|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Scarce resources are always rare.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| 2. The essentials of life such as food, water, clothing and shelter are all examples of human wants.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| 3. Wants are things we would like to have which we believe would make our lives better.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| 4. The economic problem is matching scarce resources with limited wants and needs.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. A market is where buyers and sellers agree on an exchange.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. Markets must always be where buyers and sellers meet to exchange.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. Businesses are in customers and also other stakeholders.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| 8. Investment is making money available to develop a project which will generate future returns.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| 9. Synergy is where businesses working together produce poorer results than if they worked separately.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. Risk the extent to which a decision leading to a course of action will result in some loss, damage, and adverse effect to the decision maker.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. Usually acquiring new customers is cheaper than retaining them.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. Promotion is usually a method used to help acquire new customers.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. Providing good customer service is a way of retaining customers.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. McDonald’s don’t place a high value on customer service.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| 15. Economics can be seen as the science of decision-making.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| 16. Which of the following is a need rather than a want?

|  |  |  |
| --- | --- | --- |
|   | a.  | A sports car |
|   | b.  | A ticket to the cinema |
|   | c.  | Shelter |
|   | d.  | A meal at a restaurant |
|   | e.  | An iPad |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. Which is not a scarce resource?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | a.  | Air | b.  | Firewood |
|   | c.  | Oil | d.  | Diamonds |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. If a resource is scarce and demand increases then:

|  |  |  |
| --- | --- | --- |
|   | a.  | The price of the resource will go down |
|   | b.  | The price of the resource will stay the same |
|   | c.  | The price of the resource will increase |
|   | d.  | The price of a complimentary resource will decrease |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. If a price of a product rises then:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | a.  | Value for money is not altered | b.  | Value for money decreases |
|   | c.  | Value for money increases | d.  | More people will value the product |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. In which of the following markets does not involve the buyer and seller meeting?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | a.  | Street trader selling vegetables | b.  | Amazon |
|   | c.  | High Street clothes shop | d.  | Petrol station |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. Which is a stakeholder for a business?

|  |  |  |
| --- | --- | --- |
|   | a.  | Government |
|   | b.  | Employees |
|   | c.  | Customers |
|   | d.  | Shareholders |
|   | e.  | All of the above |

|  |  |
| --- | --- |
| *ANSWER:* | e |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. Investment is undertaken to:

|  |  |  |
| --- | --- | --- |
|   | a.  | Generate more returns in the future |
|   | b.  | Used to by materials to make more stock |
|   | c.  | Where a business gives out dividends to shareholders |
|   | d.  | Bring in more cash now to pay bills |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. Which of the following is an example of internal growth?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | a.  | Merging with another business | b.  | Taking over another business |
|   | c.  | Buying some shares in another business | d.  | Investing in new production equipment |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. Two or more businesses working together and bringing benefits greater than those which would arise from the separate business entities is called:

|  |  |  |
| --- | --- | --- |
|   | a.  | Risk taking |
|   | b.  | Energy |
|   | c.  | Synergy |
|   | d.  | Mergers |
|   | e.  | Legacy |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. Which is not a business decision?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | a.  | Who and when to hire staff | b.  | What to invest in |
|   | c.  | What price to set | d.  | What customers buy |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. Who would be affected by a business decision by Honda to expand car production in the UK?

|  |  |  |
| --- | --- | --- |
|   | a.  | The shareholders of Honda |
|   | b.  | Potential employees in the Swindon area |
|   | c.  | The UK Government |
|   | d.  | Suppliers of car components |
|   | e.  | All of the above |

|  |  |
| --- | --- |
| *ANSWER:* | e |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. A successful investment is best described as one that:

|  |  |  |
| --- | --- | --- |
|   | a.  | Increases sales |
|   | b.  | Will generate benefits that exceed the costs |
|   | c.  | Gets rid of some competition by taking them over |
|   | d.  | Involves as little cost as possible |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. Promotion an example of a tactic designed to:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | a.  | Acquire new customers | b.  | Retain or keep customers |
|   | c.  | Both of the above | d.  | None of the above |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. Which two of the following is a specific tactic designed to retain customers?

|  |  |  |
| --- | --- | --- |
|   | a.  | Advertising campaign and improving customer service |
|   | b.  | Improving customer service and increasing the price of the product |
|   | c.  | Increasing the price of the product and bringing out a new version |
|   | d.  | Bringing out a new version and improving customer service |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. Which of the following stakeholders is most likely to lose out from a merger or takeover designed to improve efficiency?

|  |  |  |
| --- | --- | --- |
|   | a.  | Customers |
|   | b.  | Suppliers |
|   | c.  | Employees |
|   | d.  | Government |
|   | e.  | None of these |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. Which ratio is correct if the cost of acquiring customers for a business is four times the cost of keeping existing customers?

|  |  |  |
| --- | --- | --- |
|   | a.  | 60:40 |
|   | b.  | 75:25 |
|   | c.  | 80:20 |
|   | d.  | 25:75 |
|   | e.  | 30:70 |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. In which of the following would customer care be a low priority?

|  |  |  |
| --- | --- | --- |
|   | a.  | McDonald’s |
|   | b.  | Car service and repair business |
|   | c.  | Supermarket such as Tesco’s |
|   | d.  | Mobile phone company such as Orange |
|   | e.  | Restaurant serving tourists |

|  |  |
| --- | --- |
| *ANSWER:* | e |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. A business may make the decision to outsource production in Asia because:

|  |  |  |
| --- | --- | --- |
|   | a.  | It wishes to make workers redundant |
|   | b.  | Unit costs are lower in the outsourced partner |
|   | c.  | The outsourced business doesn’t need to worry about health and safety rules and regulations in Europe |
|   | d.  | It is easier to control quality in overseas factories |
|   | e.  | All of the above |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. Which best describes the relationship between investment and economic growth?

|  |  |  |
| --- | --- | --- |
|   | a.  | Investment and economic growth are positively related |
|   | b.  | Investment and economic growth are inversely related |
|   | c.  | Investment is not related to economic growth |
|   | d.  | Investment is highest when we are in a recession |
|   | e.  | Investment lags behind economic growth |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. Should a business go ahead with a proposed marketing campaign if the cost of acquiring and subsequently keeping that customer is:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | a.  | Equal to the revenue gained | b.  | Lower than the revenue gained |
|   | c.  | Higher than the revenue gained |  |  |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | PTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- |
| 36. Briefly explain what the basic economic problem is.

|  |  |
| --- | --- |
| *ANSWER:* | Answers will varyPTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- |
| 37. Explain the difference between unconscious and conscious decisions by consumers and business.

|  |  |
| --- | --- |
| *ANSWER:* | Answers will varyPTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- |
| 38. What is the difference between acquiring and retaining customers and what affect does this have on business decision-making?

|  |  |
| --- | --- |
| *ANSWER:* | Answers will varyPTS: 1 |
| *POINTS:* | 1 |

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| --- | --- | --- | --- | --- |
| 39. What problems face a mobile phone network suppliers, like giffgaff, in acquiring and retraining customers?

|  |  |
| --- | --- |
| *ANSWER:* | Answers will varyPTS: 1 |
| *POINTS:* | 1 |

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|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 40. Evaluate important factors a businesses needs to consider when deciding how to expand.

|  |  |
| --- | --- |
| *ANSWER:* | Answers will varyPTS: 1 |
| *POINTS:* | 1 |

 |