

Mini-Economy Test

Grades 4-6, Teacher Version

- provides the answer key and also keys the questions (in red) to the Indiana Economics Standards

For questions 1 – 10, choose one word from the box below that best fits the sentence. You will not use all the words, so don't worry if you have words left over.

Allocation Strategy	Capital Resource	Consumer
Costs	Budget	Service
Interdependence	Resources	Savings
Scarcity	Market	Labor
Investing	Profit	Entrepreneur

1. An action that someone does for you, usually for a price, is a (an) _____. (1.4.2)
2. A way that people can deal with scarcity is called a (an) _____. (2.4.5, 3.4.1, 6.4.5)
3. When a person makes an economic decision, he or she should compare both the benefits and the _____. (3.4.8)
4. The part of a person's income that is not spent on goods or services or used to pay taxes is called _____. (3.4.6, 4.4.10, 5.4.8)
5. A (an) _____ is anywhere that goods and services are bought and sold. (3.4.7)
6. _____ describes how people must depend on each other to provide goods and services. (3.4.4)
7. A tractor is an example of a (an) _____. (2.4.1)
8. A (an) _____ is a buyer of goods or services. (1.4.4)

9. The human resources used to produce goods or services are often called _____. (2.4.1)
10. The plan a person has for spending and saving his or her money is called a (an) _____. (4.4.10, 5.4.8)

Multiple Choice

11. Claire wants to buy a wallet, a candy bar, and a candle at the Mini-Society classroom store. Each of these items costs \$5, so she can only buy one of them. This is an example of: (2.4.5, 3.4.1)

- a. profit
- b. scarcity
- c. shortage
- d. surplus



12. In question 1, suppose Claire buys the wallet. The candy bar was her second choice and the candle was her third choice. What is the opportunity cost of her decision to buy the wallet? (2.4.5, 3.4.1)

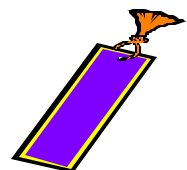
- a. the candy bar
- b. the candle
- c. the candy bar and the candle
- d. the price of the wallet

13. To be successful, a business must: (4.4.8)

- a. produce goods, but not services.
- b. produce goods and services with a high price.
- c. produce goods and services that consumers want.
- d. produce goods and services using mostly natural resources.

14. John runs a custom Paper Goods Shop in his classroom. During the class "production time" he can produce bookmarks or greeting cards. He decides to produce greeting cards. His opportunity cost of producing the greeting cards is: (2.4.5, 3.4.1)

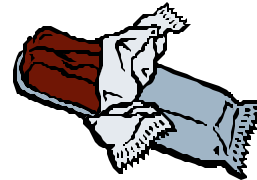
- a. the price of the bookmarks.
- b. the price of the greeting cards.
- c. the bookmarks he does not produce.
- d. the price of the paper used to produce bookmarks.



15. In 14 above, John decides to advertise the products he produces in his Paper Goods Shop. He does this to: (4.4.4)
- a. increase the surplus of his products.
 - b. increase the supply of his products.
 - c. increase the demand for his products.
 - d. increase the opportunity cost of his products.

16. Billy traded six baseball cards to Carla for a candy bar. What is true about this trade? (3.4.3, 4.4.3)

- a. Billy gained, but Carla lost.
- b. Carla gained, but Billy lost.
- c. Both Billy and Carla gained.
- d. Both Billy and Carla lost.



17. Money is very important in an economy because it: (2.4.7, 3.4.5)

- a. is difficult to earn.
- b. is backed by gold.
- c. is difficult to produce.
- d. helps people to trade.



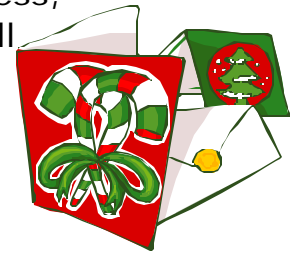
18. Which of these statements is not true? (4.4.8, 6.4.6)

- a. Banks try to earn a profit.
- b. Banks provide checking accounts.
- c. Banks are owned by the government.
- d. Banks use people's savings to make loans to businesses.

19. In a classroom auction, the price of an item sold is determined by: (3.4.7, 4.4.4)

- a. the supply of the item.
- b. the demand for the item.
- c. the supply and demand for the item.
- d. the cost of resources to produce the item.

20. Jessica opens a classroom "Greeting Card Business." Laurie notices that Jessica is making a lot of money with her business, so she opens a greeting card business, too. What will probably happen to the price of greeting cards in the classroom? (5.4.6)



- a. The price of greeting cards will go up.
- b. The price of greeting cards will go down.
- c. The price of greeting cards will not change.
- d. The price of greeting cards will stay the same, but the supply will go down.

21. The table below shows Jessica's sales revenues and all her business costs for her greeting card business. What is her profit? (4.4.8)

- a. \$16
- b. \$90
- c. \$106
- d. \$196

Sales revenues:	\$106
Wages	\$30
Paper and materials	\$40
Rent	\$20

22. Jessica wants to improve the productivity of her greeting card business. To best do this she should: (4.4.2, 5.4.4)

- a. hire more workers.
- b. purchase more productive resources.
- c. increase the price of her greeting cards.
- d. train her workers to make greeting cards more quickly.

23. Sometimes two businesses are selling the same product. When this happens, the businesses may use price competition to get people to buy their product. What is price competition? (3.4.7, 4.4.4, 5.4.6, 5.4.7)

- a. Businesses compete by lowering prices.
- b. Businesses compete by buying up smaller businesses.
- c. Businesses compete by buying resources from each other.
- d. Businesses compete by putting more money into research.

24. Sam, Tony, and Sarah decide to make and sell cookies in their classroom business. To make the cookies they specialize by using an assembly line. Sam mixes the dough, Tony cuts the cookies, and Sarah bakes the cookies. They specialize because they want to:

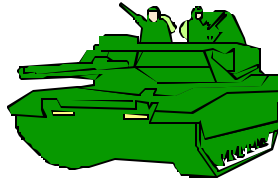
(5.4.4)

- a. make more cookies.
- b. learn different jobs.
- c. increase the price of their cookies.
- d. increase the cost of making cookies.



25. Every country has some government services, such as roads, bridges, and an army or navy. Countries usually pay for these government services through: (2.4.6, 4.4.2, 5.4.4)

- a. taxes.
- b. auctions.
- c. donations.
- d. stock issues.



26. Entrepreneurs must raise money to start a business. Which way is not used by entrepreneurs to raise money? (3.4.2, 4.4.9)

- a. taxes
- b. bank loans
- c. stock issues
- d. personal savings



27. Phillip runs a Homework Helper business in the classroom business time. The business is very popular and there are long lines of students waiting for help with their homework. In fact, Phillip does not have nearly enough time to help all of them! Phillip's situation is an example of: (4.4.7)

- a. a surplus.
- b. a shortage.
- c. a supply glut.
- d. a business failure.

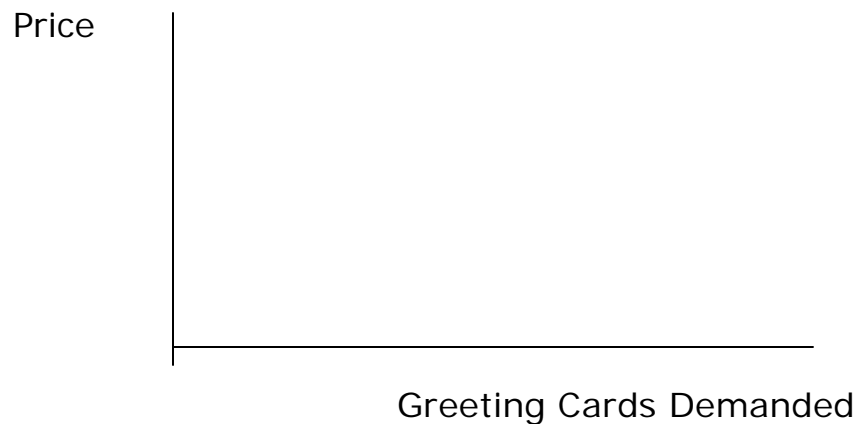


28. Chico wants to increase the productivity of his classroom candy business. He wants to: (3.4.7, 4.4.4)

- a. use more resources in production.
- b. use more time to produce his candy.
- c. increase the number of workers he hires.
- d. produce more candy using the same or fewer resources.

29. Use the information below to graph a demand curve for greeting cards. (4.4.2, 5.4.3)

<u>Price per greeting card</u>	<u>Greeting Cards People will buy</u>
.05	20
.10	10
.15	6
.20	5



30. The demand curve above shows that: (4.4.4)

- a. people will buy the same at all prices.
- b. people will buy more at lower prices.
- c. people will buy less at lower prices.
- d. the price does not matter to people who want greeting cards.

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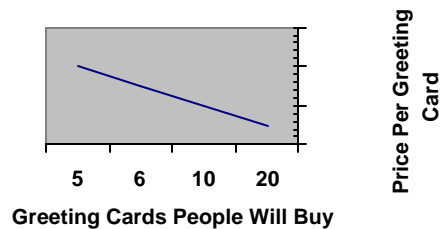
KEY

Grades 4-6

1. Service
2. Allocation Strategy
3. Costs
4. Savings
5. Market
6. Interdependence
7. Capital Resource
8. Consumer
9. Labor
10. Budget

11. B
12. A
13. C
14. C
15. C
16. C
17. D
18. C
19. C
20. B
21. A
22. D
23. A
24. A
25. A
26. A
27. B
28. D
- 29.

Demand Curve for Greeting Cards



30. B