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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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 vary  PTS: 1 | | *POINTS:* | 1 | |

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| 37. Explain the difference between unconscious and conscious decisions by consumers and business.   |  |  | | --- | --- | | *ANSWER:* | Answers will vary  PTS: 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 vary  PTS: 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 vary  PTS: 1 | | *POINTS:* | 1 | |

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| 40. Evaluate important factors a businesses needs to consider when deciding how to expand.   |  |  | | --- | --- | | *ANSWER:* | Answers will vary  PTS: 1 | | *POINTS:* | 1 | |