shortage drives up the price of gasoline
- B. Concern over the environmental impact of automobiles leads to an increase in ride-sharing
- C. Increased numbers of thefts lead automotive insurance companies to raise insurance premiums
- D. Slower sales cause a car company to raise the price of their luxury cars

20. When quantity demanded is greater than quantity supplied, what situation occurs?

- A. Scarcity
- B. Shortage
- C. Surplus
- D. Elasticity

21. Which is an example of a price floor that is set in place by the government?

- A. Equilibrium Price
- B. Minimum Wage
- C. Rent Control
- D. Legal Tender

22. Which *best defines* an oligopoly?

- A. When a market is dominated by a single seller of a good.
- B. When a market is dominated by a few large sellers of a good.
- C. When a market is dominated by a large number of sellers of a good.
- D. When a market is dominated by the government.

23. If prices are set higher than the equilibrium price, what economic term describes the resulting extra goods?

- A. A surplus
- B. A scarcity
- C. A shortage
- D. Elasticity

24. What is the name of laws that attempt to prevent monopolies from forming?

- A. Anti-trust laws
- B. Anti-monopoly laws
- C. Administrative laws
- D. Constitutional laws

25. What concept makes stockholders only responsible for a portion of the debts of a corporation?

- A. Absolute liability
- B. Conditional liability
- C. Direct liability
- D. Limited liability

26. Some companies pay shareholders a _____ at regular intervals, based on the number of shares they hold.

- A. Dividend
- B. Time Deposit
- C. Return
- D. Bond

27. Which *best fits* the relationship?

Government Bonds: _____

Less Risk : More Risk

- A. Stocks
- B. Liquidity
- C. Inflation
- D. Long-term financial instruments

28. Adrienne goes to the store to buy a gallon of milk. Which function of money is used by Adrienne's purchase of the milk?

- A. Measure of Value
- B. Medium of Exchange
- C. Store of Value
- D. Standard of Deferred Payment

29. To avoid credit card interest charges, a consumer would:

- A. Default immediately
- B. Pay off the full balance monthly
- C. Make the minimum monthly payment
- D. Pay half the monthly balance

Answer Key

1. C
2. B
3. A
4. B
5. C
6. C
7. A
8. D
9. B
10. A
11. C
12. B
13. C
14. A
15. C
16. A
17. C
18. C
19. A
20. B
21. B
22. B
23. A
24. A
25. D
26. A
27. A
28. B
29. B

**For additional sample EOC questions for each Civics and Economics objective, go to the Consortium's Database of Civic Resources, located at:
<http://www.sog.unc.edu/programs/civiced/resources/intro.php>

All sample questions provided are unofficial and do not represent any knowledge of content to appear on the state's actual End of Course tests. Special thanks to Sarah Hatter.