



ME* Competition Test 1998

PUT ALL ANSWERS ON THE ANSWER SHEET USING UPPER CASE LETTERS.
THERE IS ONE BEST ANSWER FOR EACH QUESTION.

1. Scarcity means:
 - a. Not wanting more of something.
 - b. There is enough of something for everyone.
 - c. Not having as much as your friends.
 - d. There is not enough of something for all people who want it.

2. Why do people make economic choices?
 - a. Resources are greater than wants.
 - b. Wants are greater than available resources.
 - c. Government makes them do it.
 - d. Businesses make them do it.

Use the sentence below to answer questions 3 and 4.

Louisa went to a basketball game with her friends instead of doing her homework.

3. The opportunity cost of going to the basketball game was:
 - a. The cost of the game ticket.
 - b. Louisa's time.
 - c. Doing her homework.
 - d. Louisa's friends.

4. What was scarce for Louisa?
 - a. Homework
 - b. Money
 - c. Game tickets
 - d. Time

5. Kawanda decided to make cookies in the shape of Disney characters to sell at the school fair. She used cookie cutters, cookie dough, rainbow sprinkles, cookie sheets, an oven, and a spatula to make the cookies. She rented space on the playground for her table. She hired Rema and Eric to help sell the cookies the day of the fair.

Identify each of the underlines productive resources from the story by writing an E on your answer sheet if it is an example of an entrepreneur, C if it is a capital resource, L if it is a land resource, and H if it is a human resource.

6. People use money instead of bartering for goods and services because:
- Money is easier to get.
 - Money is easier to use.
 - People have plenty of money.
 - People don't like to barter.
7. Far away there is an island called Econoland. When you go into a store of Econoland and buy something, you pay the storekeeper with red marbles. Which of the following statements is true?
- Econoland uses red marbles as credit cards.
 - Econoland has a barter economy.
 - Econoland has a market economy.
 - Econoland uses red marbles as money.
8. There are three basic economic questions to answer when producing a good or service. These are what to produce, how to produce, and for whom to produce. When we ask the question for whom, we want to know who will:
- make the goods and services.
 - get the profits.
 - consume the goods and services.
 - decide what to produce.

9. An economy where economic decisions are made by a central authority or small group of individuals is an example of a:
- Command system.
 - Market system.
 - Traditional system.
 - Mixed system.

Read the sentences below to answer questions 10 and 11.

Crystal had four pencils. She needed an ink pen to take her history test.
Crystal traded her two pencils for Tristan's ink pen.

10. What did Crystal and Tristan do?

- Played a game.
- Bartered.
- Earned money.
- Produced.

11. Who is better off after Crystal and Tristan trade?

- Crystal is better off.
- Tristan is better off.
- Both them are worse off.
- Both of them are better off.

12. Banks earn a profit by:

- Charging interest.
- Printing money.
- Making loans.
- Paying interest.

13. The lettuce crop was hit by a sever frost. What should happen to the price of lettuce?

- a. Price will go down.
- b. Price will go up.
- c. Price will go down and then up.
- d. Price will not change.

14. Below are Tiana's business records for her bookmark business.

Revenue	\$62.00	Rent	\$12.00
Wages	\$16.50	Materials	\$27.00

Tiana's bookmark had a

- a. \$7.00 profit.
- b. \$7.00 loss.
- c. \$117 profit.
- d. \$117 loss.

15. The price of bicycles goes up. What is most likely to happen?

- a. Demand for bicycles will go down.
- b. Demand for bicycle helmets will go down.
- c. Demand for skateboards will go down.
- d. Demand for bicycles will go up.

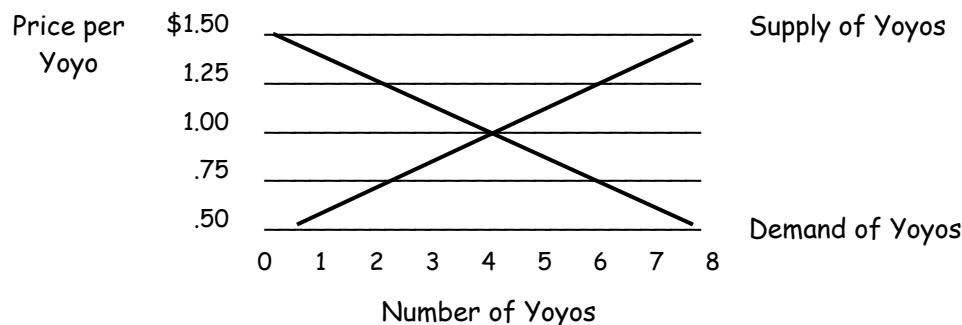
16. Rosa makes note cards and sells them for \$.35. It costs her \$.15 to make a note card. How much profit will Rosa make from the sale of 20 note cards?

- a. \$3.00
- b. \$4.00
- c. \$7.00
- d. \$10.00

17. Goods made in the U. S. and sold in other countries are called:

- a. Tariffs.
- b. Imports.
- c. Exports.
- d. Loans.

Use the graph below to answer questions 18 and 19.



18. The market clearing price for yoyos is

- a. \$1.50
- b. \$1.00
- c. \$.75
- d. \$.50

19. At a price of \$1.25, there will be:

- a. Shortage
- b. Scarcity
- c. Surplus
- d. No problem

20. Talia has a CD that Aaron wants. To get the CD from Talia, Aaron will have to give her something that:

- a. He doesn't want anymore.
- b. Talia wants more than the CD.
- c. He likes better than the CD.
- d. Costs the same as the CD.

21. Kahari mows lawns for \$4.00 per hour and pet sits for \$4.00 an hour to earn money. If the people for whom he mows lawns are willing to pay Kahari \$4.50 per hour, Kahari will probably:

- a. Mow lawns more, pet sit less.
- b. Mow lawns more and pet sit more.
- c. Mow lawns less, pet sit more.
- d. Mow lawns less, pet sit less.

22. If Beanie Babies could only be bought in Delaware at First Street Gifts, we would expect:

- a. Price of Beanie Babies at First Street Gifts to go down.
- b. Price of Beanie Babies at First Street Gifts to go up.
- c. People to stop buying Beanie Babies at First Street Gifts.
- d. No change in people's willingness to buy Beanie Babies.

23. Hank wants to be a pitcher for his school baseball team. He goes to a summer camp to improve his pitching skills. By going to camp, Hank is:

- a. Wasting his time.
- b. Investing in his human capital.
- c. Investing in capital equipment.
- d. Making friends.

24. Which of the following is usually paid for by government with tax dollars?

- a. Books.
- b. Computers.
- c. Movie Theaters.
- d. Highways.

25. A general increase in prices is called:

- a. Unemployment.
- b. Recession.
- c. Inflation.
- d. Gross Domestic Product.

26. Terry produces dog leashes. He lives in a market system. How does he know how many leashes to produce, and whether to keep on producing leashes or to make something else?

- a. He knows because he likes dogs a lot. He makes as many leashes each year as there are dogs in the city.
- b. He knows because the government tells him he has to produce dog leashes and tells him how many to make each year.
- c. He knows because he keeps track of the demand of consumers for dog leashes. He produces as many as he thinks people will buy at his price.
- d. He knows because he makes designer dog leashes.

27. Bess decides to charge \$.25 a rock at her paint-your-own-paperweight booth. She has 25 rocks and enough paint brushes for 25 customers. But at \$.25 a rock, she can only sell 10 rocks. What should Bess do?

- a. Give her unsold rocks away.
- b. Decrease her price.
- c. Find the price where the quantity demanded and the quantity supplied are equal.
- d. Close her business.

28.Brad and Jean are both candy apple dippers. They dip the apples into the candy and twirl them around until they have lots of candy stuck on. Brad twirls ten apples per hour. He wants to be paid \$2.00 per hour. Jean twirls eight apples per hour. She wants to be paid \$1.25 per hour. Which would you hire to be most economical?

- a. Jean, because she charges less.
- b. Brad, because he charges more.
- c. Brad, because it costs less per apple to hire him.
- d. Jean, because it costs less per apple to hire her.

29.Freddie is going to open a hot-dog stand at the school carnival. You are his business advisor. He asks you how he can tell how many hot dogs he will probably sell on the day of the carnival. What will you tell him to ask the other students to help him to answer his questions?

- a. He should ask them if they like hot dogs.
- b. He should ask them how many hot dogs they would be willing to buy that day at different prices he might charge.
- c. He should ask them if they like mustard or ketchup on their hot dogs.
- d. He should ask them how many hot dogs they would buy at the carnival.

Use the story, "Lemons to the Aid! Earning Money for Vacation," to answer questions 30-34.

30.Which day did Tori and Todd make the largest accounting profit?

- a. Day 2
- b. Day 3
- c. Day 4
- d. Day 5

31.What was the amount of their profit on this day? _____

32. What was the total accounting profit for 5 days? _____

33. On which day did they have accounting loss? _____

34. What was the amount of this loss? _____

Use the information in the charts below to answer question 35.

Demand Schedule for Cookies
Price per Cookie

Name	\$.90	\$.80	\$.70	\$.60	\$.50	\$.45
Alex	0	1	3	6	10	12
Tim	0	0	2	5	6	8
Nancy	0	0	0	3	7	9
Ruby	1	3	7	10	14	15
Pedro	2	4	8	11	13	20

Price/Cookie	Quantity Supplied
\$.90	82
\$.80	60
\$.70	45
\$.60	36
\$.50	30
\$.40	22

35. The market clearing price for cookies is about

- a. 80 cents
- b. 70 cents
- c. 60 cents
- d. 50 cents

LEMONS TO THE AID! EARNING MONEY FOR VACATION

ACTIVITY

Tori and Todd were both looking forward to a week's vacation at the beach. It had been a hot, sticky summer and it would be fun to splash around and build sand castles. They had marked off the days on the calendar and only one more week to go, when their parents told them they would have to earn their own spending money. How could they earn money in the week before their trip?

Tori and Todd decided to open a lemonade stand near the neighborhood pool. The pool had no refreshment stand or vending machines and might attract lots of customers. With parent permission, they used the family's kitchen, ice, measuring cups, spoons, pitchers and folding table.

On Day 1 they went to the market and bought 30 lemons at \$0.20 each, 1 pound of sugar at \$0.80 and 50 paper cups for \$1.40. Later that evening after a busy afternoon at the lemonade stand, they discovered that they had sold 40 cups of lemonade at \$0.25 per cup.

On Day 2, they bought the same supplies. To their surprise there was a swim meet at the pool. Todd and Tori decided to raise the selling price to \$0.30 per cup. What a day! They sold all 50 cups to the thirsty crowd and still had time to go swimming themselves.

For Day 3, Todd and Tori had the same shopping list but discovered upon arriving at the store that lemons were no longer on sale, and had to pay \$0.25 per lemon. Tori and Todd were so excited about their successful day yesterday that they weren't careful about keeping the kitchen clean.

While they were mixing up the day's lemonade their Dad came into the kitchen. "Tori and

Todd, yesterday you left the counters sticky and forgot to clean up the sugar that spilled. Before you leave the house, I have to charge you \$2.00 for the mess that was made, because I had to clean it up after you left."

As they set up their stand, Tori and Todd discussed the increase in their costs of production. They decided to raise the selling price per cup of lemonade to \$0.35 to cover the increase in production costs and because of yesterday's sell out. But soon, after they had set up for business they found out that there was no swim meet, luckily they sold 40 cups of lemonade before closing for the day.

On Day 4, the children bought the same supplies but just when they were ready to leave, Todd went to the freezer and found they were out of ice. No one had filled the ice cube trays! If they were going to sell ice cold lemonade, Todd and Tori would have to buy ice. They spent \$2.00 on a 10 pound bag of ice. They decided to leave the selling price at \$0.35 and sold 20 cups before it started to rain. Rushing back to the house, Tori and Todd tripped, spilling the rest of the lemonade and breaking the pitcher. Mom said the children would have to pay \$3.00 from the day's sales receipts to replace the pitcher.

On Day 5, They bought the same supplies as for Day 3 plus a \$0.50 box of peppermint sticks. Regular lemonade still sold for \$0.35. A "Sweet and Sour" Special, sold for \$0.45 per cup. The day was hot and in just 90 minutes, they sold 30 regular cups of lemonade and 20 specials.

ANSWERS:

1. D
2. B
3. C
4. D
5. E, C, C, L, H
6. B
7. D
8. C
9. A
10. B
11. D
12. A
13. B
14. A
15. A
16. B
17. B
18. B
19. C
20. B
21. A
22. B
23. B
24. D
25. C
26. C
27. B
28. D
29. B
30. D
31. \$7.30
32. \$8.50
33. Day 4
34. \$9.70
35. C