

Review Sheet #2

Test Format:

- 3/4 Current Events (3 min)
- 8/10 Identifications (8 min)
- 4/6 Short Answers (20 min)
- 1/2 Article and Questions (10 min)

Test will cover Personal Finance and textbook sections in Chapters 4, 5, and 6.

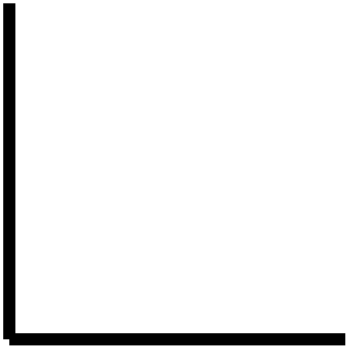
1. The difference between APR and APY hinges upon
 - a) whether you have deposited the minimum amount
 - b) compound interest
 - c) whether you are borrowing money or loaning (investing)
 - d) how many computer games Rob played in class last week
 - e) nothing; they are interchangeable terms

2. If Avery Field Sailboats, Inc. launches a major advertising campaign, the desired result would be
 - a) for Avery Field Sailboats to become a very elastic product
 - b) for the supply curve to shift left
 - c) for the demand curve to shift right
 - d) to raise the price of Avery's stock
 - e) for people not to notice that Avery underpays her employees

3. What might also result when Avery announces that she has hired Colby's Advertising Services?
 - a) the price of Avery's stock might rise or fall
 - b) the supply curve might shift right
 - c) Devon might do her homework
 - d) the marginal utility of sailboats might diminish rapidly
 - e) none of the above

4. Which is NOT lined up with the correct definition?
 - a) complementary goods = milk and cookies
 - b) factors of production = multiplier that can be used to calculate total cost and profit from production figures
 - c) variable cost = cost of shoelaces for Zach's Basketball Shoe company
 - d) substitute good = Dunkin Donuts breakfast sandwich for McDonalds breakfast sandwich
 - e) fixed cost = cost to rent an office

Draw supply and demand curves showing the supply and demand for jelly beans.



How would these curves change if:

- a) the price of sugar increased?
- b) the price of bubble gum increases?
- c) a machine was invented that makes jelly beans at a lower cost?
- d) the government stops jelly bean imports?
- e) Fox news reports that sugar is bad for you?
- f) the economy booms and there is widespread prosperity?

What considerations should one take into account when deciding how to invest?

What is compound interest? How does it work? How can it be helpful? How can it be harmful?

Adam Smith discussed the paradox that water is necessary for life, diamonds are not, yet diamonds are worth much more than water. Why? What does this say about demand?

What is price elasticity? Give an example of an elastic and inelastic product, and explain why that is so.

What is a stock market? How does it work?

Sean owns a gas station. How does Sean determine what price to charge for gasoline?

Why did Jordan's snow shoveling capacity drop when she hired Hilary (an additional worker)?
What does this illustrate?

What might push a demand curve to shift? A supply curve?

What is a credit card? How do credit card companies make money?

Investment
Present Discounted Value
Compound Interest
Credit Card
APR vs APY
Stock
Risk vs Return

Liquidity
Savings Account
Money Market Fund
Certificate of Deposit
Mutual Fund
Bond
Initial Public Offering

Specialist
Dividend
Demand
Supply
Utility
Diminishing Marginal Utility
Elasticity
Inelastic vs. Elastic
Total Revenue
Factors of Production
Marginal Physical Product
Law of Diminishing Returns
Total Cost
Fixed Cost
Variable Cost
Economic vs. Accounting Cost
Economy of Scale
Diseconomy of Scale
Supply Shock
Demand Shock
Price Ceiling
Price Floor
Equilibrium Price
Substitute
Complement