



JA Economics[®]

Answer Key:

1. Which of these **best** describes the economic system practiced throughout most of the history of the United States?
 - c. Free market economy

2. Olivia wants to purchase a car. The price is \$10,085. With her old car and some cash, she can make a down payment of \$2,085. In the table below, review the choices about borrowing the remainder. Which loan will make Olivia’s total expenditure for the car the lowest?

Place	Principal	# of Payments	APR	Monthly Payments	Total Expenditures
Dealer	\$8,000	36	23.35%	\$311.14	
Her Bank	\$8,000	24	13.4%	\$381.84	
Finance Company	\$8,000	48	33%	\$302.17	

- a. The loan from her bank

3. When government spending exceeds government revenues, the most immediate result is:
 - a. A federal budget deficit

4. Juan decides to go to college after graduating from high school. Although getting a college education will have many benefits, it will also have many costs. Which of the following is Juan’s most-valued opportunity cost?
 - d. The money he will lose by not entering the workforce immediately after graduation

5. When tariffs on imports are reduced:
 - d. Protected industries may lay off workers or reduce their pay

6. Lara had plans to go to a movie with her friends Friday night when she is offered a job baby-sitting. Lara applies her new knowledge of economic thinking in making a decision about what to do. Which of the following statements is correct?
 - a. The amount of money Lara will earn is a marginal benefit and the fun time she will miss with her friends is a marginal cost.

7. Analyze the chart below to answer the following question. Which of these industries is the clearest example of an oligopoly?

Industry	Number of Companies	Percentage of Industry’s Output Produced by 4 Largest Firms (Concentration Ratio)	Percentage of Industry’s Output Produced by 50 Largest Firms
Printing	25,000	7%	24%
Milk	600	15%	68%
Computers	22	80%	92%

Automobile parts and accessories	1,100	65%	79%
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c. Computers

8. Which of these statements about interest rates is **true**?
- d. Interest rates compensate lenders for postponing consumption of the money loaned.
9. The two major steps in creating a budget are:
- a. Estimating income and planning expenditures.
10. Jennifer has \$2,000 in a savings account at her bank. Her account earns 3% interest. If she leaves the entire amount in the savings account for a year, how much interest income will she earn at the end of the year?
- c. \$60
11. In economics, the term supply refers to:
- d. The quantities of a good or service a producer is willing and able to sell at different possible prices