

Test of Economics
(Covering Concepts in the *Herschel Goes into Business* Curriculum)

Name _____

Directions: Choose the best answers to the questions below.

1. What is something that Herschel did not do with the money he earned?

- a. give some of it away
- b. save some of it
- c. fix his leaky roof
- d. invest it in a business



2. What is an important reason to **save**?

- a. for college
- b. for emergencies
- c. for fixing expensive things like a leaky roof
- d. for current spending on lots of goods and services

3. The main reason Herschel **invested** in his doggie treat business was because he:

- a. wanted to earn more money.
- b. liked making doggie treats.
- c. was afraid of taking risks.
- d. had friends who liked to make doggie treats.

4. What was the **opportunity cost** for Herschel of going into the doggie treat business?

- a. the cost of the ingredients to make doggie treats
- b. the cost of advertising his doggie treat business
- c. the cost of hiring Molly and Spot to help make doggie treats
- d. the video games, DVDs, and baseball things he now cannot buy

5. Which of the following was not a **business expense** for Herschel?

- a. the wages he paid Molly and Spot
- b. the money he saved to fix his leaky roof
- c. the money he paid for the ingredients to make the doggie treats
- d. the capital resources he purchased, like the mixing bowl and cooking spoons

6. **Profit** is the:

- a. money spent to operate a business.
- b. cost of capital resources, like the mixing bowl and cooking spoon.
- c. money used to start a business.
- d. amount left over from sales after subtracting all business expenses.

7. By **advertising**, Herschel hoped to:

- a. lower his business expenses.
- b. increase the demand for his doggie treats.
- c. decrease the supply of doggie treats
- d. make his competition take a vacation.



8. Herschel's **competition** was:

- a. the other doggie treat business.
- b. the consumers who purchased his doggie treats.
- c. the Doggie Journal that advertised his business.
- d. the productive resources he used to produce doggie treats

9. The **Law of Demand** says that:

- a. As supply goes up, price goes up.
- b. As price goes up, competition goes down.
- c. As price goes up, consumers buy less.
- d. As price goes up, businesses produce more.

10. The money Herschel paid the Doggie Journal for **advertising** was:

- a. money he definitely should not have spent.
- b. something that was required for operating a business.
- c. a business expense he paid to operate his business
- d. certain to increase the sales of his doggie treats.

11. In his **advertising**, Herschel wanted to say that eating his doggie treats would help people do their homework. Dr. Day did not think this was a good idea because:

- a. The homework was too difficult.
- b. It was not honest advertising.
- c. It was too expensive to advertise.
- d. Advertising was too risky.



12. Herschel couldn't raise the **price** of his doggie treats more than \$3.50 because:

- a. Rover and Clover were only charging \$3.00.
- b. He didn't have enough time to make doggie treats.
- c. He had to pay Molly and Spot high wages.
- d. The cost of advertising in the Doggie Journal was too high.

13. By increasing his business's **productivity**, Herschel was hoping to:

- a. hire more workers.
- b. increase his business expenses.
- c. make more doggie treats each day.
- d. increase the cost of productive resources.

14. In his business, Herschel wanted to increase **productivity**. This means he wanted to:
- Raise the price of his doggie treats.
 - Hire more workers to help him produce doggie treats.
 - Produce more doggie treats each hour he worked.
 - Use more productive resources when he made doggie treats.

15. Herschel wanted to increase **productivity** by:
- hiring more workers.
 - raising the price of his doggie treats.
 - investing in a capital resource, the electric mixer.
 - convincing Rover and Clover to move to Florida.



16. Herschel and his friends **specialized** by:
- each friend doing a different job.
 - investing in an electric mixer.
 - producing doggie treats at their own houses.
 - working extra hours to produce doggie treats.

17. One bad result of **specializing** was that:
- Herschel and his friends didn't produce as many doggie treats.
 - Herschel didn't get to use any capital resources to produce doggie treats.
 - Herschel had to hire more workers to produce doggie treats.
 - Herschel's friends got bored doing the same job over and over.

18. **Trade-offs** means:
- exchanging goods and services.
 - giving up some of one thing in order to get more of another thing.
 - having a very high opportunity cost when making a trade.
 - that each person does a special job when producing something.

19. Because Herschel and his friends specialized, they were more **interdependent**. This means that they:
- depended on one another to do their different jobs.
 - worked extra hard to produce doggie treats.
 - decided to increase demand by advertising in the Doggie Journal.
 - decided to produce doggie treats themselves at their own houses.

20. Herschel decided to play more and not work as much at his business. When he did this, he was:
- specializing in production.
 - trading off work time for play time.
 - becoming more interdependent.
 - probably going to produce more doggie treats.

