

МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
ДЕРЖАВНИЙ УНІВЕРСИТЕТ ЕКОНОМІКИ І ТЕХНОЛОГІЙ
Навчально-науковий інститут економіки та бізнес-освіти
Кафедра міжнародних відносин

МЕТОДИЧНІ РЕКОМЕНДАЦІЇ

для виконання практичних завдань, самостійної та індивідуальної роботи з освітнього компонента «Фахова іноземна мова » для здобувачів вищої освіти III-IV курсів першого (бакалаврського) рівня спеціальності С1 «Економіка та міжнародні економічні відносини» очної (денної) та заочної форм здобуття вищої освіти

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на засіданні кафедри міжнародних відносин
(протокол №1 від «25» серпня 2026р.)

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Укладач: Кіра ВИШНЕВСЬКА

доцент кафедри міжнародних відносин к.п.н.,
доцент.

Відповідальна
за випуск:

Ірина
МАКСИМОВА

завідувач кафедри міжнародних відносин, д.е.н.,
доцент.

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CONTENTS

	page
1 What is Economics All About?	4
2 Supply and Demand	7
3 Price	10
4 Monopoly and Oligopoly	13
5 Labour and Wages	16
6 Unemployment	18
7 Forms of Business Organization	21
8 Money and its Functions	24
9 Banks	26
10 International Trade	29

What is Economics All About?

1. Fill in the blanks.

Economics is a study concerned with the use society makes of its (1)...(scarce, abundant) resources in attempting to satisfy the (2)... (normal, unlimited) desires of its members. The economy uses scarce resources for the purpose of (3)... (utilizing, producing) the goods and services. Resources are the basic elements used to produce goods and services. (4)...(Natural, Human) resources are unaltered gifts of nature. (5)...(Human, Capital) resources, or labour, are the physical and mental efforts people use to create goods and services. (6)... (Natural, Capital) resources are the buildings, tools, and machines people use to produce other goods and services.

Economists call all these resources factors of production. (7)... (Inflation, Scarcity) is the fundamental problem facing all economies. Not only are resources scarce, but they can only be used (8)...(one way, any way) at a time. It is the reason decisions involve (9)... (opportunity costs, production costs). Opportunity cost is the best alternative when (10)...(making a choice, making profit).

How to best meet the desires of individuals in a world of scarcity is a (11)...(fundamental, non-essential) problem of economy. Several basic questions are to be answered: (a) What will be (12)...(produced, consumed)? (b) How will (13)...(income and taxes, goods and services) be produced? (c) (14)...(To whom, by whom) will goods and services be distributed? An economy's answers to the first two questions reveal (15)... (fairness, efficiency) with which resources are used to satisfy desires of society. The third question requires that (16)...(society, an individual) make value judgments regarding the distribution of income.

The two major branches of economic analysis are macroeconomics and microeconomics. (17)...(Macroeconomics, Microeconomics) is concerned with the economic behaviour of individual decision-making units in the economy. (18)... (Macroeconomics, Microeconomics) is concerned with the effects of the aggregate economic behaviour of all individuals, firms, and institutions. Inflation and unemployment are two topics that are studied in (19)... (macroeconomics, microeconomics), whereas the determination of prices and an analysis of markets are subjects dealt with in (20)...(macroeconomics, microeconomics). Economic analysis helps us understand the world around us. It helps us understand the functioning of the various sectors in the economy and the choices made by individual decision-making units.

2. Give the definitions to key terms.

Economy

Economics

Opportunity cost

Microeconomics
 Macroeconomics
 Resources
 Goods
 Services
 Scarcity

Definitions

1. The cost of choosing to use resources for one purpose measured by the sacrifice of the next best alternative for using those resources.
2. Economic analysis concerned with the individual choices made by participants in the economy.
3. The mechanism through which the use of labour, land, structures, vehicles, equipment, and natural resources is organized to satisfy the desire of people who live in a society.
4. The imbalance between the desires of people in a society and the means of satisfying those desires.
5. A study of society's use of scarce resources in the satisfaction of the unlimited desires of its members.
6. Economic analysis that considers the overall performance of the economy with respect to total national production, consumption, average prices and employment levels.
7. Physical (tangible) products businesses produce – like computers, cars, pizza.
8. The basic elements used to produce goods and services.
9. Products you can't touch (intangibles); it's work or labour performed – like plumbing, hair cut, health care.

3. *Select the best answers.*

1. Which of the following best describes the study of economics?
 - a) A study concerned with how to make money
 - b) A fuzzy combination of Wall Street and insurance
 - c) A study of how society uses its goods and services in determining the proper distribution of income
 - d) A study of how society uses its scarce economic resources in satisfying the unlimited desires of society

2. The mechanism through which resources are organized in order to satisfy the desires of society is known as:
 - a) a corporation
 - b) government
 - c) an economy
 - d) a factory

3. Scarcity means that:
- a) resources are in finite supply
 - b) poverty takes its toll on those with limited means
 - c) choices are unnecessary
 - d) an imbalance exists between desires and the means by which those desires are satisfied
4. The real cost of a choice or decision is its opportunity cost. What of the following best defines opportunity cost?
- a) The actual dollar outlay required to produce a good or services
 - b) The value of the forgone next best alternative
 - c) The value of the resources required to implement the decision
 - d) The value of the loss that occurs when a speculative investment does not meet profit expectations
5. If a state government had a limited amount of tax and other revenue but decided to substantially increase the amount of appropriations to public education, appropriations to other functions such as corrections, health, and welfare would diminish. What concept is represented by this statement?
- a) Opportunity costs
 - b) Normative analysis
 - c) Efficiency
 - d) None of the above
6. Microeconomics is a branch of economics that:
- a) studies the impact of inflation on the unemployment rate
 - b) studies the behavior of individual decision-making units in the economy
 - c) studies the effects and consequences of the aggregate behavior of all decision-making units
 - d) is only concerned with determination of income
7. Macroeconomics is a branch of economics that:
- a) studies the effects and consequences of the aggregate behavior of all decision-making units in the economy
 - b) is only concerned with determination of individual market prices
 - c) studies the behavior of individual decision-making units in the economy
 - d) studies neither inflation nor unemployment
8. Topics such as business cycles, unemployment, and inflation are studied in
- a) positive analysis
 - b) normative analysis
 - c) microeconomics
 - d) macroeconomics

9. The determination of prices and the study of individual markets are studied in
- a) positive analysis
 - b) normative analysis
 - c) microeconomics
 - d) macroeconomics

Supply and Demand

1. Fill in the blanks.

Understanding the concept of a market and the role it plays in the allocation of resources and the distribution of the output is critical to an understanding of how economies function. (1)...(Markets, Trade publications) communicate information to buyers and sellers alike. The forces of supply and demand, which are basic to every market, interact to produce a (2)...(market quantity, market price) that acts as a vehicle for communicating the wants of buyers to sellers.(3)...(Cost-benefit analysis, supply-demand analysis) is a method of isolating the forces of supply and demand so that the factors determining market prices can be understood. That allows us to better understand the communication and rationing functions of the price system.

Quantity demanded constitutes amounts of goods and services that buyers are willing and able to buy at a given price during a given period. A (4)...(demand schedule, demand curve) is a table of data showing the relationship between the prices of a good and the associated quantities demanded, holding all other influencing factors unchanged. A (5)...(demand schedule, demand curve) is a plot of the price-quantity demanded coordinates. The demand schedule and its demand curve show that price and quantity demanded are negatively related. This relationship is known as the law of (6)...(increasing returns, demand). When there is a change in price, quantity demanded changes. This is called a (7)...(change in demand, change in quantity demanded). A change in demand determinants other than the price of the goods will shift the demand curve. A shift in the demand curve means that, at a given price, quantity demanded will either increase or decrease. This is called a (8)... (change in demand, change in quantity demanded). Change in demand is caused by changes in (a) income, (b) wealth, (c) the prices of related goods, (d) price expectations, (e) tastes, and (f) the number of buyers in the market.

Quantity supplied represents the quantities that sellers are willing and able to produce and make available to the market at a given price during a given period. A (9)... (supply schedule, supply curve) is a table of data showing the relationship between the prices of a good and the associated quantities supplied by sellers, all other influences on supply remaining the same. A (10)... (supply schedule, supply curve) is a plot of the price-quantity supplied coordinates. The relationship between price and quantity supplied is a positive one and is called the law of

(11)...(monetary incentives, supply). A (12)...(change in quantity supplied, change in supply) is caused by a price change. This is shown by a movement along a given supply curve. A (13)...(change in quantity supplied, change in supply) is the result of influences other than price, such as (a) the price of inputs, (b) prices of other goods, (c) technology, (d) price expectations, and (e) the number of sellers in a market. These nonprice influences shift the supply curve.

2. Give the definitions to key terms.

Market

Demand

Supply

Law of Demand

Law of Supply

Quantity demanded

Quantity supplied

Demand curve

Supply curve

Change in demand

Change in supply

Change in quantity demanded

Change in quantity supplied

Definitions

1. A graph that shows how quantity demanded varies with the price of a good.
2. The quantity of goods sellers are willing and able to make available in the market over a given period at a certain price, other things being equal.
3. A relationship between the price of an item and the quantity supplied by sellers.
4. Other things being equal, the higher the price of a good, the greater the quantity of that good sellers are willing and able to make available over a given period.
5. An arrangement through which buyers and sellers meet or communicate in order to trade goods and services.
6. A change in the relationship between a good's price and the quantity supplied in response to a change in a supply determinant other than the good's price.
7. A change in the amount of a good buyers are willing and able to buy in response to a change in the price of the good.
8. A change in the relationship between the price of a good and the quantity demanded caused by a change in a demand determinant other than the price of the goods.
9. A graph that shows how quantity supplied varies with the price of a good.

10. In general, other things being equal, the lower the price of a good, the greater the quantity of that good buyers are willing and able to purchase over a given period.
11. A change in the amount of a good sellers are willing to sell in response to a change in the price of the good.
12. A relationship between the price of an item and the quantity demanded.
13. The amount of an item that buyers are willing and able to purchase over a period at a certain price, given all other influences on their decision to buy.

3. *Select the best answers.*

1. The quantities of goods that buyers are willing and able to purchase at a specific price over a period of time, other influences held unchanged, is a definition for:
 - a) quantity demanded.
 - b) supply.
 - c) total sales.
 - d) demand.
2. The law of demand states that, other things being the same:
 - a) price and income are positively related.
 - b) income and sales are positively related.
 - c) price and quantity demanded are positively related.
 - d) price and quantity demanded are inversely related.
3. The quantities of goods that sellers are willing and able to produce and make available to the market at a specific price over a given period, other things being constant, is a definition of:
 - a) demand.
 - b) equilibrium.
 - c) demand curve.
 - d) quantity supplied.
4. The law of supply states that, other influences being unchanged:
 - a) price and quantity demanded are inversely related.
 - b) price and quantity supplied are inversely related.
 - c) income and quantity supplied are unrelated.
 - d) price and quantity supplied are positively related.
5. A change in quantity supplied can be caused by a change in
 - a) price.
 - b) income.
 - c) technology.
 - d) price of inputs.

6. A shift in a supply curve is known as a:
- a) supply shift.
 - b) change in quantity supplied.
 - c) rotation.
 - d) change in supply.
7. An increase in the demand for a good will...price and ...quantity.
- a) decrease/decrease
 - b) increase/decrease
 - c) increase/increase
 - d) decrease/increase
8. A decrease in supply of a good will...price and ...quantity.
- a) decrease/decrease
 - b) increase/decrease
 - c) increase/increase
 - d) decrease/increase
9. An increase in both demand and supply will...price and ...quantity.
- a) decrease/decrease
 - b) increase/decrease
 - c) increase/increase
 - d) decrease/increase
10. Which answer best explains the following statement? “An increase in income increases quantity supplied”.
- a) Producers behave according to the law of supply which says that income and supply are positively related.
 - b) As income increases, demand increases if the good is a normal good, causing market price and quantity supplied to rise.
 - c) If the good is an inferior good and income increases, spending on the good will increase, inducing firms to increase quantity supplied.
 - d) This statement is incorrect because changes in income change demand, not quantity supplied.

Price

1. Fill in the blanks.

The forces of supply and demand interact to produce a market (1)...(outcome, equilibrium), or state of balance, where the quantities demanded by buyers are just equal to the quantities supplied by sellers. In a state of equilibrium, buyers and

sellers have no incentive to alter levels of consumption or production. It is the market (2)...(price, quantity) that equates the quantities supplied and demanded.

A price above a market equilibrium price results in a (3)... (shortage, surplus) because the quantity supplied at this price exceeds the quantity demanded. A price below the equilibrium price causes a (4)...(shortage, surplus) because the quantity demanded exceeds the quantity supplied. In a competitive market, a seller tries to get rid of surpluses by (5)...(increasing inventories, cutting prices). Falling prices will reduce surpluses. When the price falls enough to equal the market equilibrium price, the (6)...(shortage, surplus) is eliminated completely.

Shortages require some form of rationing. Sellers ration the limited supply of goods among competing buyers by (7)...(increasing, decreasing) prices. But price increases reduce the quantity demanded and increase the quantity supplied, which in turn reduce the shortage. Shortages are completely eliminated when the price has risen (8)...(above, equal to) the market equilibrium price. Market prices remain unchanged in a competitive market unless the underlying forces of supply and demand change. A change in demand, a change in supply, or a change in both supply and demand (9)...(can, cannot) alter the market equilibrium price and quantity.

2. Give the definitions to key terms.

Market equilibrium

Equilibrium

Shortage

Surplus

Substitutes

Price

Definitions

1. Exists if the quantity demanded exceeds the quantity supplied of a good over a period of time.
2. Attained when the price of a good adjusts so that the quantity buyers are willing and able to buy at that price is just equal to the quantity sellers are willing and able to supply.
3. Exists if the quantity supplied exceeds the quantity demanded of a good over a period of time.
4. Prevails when economic forces balance so that economic variables neither increase nor decrease.
5. Money given in exchange for something.
6. Goods that serve a purpose similar to that of a given good.

3. Select the best answers.

1. If two goods are substitutes and the price of one good increases, the demand for the other good will:
 - a) not change.
 - b) increase.
 - c) not be related.
 - d) decrease.

2. If two goods are complementary goods and the price of one good increases, the demand for the other good will:
 - a) not change.
 - b) increase.
 - c) not be related.
 - d) decrease.

3. If a good is a normal good, an increase in income will:
 - a) increase supply.
 - b) decrease demand.
 - c) increase demand.
 - d) decrease supply.

4. Market equilibrium occurs when:
 - a) the forces of supply and demand oppose each other.
 - b) the forces of price and quantity oppose each other.
 - c) a market price just equates quantity demanded and quantity supplied.
 - d) a market quantity just equates quantity demanded and quantity supplied.

5. A price above the market equilibrium price results in:
 - a) a shortage.
 - b) inflation.
 - c) excess demand.
 - d) a surplus.

6. A price below the market equilibrium price results in:
 - a) a shortage.
 - b) inflation.
 - c) insufficient demand.
 - d) a surplus.

7. Assume that consumer incomes increase as a result of increases in wage rates. Which of the following best explains the impact on market price?
 - a) Market price increases because the demand for the goods increases relative to supply.
 - b) Market price increases because supply increases and demand decreases.

- c) Market price is indeterminate because the supply decreases and demand increases.
- d) Market price is indeterminate because supply and demand both decrease.

Monopoly and Oligopoly

1. Fill in the blanks.

Perfect competition and pure monopoly represent extreme market structures. Virtually all markets fall somewhere in between. Monopolistic competition and oligopoly are two such imperfectly competitive markets. Monopolistic competition is characterized by (1)...(few firms, a large number of firms) with small market shares, the production of goods that (2)... (are not, are) perfect substitutes, (3)... (concern, lack of concern) regarding rivals' reaction to price and production policy, relative freedom of entry and exit, and (4)...(no, significant) opportunity or incentive to collude to limit competition.

(5)... (Monopolistic competition, Oligopoly) is a market structure with (6)...(a few, many) dominant firms having large market shares and producing either standardized or differentiated goods. Other characteristics include the necessity of considering rivals' reactions and the presence of barriers to entry. There is no single behavioral model of oligopoly. The oligopolistic market results in different outcomes depending upon how rivals react to a given oligopolist's decision to change price or promotion policy and other decisions. If each oligopolist assumes that rival oligopolists will not react to a price cut, then each firm believes it can increase market share by reducing price. This results in (7)... (price leadership, a price war), causing the price to fall to the (8)... (average, marginal) cost of production. A (9)... (cartel, contestable) market is one in which oligopolists reduce price to average cost in order to eliminate the incentive for new firms to enter the market.

A pure monopoly exists when there is a single seller of a product or service for which there are (10)... (close, no close) substitutes. The monopolist controls the market price by restricting output and preventing entry into the industry. Barriers to entry include government franchises and licenses, patents and copyrights, (11)...(control of an important resource, government influence), and economies of scale made possible by large size. Some monopolies are regulated by government so that the economies associated with large-scale production can be passed on to consumers in the form of lower prices than would be possible if the industry were made up of many small firms operating inefficiently small plants. These monopolies are called (12)...(natural, pure) monopolies.

2. *Give the definitions to key terms.*

Imperfect competition
 Monopolistic competition
 Oligopoly
 Price war
 Contestable market
 Price leader
 Pure monopoly
 Natural monopoly

Definitions

1. Occurs when there is a single seller of a product that has no close substitutes.
2. Exists when many sellers compete to sell a differentiated product in a market in which entry of new sellers is possible.
3. A firm that emerges as a single seller in the market because of cost or technological advantages contributing to lower average costs of production.
4. Exists when more than one seller competes for sales with other sellers of competitive products, each of whom has some control over price.
5. A market structure in which a few sellers dominate the sales of product and where entry of new sellers is difficult or impossible.
6. A market in which entry of sellers is easy and exit is not very costly.
7. A bout of continual price cutting by rival firms in a market; one of many possible consequences of oligopolistic rivalry.
8. One dominant firm in an industry that sets its price to maximize its own profits, after which other firms follow its lead by setting exactly the same price.

3. *Select the best answers.*

1. Which of the following is not a characteristic of a pure monopoly?
 - a) single seller
 - b) no close substitutes
 - c) barriers to entry
 - d) control over price

2. Monopolies that are allowed to exist because of scale economy advantages but are regulated by the government are called:
 - a) normal monopolies
 - b) natural monopolies
 - c) regulated monopolies
 - d) none of the above

3. The monopolist maximizes profit when
 - a) marginal revenue equals average cost
 - b) price equals marginal revenue
 - c) marginal revenue equals marginal cost
 - d) price equals marginal cost

4. Which of the following best defines price discrimination?
 - a) charging different prices on the basis of race
 - b) charging different prices for goods with different costs of production
 - c) selling a certain product of given quality and cost per unit at different prices to different buyers
 - d) charging different prices based on upon cost-of-service differentials

5. Which of the following is not a characteristic associated with monopolistic competition?
 - a) There is a large number of firms with small market shares.
 - b) Goods produced by firms within the industry are not perfect substitutes.
 - c) Firms are unconcerned with the reaction of rival firms.
 - d) There are barriers to entry.

6. A monopolistically competitive firm maximizes profit at the level of output where:
 - a) price equals marginal revenue
 - b) price equals marginal cost
 - c) marginal revenue equals marginal cost
 - d) marginal cost equals average revenue

7. Monopolistic competition and perfect competition are similar in which of the following ways?
 - a) There is relative freedom of entry and exit
 - b) Price exceeds marginal costs
 - c) Price equals minimum average costs
 - d) There are barriers to entry.

8. Which of the following is not a characteristic associated with oligopoly?
 - a) few firms
 - b) standardized or differentiated goods
 - c) lack of concern regarding a rival's behaviour
 - d) barriers to entry

Labour and Wages

1. Fill in the blanks.

An individual's decision to work an additional hour depends on the additional gains versus additional losses from doing so. The (1)...(marginal benefits, marginal costs) of an additional hour of work include the extra monetary and nonmonetary satisfaction received. The additional cost of an hour of work is the (2)...(wage, value of a forgone hour of leisure). The opportunity cost of leisure time increases as the individual works more hours. As a result, higher wages or other nonmonetary benefits are (3)...(necessary, unnecessary) to compensate the worker for the rising opportunity cost of leisure time.

There are both substitution and income effects associated with a change in the wage. An increase in the wage makes an hour of work more valuable in terms of the goods and services that can be purchased with the higher income earned. This causes the opportunity cost of an hour of leisure to increase. An individual will substitute an hour of work for an hour of leisure. The substitution effect results in (4)...(less, more) hours worked as wages rise. The income effect has just the opposite impact on hours worked. An increase in wages means that the worker can consume the same quantities of goods and services with (5)...(fewer, more) hours worked.

Market wages depend upon the supply of and demand for labour. The supply of labour is influenced by population and the rate of participation in the labour force. Birth and death rates, immigration and emigration all influence the supply of labour. Labour productivity is a key determinant of the demand for labour. Increases in a nation's labour productivity (6)...(increase, decrease) labour incomes. Differences in wages among workers and jobs can be explained by productivity or quality differences. Differences in quality are influenced by natural abilities or other characteristics of the individual and by the extent of training or education. Differences in wages can also be attributed to working conditions. Some jobs have negative (7)...(externalities, nonpecuniary wages) in that nonmonetary aspects of the job make it less desirable than another job paying exactly the same wage. In order to induce people to accept employment in less desirable occupations, a compensating wage differential must be paid to the worker to make the total compensation from the job (8)...(equal to, greater than) other jobs paying a lower wage but having higher nonmonetary benefits. Some jobs have nonpecuniary benefits that are greater than those for other jobs. These jobs pay a lower wage in order to equalize the total compensation among jobs.

2. Give the definitions to key terms.

Nonwage money income

Human capital

Nonpecuniary wages

Internal labour market

Income effect of a wage change

Staffing

Screening

Definitions

1. Represents the skills and qualifications of workers that stem from education and training.
2. The nonmonetary aspects of a job that must be added to or subtracted from money wages to obtain total compensation per hour of work.
3. The change in hours worked stemming from the change in income caused by the wage change.
4. The process of recruiting and hiring workers to perform the various tasks required to produce goods and services.
5. A process in which an employer limits the number of applicants for a job to those he believes are the most likely to succeed in the company.
6. Exists within a firm when it fills positions by hiring its own employees, rather than new employees, to fill all but the lowest-level positions.
7. Includes pensions, welfare payments and subsidies, interest, dividends, allowances, and any other type of income that is available independent of work.

3. *Select the best answers.*

1. Training and education:
 - a) are investments in human capital;
 - b) increase a nation's living standards because of the increase in labour productivity;
 - c) increase the productivity of labour;
 - d) are one explanation for wage differences between different jobs and workers;
 - e) all of the above.

2. Which of the following is an example of nonpecuniary wages?
 - a) hourly wage rates;
 - b) air-conditioned workplace;
 - c) health and retirement benefits;
 - d) stock options.

3. Which of the following is an example of nonpecuniary job benefits?
 - a) flexible work hours;
 - b) opportunities for advancement;
 - c) nonhazardous job;
 - d) pleasant job or local amenities;
 - e) all of above.

4. The extra income received from extra work, including any nonmonetary satisfaction obtained from a job, is called:

- a) total pecuniary benefits;
- b) the marginal benefit of work;
- c) external benefits;
- d) the wage rate;
- e) nonpecuniary satisfaction.

5. In order to maximize the net benefits from work, an individual should work additional hours up to the point where:

- a) the total costs of labour equal the total benefits of labour;
- b) the wages equal marginal revenue;
- c) marginal revenue is greater than marginal labour cost.
- d) the marginal cost of work equals the marginal benefit of work.

Unemployment

1. Fill in the blanks.

The unemployment rate is the percentage of the labour force that is unemployed. The labour force includes all the persons over the age of 16 with jobs and those actively seeking employment. A person is considered unemployed if a person is over age 16 and is available for work (1)...(but not, and) actively seeking employment. The unemployment rate may understate or overstate the true extent of unemployment. The unemployment rate (2)...(does not, does) include discouraged workers. Also, part-time employment is considered as full-time employment, not as partial employment or unemployment. People may respond to unemployment surveys that they are (3)...(finding, looking for) work when in fact their expectations are unrealistic.

The three types of unemployment are frictional unemployment, structural unemployment, and cyclical unemployment. (4)...(Structural, Frictional) unemployment is due to the length of time it takes to find employment upon entering the labour force or between jobs. (5)... (Structural, Frictional) unemployment results from changes in the composition of output produced by the economy or by technological changes that cause some industries to expand and others to decline.

(6)...(Cyclical, Natural) unemployment is unemployment caused by economic decline or recession. Most cyclical unemployment is the result of layoffs. Full employment is defined as a level of economic activity where the actual unemployment rate (7)...(is less than, equals) the sum of structural and frictional unemployment and exists even when the economy is operating at the peak of the business cycle. When the sum of frictional and (8)... (structural, cyclical)

unemployment is expressed as a percentage of the total labour force, the ratio is known as the (9)...(cyclical, natural) rate of unemployment.

2. Give the definitions to key terms.

Recession

Layoff

Productivity

Discouraged worker

Labour force

Unemployment rate

Unemployed person

Frictional unemployment

Structural unemployment

Cyclical unemployment

Natural rate of unemployment

Full employment

Definitions

1. The sum of number of persons over age 16 with jobs and workers who are actively seeking a job but currently do not have one.
2. The temporary suspension of employment without pay for a period of 7 consecutive days or more.
3. The amount of unemployment resulting from declines in real GDP during periods of recession or in any period when the economy fails to operate as its potential.
4. Measures the ratio of the number of people classified as unemployed to the total labour force.
5. A worker who leaves the labour force (stops actively seeking work) after unsuccessfully searching for a job for a certain period.
6. The percentage of the labour force that can normally be expected to be unemployed for reasons other than cyclical fluctuations in real GDP.
7. Exists when the decline in real GDP measured at an annual rate occurs for two consecutive 3-month reporting periods.
8. A person over age 16 who is available for work and has actively sought employment during the previous 4 weeks.
9. Occurs when the actual rate of unemployment is no more the natural rate of unemployment.
10. Represents the usual amount of unemployment resulting from people who have left jobs that did not work out and are searching for new employment, or people who are either entering or reentering the labour force to search for a job.

- 11. Unemployment resulting from shifts in the pattern of demand for goods and services or changes in technology in the economy that effects the profitability of hiring workers in specific industries.
- 12. A measure of output per unit of input.

3. *Select the best answers.*

- 1. The economy is defined as being in a recession if:
 - a) economic activity declines;
 - b) real GDP declines;
 - c) real GDP declines for four consecutive 3-month periods;
 - d) real GDP declines for two consecutive 3-month periods.
- 2. Unemployment rises in... and declines in... .
 - a) expansions, recessions;
 - b) recessions, expansions;
 - c) expansions, expansions;
 - d) recessions, recessions.
- 3. The total labour force consists of:
 - a) all persons working plus those not working;
 - b) all persons over age 16 working;
 - c) discouraged workers, part-time and full-time workers, and the armed forces;
 - d) all persons over age 16 either working or actively seeking work and available for employment
- 4. The unemployment rate is defined as:
 - a) the percentage of the population that is unemployed;
 - b) the percentage of the labour force that is unemployed;
 - c) all unemployed workers, including discouraged workers, divided by the total labour force;
 - d) all unemployed workers, including discouraged workers, divided by the total population.
- 5. Unemployment due to the length of time it takes to find employment upon entering the labour force or voluntarily between jobs is called:
 - a) cyclical unemployment;
 - b) frictional unemployment;
 - c) structural unemployment;
 - d) natural unemployment.
- 6. Unemployment that results from changes in the composition of output produced by the economy or from technological changes is called:
 - a) cyclical unemployment;

- b) frictional unemployment;
- c) structural unemployment;
- d) natural unemployment.

7. Unemployment caused by economic decline or recession is called:

- a) cyclical unemployment;
- b) frictional unemployment;
- c) structural unemployment;
- d) natural unemployment.

8. Most cyclical unemployment is the result of:

- a) layoffs;
- b) voluntary jobs separations;
- c) job findings;
- d) firings.

9. The unemployment rate that exists even when the economy is at the peak of a business cycle is

- a) the sum of the frictional and cyclical unemployment rates;
- b) the cyclical unemployment rate;
- c) the actual unemployment rate;
- d) the natural rate of unemployment.

Forms of Business Organization

1. Fill in the blanks.

Business firms are engaged in earning profits for the owners by producing items for sale in markets. A firm can be structured as a sole proprietorship, a partnership, or a corporation. A (1)...(partnership, corporation) is a legal person. It has some distinct advantages over other business enterprises. Corporations can issue both stocks and bonds and the owners of the corporation (the stockholders) have (2)...(limited, unlimited) liabilities. Both of these characteristics greatly (3)...(reduce, increase) the amount of funds that can be attracted for expansion and growth. Stockholders can easily sell their rights in the firm. Individuals can (4)...(reduce, increase) the risk associated with owning firms by diversifying their holdings. This (5)...(increases, decreases) the total amount of funds available for stock ownership. Another factor that induces individuals to provide more funds to the corporation is (6)...(limited, unlimited) liability. This too reduces the risk of ownership in that a stockholder's liability relates to the amount of stock held. Other business enterprises are at (7)...(an advantage, a disadvantage) compared to corporations in that they have unlimited liabilities and (8)...(can, cannot) issue stocks and bonds.

Many entrepreneurs start small businesses as sole proprietorships or partnerships. A (9)...(sole proprietorship, partnership) is a business owned by one person. This form of business is the easiest and (10)...(the most, the least) costly to start. Sole proprietors gain all of the (11)...(profits, losses) of their businesses. But if the business (12)...(flourishes, fails), the liability may be covered by the owner's personal assets, including property such as cars, homes, and savings.

A (13)... (sole proprietorship, partnership) is a business organization owned by two or more people who share ownership and control over the business. Like (14)...(corporations, proprietorships), partnerships are easy to form and are not subject to special taxes. Sometimes "silent partners" can contribute (15)...(operations, funds) in anticipation of a high return. But if one partner dies or decides to quit, the partnership is legally terminated, a new agreement is necessary for the business to (16)...(continue, finish).

2. Give the definitions to key terms.

Business firm

Plant

Industry

Conglomerate

Sole proprietorship

Partnership

Corporation

Limited liability

Dividend

Profit

Definitions

1. The portion of a corporation's profit paid to its stockholders.
2. A group of firms selling a similar product in a market.
3. A business that is legally established under state laws that grant it an identity separate from its owners.
4. An organization under one management set up for the purpose of earning profits for its owners by making one or more items available for sale in markets.
5. A business owned by one person.
6. A physical structure in which a firm's owners or employees conduct business.
7. A business owned by two or more persons, each of whom receives a portion of any profits.
8. The difference between the revenues a firm takes in over any given period and the costs incurred in operating the firm over the same period.
9. A firm operating plants that produce many different kinds of goods and services.
10. A legal provision that protects the stockholders by putting a ceiling equal to the purchase price of their stock on their liability for debts of the corporation.

3. Select the best answers.

1. Which of the following best describes an industry?

- a) a collection of markets
- b) a group of firms
- c) a group of firms selling similar products
- d) a collection of markets for unrelated goods

2. Unlimited liability is a characteristic of:

- a) corporations
- b) sole proprietorships
- c) partnerships
- d) b and c

3. The ability to issue stocks and bonds is a characteristic of:

- a) corporations
- b) sole proprietorships
- c) partnerships
- d) b and c

4. The separation of ownership and management is a characteristic of:

- a) corporations
- b) sole proprietorships
- c) partnerships
- d) b and c

5. Which of the following is a legal person?

- a) corporations
- b) sole proprietorships
- c) partnerships
- d) none of the above

6. The main advantage of a corporation over other forms business enterprise is that:

- a) other forms of business enterprise have their incomes taxed twice
- b) other forms of business enterprise have limited liability
- c) corporations have limited liability
- d) corporations can raise larger sums of money for expansion and growth

7. You are considering opening a restaurant. You estimate that the annual cost of labour will be \$50,000, interest on borrowed funds will be \$18,000, and other supplies will be equal \$65,000. Owner-supplied resources include a building that is currently renting for \$12,000 per month and \$25,000 in cash currently earning a

10% rate of interest. Annual revenues are projected to be \$250.000. What is the accounting cost associated with operating the restaurant?

- a) \$146.500
- b) \$133.000
- c) \$170.000
- d) \$115.000

Money and its Functions

1. Fill in the blanks.

Money is defined according to. Money serves as a medium of (1)... (exchange, value), a standard of value, a standard of deferred payment, and a store of (2)...(exchange, value). Anything performing these functions is money. Money doesn't have to have intrinsic value such as (3)...(fiat, commodity) money in order to perform these functions. Fiat money and checkable deposits are considered money not because they have intrinsic value, but because they are accepted as a medium of exchange and fulfil the other functions of money. Bonds and credit cards are (4)...(not, also) money. Money is an asset – a store of value. Even though credit cards can be used as a medium to facilitate exchange, a liability or debt is incurred when credit cards are used.

Three of the official definitions of money are M1, M2, and M3. M1 is the sum of (5)...(checkable, savings) deposits, currency, and traveler's checks held by the public on a given day. M2 is the sum of M1 and near monies. Near monies are assets that can easily be converted to money because they can be liquidated easily, quickly and at little cost. M3 is the sum of M2 and (6)...(small-, large-) denomination certificates of deposit.

Individuals and businesses hold money for two reasons: to carry out transactions in the economy and because money is an asset. Modern economies require a medium of exchange to facilitate transactions. Money, like other assets, has certain characteristics that make it more or less attractive to hold relative to other financial assets. Money is held as an asset not because of its income, return, or yield, but because it is (7)...(totally riskless, liquid).

2. Give the definitions to key terms.

Money

Fiat money

Commodity money

Checkable deposits

M1

M2

M3

Near monies

Definitions

1. Money that is accepted as a medium of exchange because of government decree rather than because of its intrinsic value as a commodity.
2. Assets that are easily converted to money because they can be liquidated at low cost and little risk of loss.
3. The sum of M2 and large denomination (\$100.000 and more) certificates of deposit.
4. Anything that is generally accepted as payment for goods and services.
5. The stock of money measured by the sum of currency, traveler's checks, and checkable deposits held by the public on a particular day of the year.
6. The sum of M1 and certain near monies.
7. Represents money deposited in bank accounts that can be used to write checks that are accepted to pay debts, or that can easily be converted to currency.
8. An item that serves the functions of money but also has value in uses other than as the medium of exchange.

3. *Select the best answers.*

1. Money allows dissimilar goods and services to be valued according to a single common denominator – a nation's basic monetary unit, such as the dollar. Which of the following represent this function?
 - a) medium of exchange
 - b) store of value
 - c) standard of value
 - d) standard of deferred payment
2. Money is an asset. Which of the following represent this function?
 - a) medium of exchange
 - b) store of value
 - c) standard of value
 - d) standard of deferred payment
3. _____ money has value in exchange and intrinsic value in nonmoney uses.
 - a) Fiat
 - b) Commodity
 - c) Valuable
 - d) All
4. Money, that by government decree, must be accepted in exchange and for the payment of debt is known as
 - a) fiat money
 - b) commodity money

- c) demand deposits
- d) gold

5. One function of money that credit cards are unable to fulfil is the

- a) medium of exchange function
- b) store of value function
- c) standard of value function
- d) standard of deferred payment function

6. The sum of currency, traveler's checks, and checkable deposits held by the public is known as

- a) M1
- b) M2
- c) M3
- d) L

7. The sum of currency, traveler's checks, checkable deposits, and certain near monies held by the public is known as

- a) M1
- b) M2
- c) M3
- d) L

Banks

1. Fill in the blanks.

In order to understand the role of money and financial institutions in the economy, it is necessary first to understand how the activities of financial institutions influence the nation's stock of money. The goldsmiths of England and the moneychangers of Italy engaged in "banking" by accepting gold for safekeeping and issuing gold receipts. In time, the receipts began to trade as a medium of exchange or money. But these early bankers discovered that (1)...(all of the, only a fraction of the) gold had to be held in reserve at any one time to honour redemption of the gold receipts. They could therefore make loans (2)...(equal to, in excess of) the gold they had on hand. They did this by issuing additional gold receipts – they in essence created (3)...(money, loans). The fractional reserve banking that developed meant that the stock of money (4)...(must equal, could be larger than) the gold reserves upon which it was based.

In depository institutions today, only a fraction of the funds acquired through deposits have to be kept as reserves. A bank's (5)...(total, required) reserves consist of cash and deposits held at a bank. Banks are required to keep reserves equal to between 3% and 12% of various deposit liabilities. A bank will balance

profit, liquidity, and risk consideration in deciding the amount of (6)...(total, excess) reserves it desires to use to acquire income-producing assets such as loans and government securities. Excess reserves are the difference between total reserves and required reserves. When a bank uses excess reserves to make a loan, new checkable deposits are created – (7)...(money, loan) is created.

An individual bank can increase checkable deposits or the money supply to the extent of its excess reserves by (8)...(making loans or purchasing securities, advertising bank services), but the banking system as a whole can increase the stock of money by (9)...(less than, a multiple of) its excess reserves. For instance, when a bank makes a loan, not only does it create new checkable deposits somewhere in the banking system, but it also passes excess reserves to other banks through the (10)...(financial, check clearing) system.

Banks will often hold some excess reserves to meet both expected and unexpected deposit outflows. Because banks do not use all of their excess reserves, the money supply is (11)...(larger, smaller) than it would be otherwise. The willingness to hold excess reserves depends, in part, on the interest rate. The interest rate is the opportunity cost of holding excess reserves. When interest rates are high, it causes bankers to (12)...(reduce, increase) excess reserve balances. The money supply increases when interest rates rise. The opposite holds when interest rates are low. Banks will use a portion of their excess reserves to make loans to banks in need of reserves. These loaned excess reserves are called (13)...(Treasury funds, federal funds).

2. Give the definitions to key terms.

Bank

Depository institutions

Financial intermediaries

Reserves

Required reserves

Excess reserves

Prime rate

Collateral

Default

Government securities

Definitions

1. Firms that specialize in borrowing funds from savers and lending those funds to investors and others.
2. Balances (of a modern US bank) kept on deposit with the Federal Reserve Bank in its district or as currency in its vault.
3. Nonrepayment of the principal and interest on a loan.
4. A commercial or thrift institution that offers checkable deposits.

5. The difference between total reserves and required reserves of a bank held against deposits.
6. Interest-bearing debts of the federal government in the form of Treasury bills, treasury notes, and Treasury bonds.
7. Institutions that make loans and offer checkable deposits and time deposit accounts for use by households and business firms.
8. The dollar value of currency and deposits in Federal Reserve Banks that a bank must hold to meet current regulations.
9. An asset a borrower pledges to a bank in case of default.
10. The interest rate a bank charges its most credit worthy customers for short-term loans of less than 1 year.

3. *Select the best answers.*

1. Early bankers, the goldsmiths of England and the moneychangers of Italy accepted deposits of gold for safekeeping and in return issued gold receipts. These early bankers similar to modern bankers in that:
 - a) they created a medium of exchange;
 - b) they had a fractional reserve (gold) system;
 - c) they accepted deposits and made loans;
 - d) gold receipts (medium of exchange) could be issued in greater volume than the gold (reserves) upon which they were based;
 - e) all of the above.
2. A bank's total reserves consist of;
 - a) liquid assets such as private commercial paper and treasury bills;
 - b) cash and treasury bills;
 - c) cash only;
 - d) cash and reserve deposits held at a regional Federal Reserve Bank.
3. A bank's required reserves are determined by:
 - a) multiplying the required reserve ratio by certain deposit liabilities;
 - b) dividing total assets by net worth;
 - c) dividing the required reserve ratio into demand deposits;
 - d) the U.S. Treasury;
 - e) a and d.
4. The difference between total and required reserves is known as:
 - a) the required reserve ratio;
 - b) fractional reserves;
 - c) extra reserves;
 - d) excess reserves.

5. Excess reserves are important to a banker because:

- a) if they are not met, the banking regulators will shut the bank down;
- b) they represent the funds available to acquire income-producing assets such as loans and securities;
- c) they are typically deposited in special high-yielding investment accounts;
- d) they are profits that are divided among the bank's owners.

6. An individual bank can create deposits to the extent of its:

- a) excess reserves;
- b) required reserves;
- c) total reserves;
- d) deposits;
- e) net worth.

7. A bank is "loaned up" when:

- a) deposits are no longer coming in;
- b) excess reserves are negative;
- c) excess reserves are zero;
- d) total reserves are zero.

International Trade

1. Fill in the blanks.

Nations are engaged in international trade because it is mutually beneficial for all trading nations to do so; otherwise they wouldn't trade. Some nations may have a/an (1)...(comparative, absolute) advantage in producing goods, meaning that with a given complement of resources, one nation can produce more of an item than another nation with the same quantity of resources. But the presence of an absolute advantage in the production of an item does not indicate whether a nation should specialize in and export that good or whether the good should be imported. A country should specialize in and export those goods for which it has an/a (2)... (absolute, comparative) advantage and import those goods for which other countries have a comparative advantage. A nation has a comparative advantage in the production of a good relative to another nation if it produces the good at (3)... (lower, higher) opportunity cost than its trading partner.

Nations that trade on the basis of comparative advantage (4)... (gain at the expense of their rivals, mutually gain from trade). On an international scale, resources are used more efficiently as nations produce output based upon comparative advantages. World output, income, and living standards are (5)... (higher, lower) as a result of specialization and trade than would be the case in the absence of trade. All trading partners gain, although not equally. The distribution of the gains from trade is determined by the (6)... (foreign exchange rate, terms of trade) – the

rate at which goods can be traded or exchanged for one another on international markets.

Changes in productivity can affect a nation's competitiveness in international markets. If a nation experiences slower technological growth or lower levels of investment in human and physical capital relative to those of its trading partners, in time it may lose its (7)... (absolute, comparative) advantage in those industries where international competitiveness requires improvements in productivity. The nation that invests more heavily in things that enhance productivity will eventually (8)... (gain, lose) comparative advantage relative to the lagging nation and will capture a share of international market that it previously did not have.

Several arguments have been advanced for protecting domestic industries. It is argued that some industries may need to be protected from international competition to maintain production capacity (9)... (vital to national security, necessary to be self-sufficient). Two methods of import protection are import tariffs and import quotas. A (10)... (quota, tariff) is a tax on an imported good. The intention is to reduce imports and increase sales of domestic products. A tariff (11)... raises, lowers) the price of the imported good to the consumer, (12)... (increases, reduces) the net price to the foreign producer, and generates tax revenue for the government. A/An (13)... (tariff, import quota) is a limit on the quantity of foreign goods that can be sold in a nation's domestic market. Like the tariff, an import quota (14)... (increases, reduces) the quantity of imported goods sold and (15)... (raises, lowers) the price for the consumer, but unlike a tariff, the import quota also (16)... (lowers, raises) the price received by the foreign producer.

International trade requires the exchange of currencies. The (17)... (foreign exchange rate is, terms of trade are) the price of one nation's monetary unit in terms of the monetary unit of another nation. The (18)... (stock market, foreign exchange market) is a market in which currencies are exchanged. The (19)... (nominal, real) exchange rate is the price of a unit of one nation's currency in terms of a unit of a foreign currency. The (20)... (nominal, real) exchange rate is the sacrifice of goods and services produced in their own countries that foreign buyers must make when they use their own currency to purchase a unit or the currency of another nation.

2. Give the definitions to key terms.

Foreign exchange rate

Foreign exchange market

Foreign exchange

Real exchange rate

Nominal exchange rate

International Monetary Fund (IMF)

Mutual gains from international trade

Absolute advantage

Comparative advantage

Tariff
 Import quota
 Real per capita output

Definitions

1. A tax on imported goods.
2. A nation has an advantage over a trading partner in the production of an item if it produces that item at lower opportunity cost per unit than its partner does.
3. A limit on the quantity of foreign goods that can be sold in a nation's domestic markets.
4. A nation has an advantage over other nations in the production of an item if it can produce more of the item over a certain period with a given amount of resources than the other nations can.
5. A measure of output per person in a nation; calculated by dividing real GDP by population.
6. On average, citizens in all trading nations gain from exchanging goods in international markets.
7. The price of a unit of one nation's currency in terms of a unit of a foreign currency.
8. The price of one nation's monetary unit in terms of the monetary unit of another country.
9. The sacrifice of goods and services produced in their own countries that foreign buyers must make when they use their own currency to purchase a unit of the currency of another nation.
10. A market in which buyers and sellers of bank deposits denominated in the monetary units of many nations exchange their funds.
11. The money of one nation held by citizens of another nation either as currency or as deposits in banks.
12. Set rules for the international monetary system to make loans to nations that lack international reserves of dollars.

3. *Select the best answers.*

1. If a nation has a/an... in the production of an item, it can produce more of the item with a given quantity of resources than can other nations.
 - a) special advantage;
 - b) comparative advantage;
 - c) absolute advantage;
 - d) mutual gain.
2. A nation's comparative advantage is determined by:
 - a) the total cost of production;
 - b) the quantity of resources required to produce a unit of output;

- c) the opportunity cost of producing an item relative to a trading partner's opportunity cost of producing the same item;
- d) specialization in the production of all goods.

3. If nations trade on the basis of comparative advantage, a nation should specialize in and ... those goods for which it has a comparative advantage and should ... those goods for which other nations have a comparative advantage.

- a) export, import;
- b) import, export;
- c) export, export;
- d) import, import.

4. If nations trade on the basis of comparative advantage:

- a) a nation can gain only at the expense of trading partners;
- b) exporting nations gain and importing nations lose;
- c) importing nations gain and exporting nations lose;
- d) all trading partners mutually gain.

5. Which of the following refers to the rate at which goods are exchanged for one another in international markets?

- a) Exchange rate.
- b) Terms of trade.
- c) Specialization.
- d) Opportunity cost.
- e) None of the above.

6. Which of the following is a tax on an imported good?

- a) income tax;
- b) import quota;
- c) rationing tax;
- d) tariff.

7. A tariff does which of the following?

- a) Increases the price of the imported goods to the consumer.
- b) Decreases the net price received by the foreign producer.
- c) Increases the price of the domestic good.
- d) Redistributes income from domestic consumers and foreign producers to the protected industry.
- e) All of the above.

8. Which of the following places a limit on the quantity of a foreign good that can be imported into a domestic market?

- a) Import capacity limit.
- b) Import quota.

- c) Export quota.
- d) Tariff.

9. An import quota does which of the following?

- a) Increases the price of the imported good to the consumer.
- b) Increases the price received by the foreign producer.
- c) Increases the price of the domestic good.
- d) Redistributes income from domestic consumers to the protected domestic exporter.
- e) All of the above.

10. Which of the following is a reason for low per capita output in a country?

- a) Low rates of saving and investment.
- b) Poorly skilled and educated workers.
- c) High population growth and unemployment.
- d) Lagging technology.
- e) All of the above.

11. A market in which buyers and sellers of bank deposits denominated in the monetary units of many nations exchange their funds is known as the:

- a) loanable funds market;
- b) money market;
- c) capital market;
- d) foreign exchange market.

12. The price of a unit of one nation's currency in terms of a unit of a foreign currency is called:

- a) the nominal exchange rate;
- b) the real exchange rate;
- c) foreign exchange;
- d) purchasing power parity;
- e) none of the above.