

Final Review Packet

Key

Final Dates: Wednesday, June 5, 2013 and Thursday, June 6, 2013
 Final Review Packet Due Date: Thursday, June 6, 2013

There may be information on the final that is not in this packet. This review packet is meant to serve as a study tool based on information that may appear on your final.

Information from each of the following units will appear on your final:

Unit 1 - Fundamentals of Economics

Unit 2 - Supply and Demand

Unit 3 - Business

Unit 4 - Investment

Unit 5 - Macroeconomics

Unit 6 - On Your Own

Past presentations, notes, worksheets, etc. are available on my website: www.mrsatospal-economics.weebly.com.

G+S = goods + services

Directions: Please answer the following questions using additional pieces of paper as needed.

Unit 1

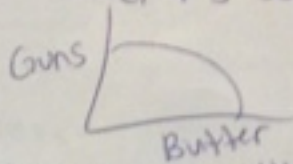
- 1) What are the THREE fundamental questions of economics?
1. What to produce?
 2. How to produce?
 3. For whom to produce?
- 2) A) What is the biggest challenge of economics? B) Why does this challenge exist?
- A) scarcity
 - B) unlimited wants vs limited resources
- 3) What is economics?
- How people make choices on how to allocate scarce resources to meet the needs of wants of people
- 4) Who answers the three fundamental economic questions in a:
1. Traditional Economy: traditions, habits, customs
 2. Command Economy: government
 3. Market Economy: market (buyers & sellers)
 4. Mixed Economy: government of market (buyers & sellers)
- 5) Define and explain TINSTAAFL.
- There's no such thing as a free lunch.
Everything has a cost - time, money, etc.
- 6) Explain the difference between a want and a need. Give an example.
- Need: necessity (food, water, shelter, clothing) Ex) water (need),
 Soda (want)
 Want: way of expressing the need
- 7) A) What two things are needed to make something valuable? B) What is the paradox of value?
- A) scarcity & utility
 - B) when a non-necessity (diamonds) is more valuable than a necessity (water)
- 8) Describe the circular flow of the economy.
- Households/consumers & businesses/producers/firms interact in the market. Resources & money circulate throughout.
- 9) List the five factors of production and an example for each.
- 1) Land - tree
 - 2) Labor - person working
 - 3) Capital - Tractor
 - 4) Technology - Internet
 - 5) Entrepreneurship - Bill Gates
- 10) How does the profit motive and competition work together to benefit consumers?
- Keeps prices low & brings better G+S

11) Define/describe A) opportunity cost, B) opportunity benefit, and C) trade offs

- A) next best choice, what is lost from not getting that choice
- B) what is gained from choosing something
- C) options, choices

12. Sketch a production possibilities curve. What does a PPC graph look at?

PPC measures all the G+S we could produce w/ our resources



13) What is the definition of demand?

The qty of goods a consumer is willing & able to produce @ various prices

14) What THREE THINGS make demand slope downward?

- 1) Income Effect
- 2) Substitution Effect
- 3) Law of Diminishing marginal utility

15) What is the Law of Demand?

$P \uparrow Q_d \downarrow$ $P \downarrow Q_d \uparrow$

16) What is the definition of supply?

The qty of goods a producer is willing & able to sell at various prices

17) What is the Law of Supply?

$P \uparrow Q_s \uparrow$ $P \downarrow Q_s \downarrow$

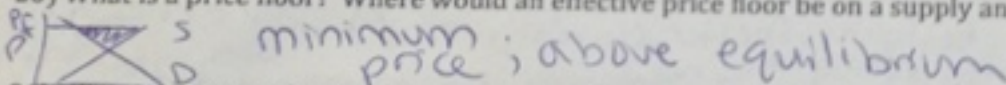
18) What is a shortage? What is the easiest way to eliminate a shortage?

$Q_d > Q_s$; raise price

19) What is a surplus? What is the easiest way to eliminate a surplus?

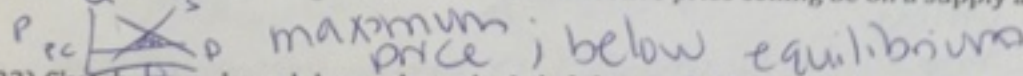
$Q_s > Q_d$; lower price

20) What is a price floor? Where would an effective price floor be on a supply and demand graph?



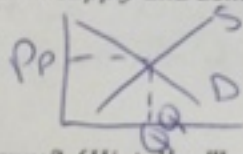
minimum price; above equilibrium

21) What is a price ceiling? Where would an effective price ceiling be on a supply and demand graph?



maximum price; below equilibrium

22) Sketch a supply and demand graph. Label the equilibrium price and quantity ("X" marks the spot) (Hint: You'll need to understand shifts in supply and demand, determinants of supply and demand, etc. on the final.)



24) What does elasticity measure? (Hint: You'll need to know elastic and inelastic demand and elastic, inelastic, and perfectly inelastic supply on the final.)

Responsiveness to Price Changes

25) Describe the characteristics of: A) sole proprietorship, B) partnership, and C) corporation.

Unit 2

Unit 3

- 1) Business owned & run by 1 person, easy to start, just need to pay business fees
 - 2) Jointly owned by 2 or more people; (General partnership - shared liability/responsibility; limited partnership - one is more liable)
 - 3) organization recognized by law as a separate entity w/ rights of individual; requires charter, stocks, & investors
- 26) Define: A) marginal cost, B) marginal revenue, and C) marginal profit.

Revenue = price x qty

- A) cost of making a good/giving service (for producer)
- B) Price (to sell) multiplied by ~~1000~~ 1 (revenue from 1 item)
- C) MR - MC (marginal revenue - marginal cost)

27) Describe the characteristics of: A) perfect competition, B) monopolistic competition, C) oligopoly, and D) monopoly.

- A) many buyers & sellers, easy to enter/exit the market, identical products, price set by supply & demand
- B) easy to enter/exit market, little control over price, product differentiation, nonprice competition/advertising
- C) a few very large sellers w/ differentiated products, price-maker; uses collusion & price fixing
- D) One seller; no close substitutes, impossible to enter market; sets prices

28) What is an example of non-price competition? Which market structure uses this (Hint: Market Structures are the things listed in Question #27)?

Advertising (Jack in the Box commercial I showed in class)

29) What is collusion? What market structure uses this? Are they allowed to collude?

- 1) secret agreement to fix prices
- 2) oligopoly
- 3) Not allowed

30) List the three types of monopolies.

- 1) Technological (patent)
- 2) Geographic (gas station in middle of nowhere)
- 3) Natural (Edison electricity)

unit 4

31) What does KISS mean?

Keep it Simple, Stupid

32) What is the difference between an IRA and a Roth IRA?

In a Roth IRA, you get a tax break on money that is withdrawn

33) What is a stock?

partial ownership of a company

34) What is a mutual fund?

pool of money provided by many investors & given to a financial manager who invests the money

35) What is a 401(k)?

tax-deferred, individual pension fund for employee provided by employers

36) How does the Circular Flow of Funds work? (Hint: Use the bank as the financial intermediary)
person 1 puts \$ in savings → banker loans money to person 2 → person 2 pays
back loan w/ interest → bank made \$ → person 1 takes \$ out of savings w/ interest →
37) What is a financial asset? Give some examples of financial assets. bank still ends up w/ more \$ than it started with
economic resources; stocks, bonds, bank deposits, etc.

38) What is a bear market? What is a bull market?
Bear - slow, down, not doing well
Bull - up, doing well

39) List the five types of unemployment and an example of each.

- 1) Frictional - between jobs after graduating
- 2) Structural - VCR repairman
- 3) Seasonal - mail Santa
- 4) Technological - Charlie (from ~~the~~ chocolate factory) 's dad losing job when a machine can screw toothpaste caps on instead of him
- 5) Cyclical - Laid off during recession

40) What is the equation for calculating unemployment?

$$\frac{\# \text{ of unemployed people}}{\text{Labor Force}} \times 100$$

41) What is underemployment?

working part-time when you want full-time or working below your capability

42) A) What is GDP? B) What does GDP measure? C) What is the equation for calculating GDP?

- A) gross domestic product
- B) the dollar value of all final goods produced in a nation in a year
- C) $C + I + G + (X - M)$ — can I get X-men?

43) What is inflation?

gradual increase in price over time

44) What is the consumer price index?

sample of 400 commonly purchased goods used to compare prices to track inflation

45) What is the market basket?

The goods in the CPI

46) What are some of the actions of labor unions?

strikes, boycotts, pickets

47) What is collective bargaining?

when representatives from labor and management meet to reach an agreement

48) List different steps labor unions and management use if collective bargaining doesn't work.

- 1) mediation
- 2) arbitration
- 3) fact-finding
- 4) seizure
- 5) injunction
- 6) presidential intervention

unit 6 49) What is a premium?

the amount you pay for insurance

50) What is a deductible?

After a claim, how much you have to pay before the insurance pays the rest