

Introduction to Business Test

*Tips: Answer **all** questions – there is no penalty for guessing – and especially the last ten questions, those are used to break ties.*

The test is 60 minutes long, and has 100 questions. Non-graphing calculators will be provided. This event is only open to grades 9-10.

Part A: True/False (24 Questions)

1. Consumerism is an organized movement of citizens and government agencies to improve the rights and power of sellers in relation to buyers.
 - A. True
 - B. False
2. A sole proprietorship is a business owned and operated by a board of directors.
 - A. True
 - B. False
3. The free enterprise system is a command economic system
 - A. True
 - B. False
4. The Fair Labor Standards Act does not require businesses to give its employees sick leaves or paid vacations.
 - A. True
 - B. False
5. The death of a majority stockholder results in the dissolution of the corporation
 - A. True
 - B. False
6. Ownership in a corporation is shown by stock certificates
 - A. True
 - B. False

7. Money market deposit accounts usually pay a lower rate of interest than checking accounts and require a lower minimum balance
 - A. True
 - B. False
8. Each individual customer's account is insured by the FDIC up to \$1,000,000 per account ownership.
 - A. True
 - B. False
9. Information liability is the responsibility for physical or economic injury arising from incorrect data or wrongful use of data.
 - A. True
 - B. False
10. Consumerism is built on the philosophy of "Let the buyer beware"
 - A. True
 - B. False
11. The purpose of a Better Business Bureau is to protect consumers by promoting ethical conduct by businesses
 - A. True
 - B. False
12. Bait advertising is considered unethical because the business lures consumers in with an attractive price only to try to convince them to purchase more expensive products or services.
 - A. True
 - B. False
13. The sole proprietorship is usually the most appropriate form of business organization for a new business
 - A. True
 - B. False

14. There are no limits on the owner's personal liability in a sole proprietorship
- A. True
 - B. False
15. To transfer ownership in a corporation, it is only necessary to transfer shares of stock
- A. True
 - B. False
16. Line organization uses a dual chain of command
- A. True
 - B. False
17. A bull market would indicate an active stock market
- A. True
 - B. False
18. Each partner is liable for decisions made by the other partner
- A. True
 - B. False
19. The equal pay act of 1964 has ended earning inequities between men and women
- A. True
 - B. False
20. An individual should maintain as many credit cards as possible to maximize buying power
- A. True
 - B. False
21. Dividends are guaranteed to each stockholder, common and preferred at the end of the fiscal year
- A. True
 - B. False

22. As a rule, for certificates of deposit, the rate of interest your money earns is higher if you agree to keep your money on deposit for a longer period of time
- A. True
 - B. False
23. Partners always share profits and losses equally
- A. True
 - B. False
24. Blue collar workers work primarily with the operation of machinery and equipment
- A. True
 - B. False

Part B: Multiple Choice (76 Questions)

25. _____ is the body of information applied directly to job performance
- A. Competency
 - B. Skill
 - C. Knowledge
 - D. Ability
26. Which of the following US federal regulatory agencies handles consumer complaints?
- A. Office of Consumer Protection
 - B. Environmental Protection Agency
 - C. Office of Consumer Affairs
 - D. Consumer Product Safety Corporation
27. _____ as President of the United States, in 1962, addressed Congress and defined the basic rights of consumers
- A. Lyndon Johnson
 - B. Richard Nixon
 - C. John F. Kennedy
 - D. Gerald Ford

28. According to the consumer information processing theory, _____ is the final stage through which consumers progress
- A. Post purchase dissonance
 - B. Purchase decision
 - C. Cognitive decision
 - D. Evaluation categorization
29. Eric Key, a typical consumer, often purchases goods and services because he feels his coworkers would approve of these items. Eric's coworkers could be considered a(n)
- A. Referral group
 - B. Reference group
 - C. Associate group
 - D. Perceptual group
30. High prices are often caused by
- A. Excessive markups
 - B. Lowering the promotion costs
 - C. Inexpensive labor
 - D. Free publicity
31. Which of the following can reduce competition?
- A. An increased number of competitors
 - B. Balanced marketing practices
 - C. Acquisition of competitors
 - D. Marketing prices eliminate barriers to entry
32. Which of the following is an aspect of the free enterprise system?
- A. The government decides what to produce
 - B. Decisions are made by individuals rather than the government
 - C. The government establishes fair prices
 - D. The government owns the means of production

33. Competition is thought to encourage business to
- A. Sell products of low quality
 - B. Produce new products
 - C. Keep prices extremely high
 - D. Offer services of low quality
34. In a mixed economic system, most decisions are left to _____, but some decisions are left to _____
- A. Government; individuals
 - B. Government; business
 - C. Individuals; government
 - D. Monopolies; government
35. Socialism is most closely associated with
- A. Capitalistic economic systems
 - B. Command economic systems
 - C. Free enterprise economic systems
 - D. Mixed economic systems
36. Which of the following would assume all losses of a business
- A. The owner of a sole proprietorship
 - B. A limited partner
 - C. A stockholder
 - D. The CEO of a corporation
37. Most businesses are
- A. Limited partnerships
 - B. Corporations
 - C. General partnerships
 - D. Sole proprietorships

38. A computer company developed a printer that would wear itself out in two years, forcing consumers to buy a replacement. One might criticize the computer company because
- A. Of the poor service they offered to customers
 - B. Of the high price they charged for the printer
 - C. They planned to make their printer obsolete
 - D. The product was unsafe
39. A company that makes roofing shingles claims that their shingles "will last longer than you or your money back." Because this is a clear overstatement of their products performance, they are engaging in
- A. Deceptive pricing
 - B. Deceptive packaging
 - C. Bad promotions
 - D. Deceptive promotion
40. The process of businesses refusing to serve specific geographic areas is known as
- A. Boycotting
 - B. Pipelining
 - C. Restrictive marketing
 - D. Redlining
41. A corporation is chartered under
- A. International law
 - B. State law
 - C. Local law
 - D. Federal law
42. Mac is worried about the increase in the number of subordinates he supervises. Therefore, he is concerned about his
- A. Chain of command
 - B. Organizational structure
 - C. Informal organization
 - D. Span of control

43. Some companies attempt to determine a customer's worth before doing business. This practice is known as
- A. Weblining
 - B. Price gouging
 - C. Webbing
 - D. Exception
44. How do individuals in a partnership pay taxes?
- A. They pay taxes as a partnership
 - B. They do not pay taxes; the business does
 - C. They only pay taxes if they are shareholders
 - D. The individuals each pay taxes on the total income
45. Subchapter "S" corporations are taxes as
- A. Partnerships
 - B. Subchapter "C" corporations
 - C. Proprietorships
 - D. Multinational organizations
46. Corporation "X" has gone into debt. Which of the following would be liable for that debt?
- A. Jack, the corporation's CEO
 - B. Jose, a common stockholder
 - C. All of the answers are correct
 - D. Lily, a member of the board of directors
47. There are _____ Federal Reserve Banks and _____ branches to those banks
- A. 2; 25
 - B. 50;250
 - C. 12; 25
 - D. 100; 500

48. When compared to a traditional savings account, a certificate of deposit is
- A. More dynamic
 - B. More liquid
 - C. Equally liquid
 - D. Less liquid
49. When someone enters into a mortgage agreement, the house serves as which of the five "C's" of credit?
- A. Critique
 - B. Capacity
 - C. Character
 - D. Collateral
50. The current hourly minimum wage set by the US Department of Labor is
- A. \$5.15
 - B. \$7.25
 - C. \$8.00
 - D. \$6.50
51. States and local governments have used _____ to limit and control those who plan to enter certain types of businesses
- A. Taxes
 - B. Zoning ordinances
 - C. Licensing
 - D. Franchising
52. Employers who make accommodations for physically challenged workers are complying with regulations of the
- A. FDA
 - B. FTC
 - C. FCC
 - D. ADA

53. Which of the following legal forms of organization allows the owners to contribute no capital, but still play a part in managing the business and sharing the profits?

- A. S corporation
- B. C corporation
- C. Partnership
- D. Sole Proprietorship

54. A corporate charter should

- A. Be detailed
- B. Be in accord with state law
- C. Include bylaws
- D. Indicate profit potential

55. A corporation

- A. Is chartered under federal laws
- B. Remains in existence as long as its owners are alive
- C. Shifts liability of debt to owners
- D. Is chartered under state laws

56. Which of the following entities is liable for a corporation's debts?

- A. Stock holders
- B. Board of directors
- C. The corporation itself
- D. The CEO of the corporation

57. Which of the following BEST describes a partnership

- A. A business owned and operated by one person
- B. A voluntary association of two or more persons to carry on a business for profit
- C. The governing body for a corporate activity
- D. An organization in which each owner has limited personal liability

58. A common stockholder
- A. Casts one vote per share at stockholder's meetings
 - B. Cannot vote at stockholder's meetings
 - C. Is a member of the board of directors
 - D. Declares dividends at stockholder's meetings

Use the following information to answer questions 59-61: Joan McBride is saving money for a car. She worked 10 weeks during the summer for a house painting company. Her take home pay was \$350 a week.

59. If Joan deposited each paycheck in the bank, what was the total amount she deposited in the summer?
- A. \$2,500
 - B. \$3,000
 - C. \$3,500
 - D. \$4,000
60. If she put \$90 per week in her savings account, how much did she save during the summer?
- A. \$90
 - B. \$450
 - C. \$900
 - D. \$1,350
61. If she leaves her accumulated summer savings in the bank for a year at 3.5 percent interest, how much will she have for down payment on a car at the end of the year?
- A. \$913.50
 - B. \$931.50
 - C. \$935.00
 - D. \$975.75

Use the following information to answer questions 62-65. The FDIC insures deposits in banks up to \$100,000. The banks pay the insurance just as individuals buy insurance for their cars. Based on the amount of deposits in the financial institution, the regulating agency sets the amount charged. The data below shows the current rate charged by the FDIC in a recent year to Blacksburg National Bank and a proposed rate change.

Blacksburg National Bank:

Deposits: \$7,350,000

Current insurance rate per \$100 of deposits: 22.1 cents

Proposed rate per \$100 of deposits: 25 cents

62. What is the percentage of the increase in rate?

- A. 10%
- B. 13%
- C. 15%
- D. 18%

63. What is the cost of Blacksburg National Bank's insurance at the current rate?

- A. \$15,000.85
- B. \$15,234.00
- C. \$16,240.75
- D. \$16,243.50

64. What is the amount of the increase?

- A. \$2,087.50
- B. \$2,131.50
- C. \$2,311.50
- D. \$3,121.50

65. What will Blacksburg National Bank's insurance be at the proposed rate?
- A. \$18,375.00
 - B. \$183,750.00
 - C. \$1,837,500.00
 - D. \$1,945,687.00
66. All of the following are part of the five C's of credit, EXCEPT
- A. The borrower's character
 - B. The borrower's capacity to repay the loan
 - C. The collateral available to secure the loan
 - D. The borrower's ability to avoid a financial crisis
67. All of the following are the three main types of endorsements of checks, EXCEPT
- A. Blank
 - B. Special
 - C. Restrictive
 - D. Open
68. All of the following are advantages of checking accounts, EXCEPT
- A. A checking account is a convenient way to handle business affairs
 - B. A checking account has many safety measures
 - C. A check is a legal proof of payment
 - D. Checking accounts always bear interest
69. In a line organization, each employee has
- A. One supervisor
 - B. Two supervisors
 - C. Three supervisors
 - D. An indefinite number of supervisors

70. The person named in the insurance policy to receive the insurance benefits is the
- A. Insured
 - B. Benefactor
 - C. Beneficiary
 - D. Premium
71. Property that is permanently attached to land is known as
- A. Real property
 - B. Personal property
 - C. Equipment
 - D. Capital property
72. Which of the following is an economic system in which the method for determining what, how, and for whom goods are produced is decided by a central authority?
- A. Market economy
 - B. Command economy
 - C. Mixed economy
 - D. Privatized economy
73. Stockholders have limited liability unless they
- A. Are active in the management of a corporation
 - B. Personally endorse company notes
 - C. Own preferred stock
 - D. Convert their shares to partnership status
74. Which of the following governmental agencies is responsible for monitoring infomercials to ensure that both the format and content of the programs is non-deceptive?
- A. The Division of Marketing Practices
 - B. The Division of Financial Practice
 - C. The Internal Revenue Service
 - D. The Division of Advertising Practices

75. In a partnership, each partner has agency power, which means that
- A. Upon the death of one partner, the remaining partners can operate the business
 - B. A partner can legally bind all members to the firm
 - C. An executor can act as a partner
 - D. A partner can compete in business and remain a partner
76. A plan for spending money is a
- A. Annual report
 - B. Balance sheet
 - C. Income statement
 - D. Budget
77. If a 12 ounce package of bologna has a retail price of \$2.40 and a unit price of \$3.20 per pound, what is the unit price per ounce?
- A. \$0.20
 - B. \$0.40
 - C. \$0.80
 - D. \$1.20
78. A term used to describe factories that have unsafe working conditions, treat workers badly, and pay poorly is
- A. Closed shop
 - B. Open shop
 - C. Migrant farm
 - D. Sweatshop
79. Which type of life insurance is NOT an example of cash-value insurance?
- A. Whole Life
 - B. Variable Life
 - C. Limited Payment Life
 - D. Term Life

80. The Consumer Bill of Rights declares all the following rights to consumers EXCEPT the right to
- A. Safety
 - B. Privacy
 - C. Remedy
 - D. Service
81. What is the amount of interest paid on a \$1,500.00 purchase, 9% APR, for 1 year?
- A. \$115
 - B. \$125
 - C. \$135
 - D. \$145
82. All of the following are benefits of a franchise EXCEPT a franchise
- A. Is easy to start
 - B. Has name recognition
 - C. Offers proven marketing practices
 - D. Has unlimited products and services you can offer customers
83. New laws such as the Food Labeling Act, is an example of the right of ____ of the Consumer Bill of Rights.
- A. Information
 - B. Safety
 - C. Remedy
 - D. Service
84. Spending time with a worker for a brief period of time to learn about a certain occupation is an example of
- A. Job shadowing
 - B. Interning
 - C. Cooperative education
 - D. Work study

85. The primary advantage of a command economy is
- A. No shortage of goods
 - B. Ease of production
 - C. Guaranteed employment
 - D. Equal standard of living
86. If your insurance carrier requires a \$200 deductible and your company policy requires 20% co-pay, how much will you pay for a \$10,000 surgery?
- A. \$1,800.00
 - B. \$1,960.00
 - C. \$2,000.00
 - D. \$2,160.00
87. The Articles of Partnership may include all of the following components EXCEPT
- A. Duties of each partner
 - B. Investments of each partner
 - C. How to end the partnership
 - D. Division of the stock dividends the partnership issued
88. A person renting property will purchase which type of insurance?
- A. HO-2
 - B. HO-4
 - C. HO-5
 - D. HO-6
89. All of the following are characteristics of money EXCEPT money must be
- A. Abundant
 - B. Accepted
 - C. Divisible
 - D. Portable and durable

90. Nathan wants to purchase special coverage for valuable antiques. The agent agrees to add a(n) _____ to Nathan's policy.
- A. Unit policy
 - B. Exclusive policy
 - C. Rider
 - D. Exclusion
91. Smaller businesses use this type of management structure.
- A. Line authority
 - B. Informal structure
 - C. Departmentalization
 - D. Formal structure
92. A house that you own is an example of
- A. Personal property
 - B. Fixed property
 - C. Real property
 - D. Joint property
93. Fewer farmers producing beef because more people are buying chicken is an example of
- A. Inflation
 - B. Deflation
 - C. Down-sizing
 - D. Derived demand
94. Labels list ingredients
- A. Alphabetically
 - B. In ascending order of quantity
 - C. In descending order of quantity
 - D. By nutritional significance

95. Insurance agents participate in an occupational grouping as a
- A. Goods producing industry
 - B. Service producing industry
 - C. Production based industry
 - D. Manufacturing based industry
96. A business that buys from many suppliers and sells to the consumer is a
- A. wholesaler
 - B. Retailer
 - C. Specialty outlet
 - D. Single line distributor
97. The federal agency that enforces rules that protect the environment is the
- A. DEC
 - B. EOP
 - C. DEA
 - D. EPA
98. If someone intentionally scraped paint off your car with a key, what type of insurance coverage is required?
- A. Collision
 - B. No-fault
 - C. Umbrella
 - D. Comprehensive
99. Public utilities are regulated by a
- A. Federal Oversight Committee
 - B. State Public Utilities Commission
 - C. Local Chamber of Commerce
 - D. Board of Directors

100. The amount of money a policyholder must pay for an automobile repairs before the insurance company pays for the automobile repairs is called a

- A. Bond
- B. Deductible
- C. Writ
- D. Waiver