8th Grade Financial Literacy Pre-Test

Name: _________________________________________________________________

Directions: For each of the following questions, circle the letter that corresponds with the best answer.

1. Choices have to be made because:
   a. Costs are limited.
   b. Wants are limited.
   c. Resources are limited.
   d. Consequences are limited.

2. The phrase “There’s no such thing as a free lunch,” refers to the fact that:
   a. The use of resources has a cost.
   b. Shortages are good for consumers.
   c. Discount coupons reduce prices to zero.
   d. Wants are limited and resources are unlimited.

3. Suppose a local government decides to spend more of its funds on public school education and less on roads. This situation illustrates which point about the economic way of thinking?
   a. People’s resources are unlimited.
   b. People’s wants are relatively limited.
   c. Every choice involves an opportunity cost.
   d. The cost of a choice is greater than the benefit.

4. The opportunity cost of a decision is the:
   a. Money spent making the decision.
   b. Worst choice that could have been made.
   c. Value of the next best alternative not chosen.
   d. Total benefits expected from all forgone opportunities.

5. Which is an example of the effect of an economic incentive?
   a. Assisting the poor to help others.
   b. Buying something because it is on sale.
   c. Exercising at the gym to feel physically fit.
   d. Giving up a part-time job to have more time with friends.

6. A $400 tax is placed on all sports cars and this increases the price of sports cars. The economic way of thinking suggests that:
a. Fewer sports cars will be sold.
b. More sports cars will be sold.
c. The production of sports cars will cease to exist.
d. The production of sports cars will be more profitable.

7. Which is a primary reason for planning and thinking before buying something?
   a. To reduce your income.
   b. To encourage impulse spending.
   c. To make decisions in the fastest way possible.
   d. To get the item that best satisfies your wants.

8. Which is the first step on the decision-making process?
   a. Identify the goals.
   b. State the problem.
   c. List the alternatives.
   d. Evaluate the alternatives.

9. Roxie ordered a hamburger after quickly looking at the menu. Later, she found out the restaurant offered Reuben sandwiches, and she wished she had ordered one. Which step of the decision-making process did Roxie do a poor job of following?
   a. Knowing the problem
   b. Identifying the criteria
   c. Evaluating the alternatives
   d. Identifying the alternatives

10. Sally can shop at two grocery stores. The closest one to her has less variety and higher prices, while the farther one has more variety and lower prices. Sally shops at the closest one. Which factor did Sally give the most weight to in her decision?
    a. Low prices
    b. More variety
    c. A near location
    d. The number of stores

11. You are employed, but your income is low because you have few job skills. What would be the best action to take to increase your income?
    a. Get more training.
b. Apply for a credit card.
c. Stay with the current job.
d. Look for another similar job.

12. How do education and job experience generally affect the productivity of a worker?
   a. Education and job experience have no effect on productivity.
   b. Job experience and education generally increase productivity.
   c. Education increases productivity but job experience does not.
   d. Job experience increases productivity but education does not.

13. Compared with most employees, entrepreneurs:
   a. Work fewer hours.
   b. Work better in teams.
   c. Are more willing to take risks.
   d. Are more willing to take government aid.

14. Entrepreneurs are considered innovators because they:
   a. Pay more taxes.
   b. Work long hours.
   c. Take dangerous jobs.
   d. Create new products.

15. Goods produced for the purpose of making other goods and services are called:
   a. Stock goods.
   b. Credit goods.
   c. Capital goods.
   d. Consumer goods.

16. The main reason that businesses update their machinery and equipment is to:
   a. Keep their employees.
   b. Impress their customers.
   c. Raise their cost of production.
   d. Increase worker productivity.

17. Which is a way to increase productivity?
   a. Hiring workers
b. Training workers

c. Selling equipment

d. Decreasing wages

18. One way to develop human capital is to:
   a. Purchase bonds.
   b. Gain job experience.
   c. Sell new equipment.
   d. Increase worker wages.

19. Which is the correct general relationship between education level and unemployment?

<table>
<thead>
<tr>
<th>High Unemployment</th>
<th>Lower Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. College graduate</td>
<td>high school diploma only</td>
</tr>
<tr>
<td>b. College graduate</td>
<td>high school dropout</td>
</tr>
<tr>
<td>c. High school dropout</td>
<td>college graduate</td>
</tr>
<tr>
<td>d. High school diploma only</td>
<td>high school dropout</td>
</tr>
</tbody>
</table>

20. What is the opportunity cost of dropping out of school before your high school graduation?
   a. Higher wages in the future
   b. Freedom to what you want right now
   c. What you earn working after you drop out
   d. No expenses for textbooks and school supplies