



Economics Study Guide Credit by Exam for Credit Recovery or Acceleration

The exam you are interested in taking is designed to test your proficiency in the relevant subject matter. You should be thoroughly familiar with the subject matter before you attempt to take the exam. This CBE CR/A Study Guide can help you prepare for the exam by giving you an idea of what you need to review. You can check your familiarity level by reviewing the Texas Essential Knowledge and Skills (TEKS) for this course. (See below.) To refine your skills, you can refer to any of the state-adopted textbooks.

Texas Essential Knowledge and Skills (TEKS)

Every question that appears on this exam is derived from the knowledge and skills statements and student expectations within the Texas-mandated standards, the Texas Essential Knowledge and Skills (TEKS). You can view the TEKS for this exam online via the following link: <http://ritter.tea.state.tx.us/rules/tac/chapter118/ch118a.html>. Refer to section (b), Knowledge and skills, 1A–24B. Throughout this guide, you’ll see TEKS references. These refer to the numbers listed under (b) Knowledge and skills; for example, 1A or 3B.

Materials Needed

You will need to bring a #2 pencil to complete the exam. You will receive a computer-graded answer sheet when you arrive at the testing center.

Exam Structure

You will be allowed **3 hours** to complete this exam. The Economics exam consists of 90 multiple-choice questions worth 1 point each and 3 essay questions worth 10 points each, for a total of 120 points. The exam covers a wide variety of topics. To help you study, we have isolated 3 key topics and provided study tips and sample questions for each. You can expect multiple-choice questions on each of the following topics:

Topic 1: Economics

Topic 2: Personal financial literacy

Topic 3: Social studies skills

Scholastic Honesty

When you arrive at the testing center you will be asked to carefully read the exam rules and sign a statement agreeing to take the exam in accordance with the rules. This is called the Examinee's Certification. The following is a copy of these rules:

Examinee's Certification

This certification must be signed *before* the exam is administered and then returned with the completed examination attached, or credit for the exam will not be given.

Scholastic dishonesty is a serious academic violation that will not be tolerated. Scholastic dishonesty encompasses, but is not limited to:

- copying from another student's work;
- using an unauthorized testing proctor or taking the exam at an unauthorized testing location;
- using materials not authorized by a testing proctor;
- possessing materials that are not authorized by a testing proctor, such as lessons, books, or notes;
- knowingly using or soliciting, in whole or Topic, the contents of an unadministered test;
- collaborating with or seeking aid from another student without authorization during the test;
- substituting for another person, or permitting another person to substitute for oneself, in taking a course test or completing any course-related assignment;
- using, buying, stealing, or transporting some or all of the contents of an unadministered test, test rubric, homework answer, or computer program.

Evidence of scholastic dishonesty will result in a grade of *F* on the examination and an *F* in the course (if applicable).

At the testing center, you will be asked to sign a statement that says you have read the above and agree to complete the examination with scholastic honesty.

General Study Tips

The bulleted lists and sample questions in this study guide can assist you in preparing for the exam. It is a fairly complete guide for studying, but does not cover every item on the test. Ultimately, you should use the TEKS to guide your exam preparation.

Additional Study Tips

The following information provides direction for your studies. For each part, you will find study tips and sample questions to give you a general idea of the types of questions you can expect to see on the exam.

Topic 1: Economics

This topic relates to your knowledge of economic principals and ideas.

Study Tips for Topic 1:

This topic relates to TEKS 1A–15C. Familiarize yourself with those TEKS, and then be prepared to demonstrate knowledge of the following topics:

- explain why scarcity and choice are basic economic problems faced by every society
- describe how societies answer the basic economic questions
- describe the economic factors of production
- interpret a production-possibilities curve and explain the concepts of opportunity costs and scarcity
- understand the effect of changes in price on the quantity demanded and quantity supplied
- identify the non-price determinants that create changes in supply and demand
- interpret a supply-and-demand graph using supply-and-demand schedules
- explain the concepts of absolute and comparative advantages
- apply the concept of comparative advantage to explain why and how countries trade
- analyze the impact of U.S. imports and exports on the United States and its trading partners
- compare the effects of free trade and trade barriers on economic activities
- evaluate the benefits and costs of participation in international free-trade agreements
- analyze the effects of changes in exchange rates on imports and exports
- describe the basic characteristics of economic systems
- compare the free enterprise system, socialism, and communism using the basic characteristics of economic systems
- examine current examples of free enterprise, socialist, and communist economic systems
- understand that the terms free enterprise, free market, and capitalism are synonymous terms to describe the U.S. economic system
- analyze the importance of various economic philosophers
- explain the basic characteristics of the U.S. free enterprise system
- explain the benefits of the U.S. free enterprise system
- analyze recent changes in the basic characteristics of the U.S. economy
- analyze the costs and benefits of U.S. economic policies related to the economic goals of economic growth, stability, full employment, freedom, security, equity, and efficiency

- analyze the costs and benefits of the purchase, use, or disposal of personal and business property
- identify and evaluate examples of restrictions that the government places on the use of business and individual property
- interpret the roles of resource owners and firms in a circular-flow model of the economy and provide real-world examples to illustrate elements of the model
- explain how government actions affect the circular-flow model
- explain how the circular-flow model is affected by the rest of the world
- describe characteristics and give examples of pure competition, monopolistic competition, oligopoly, and monopoly
- identify and evaluate ordinances and regulations that apply to the establishment and operation of various types of businesses
- interpret economic data
- analyze business cycles using key economic indicators
- analyze how productivity relates to growth
- analyze how technology relates to growth
- analyze how trade relates to growth
- describe the functions of money
- describe the characteristics of money
- examine the positive and negative aspects of barter, currency, credit cards, and debit cards
- explain the structure of the Federal Reserve System
- analyze the three basic tools used to implement U.S. monetary policy
- explain how the actions of the Federal Reserve System affect the nation's money supply
- analyze the decline in value of the U.S. dollar
- identify economic concepts in the U.S. Constitution
- describe the role of government in the U.S. free enterprise system and the changes in that role over time
- evaluate government rules and regulations in the U.S. free enterprise system
- identify types of taxes at the local, state, and national levels and the economic importance of each
- analyze the categories of revenues and expenditures in the U.S. federal budget
- analyze the impact of fiscal policy decisions on the economy

Sample Questions for Topic 1:

The following are sample questions. You can find the correct answers listed after the questions, but try answering the questions without looking at the answers first to check your comprehension.

DIRECTIONS: Select the BEST responses to the following questions.

1. What is an effect of trade barriers on the economy?
 - A. Inefficiencies are created in the market, which allows less competitive companies to remain in the market.
 - B. Domestic production reduces, and the prices of domestic products increase due to the imposition of a tariff.
 - C. The price of imported goods increases, which forces consumers to decrease consumption of foreign products.
 - D. Competition between foreign and domestic producers increases, which allows consumers to purchase more imported goods.

2. Which of the following is a characteristic of socialism?
 - A. It uses democratic means to take over the health care market.
 - B. It uses government control of economic factors affecting wealth.
 - C. It denies people their basic human rights, such as health and the right to vote.
 - D. It uses democratic means to attempt to evenly distribute wealth within a society.

3. Which of the following is NOT one of the government's roles in a market economy?
 - A. solicitor
 - B. provider
 - C. protector
 - D. consumer

Topic 2: Personal financial literacy

This topic relates to your knowledge of personal finance.

Study Tips for Topic 2:

This topic relates to TEKS 16A–21F. Familiarize yourself with those TEKS, and then be prepared to demonstrate knowledge of the following topics:

- explain the characteristics of sole proprietorships, partnerships, and corporations
- analyze the advantages and disadvantages of sole proprietorships, partnerships, and corporations
- analyze the economic rights and responsibilities of businesses
- explain how corporations raise money through stocks and bonds
- explain the functions of financial institutions and how they affect households and businesses
- explain how the amount of savings in an economy is the basis of capital formation
- analyze the role of interest and risk in allocating savings to its most productive use
- examine the types of accounts available to consumers from financial institutions and the risks, monetary costs, and benefits of maintaining these accounts
- assess ways to be a wise investor in the stock market and in other personal investment options
- explain how to begin a savings program
- examine investment options available in a personal retirement plan
- demonstrate how to maintain a checking account
- identify the types of loans available to consumers
- explain the responsibilities and obligations of borrowing money
- develop strategies to become a low-risk borrower by improving one's personal credit score
- examine ways to avoid and eliminate credit card debt
- evaluate the costs and benefits of declaring personal bankruptcy
- evaluate the costs and benefits of buying insurance
- evaluate the costs and benefits of charitable giving
- evaluate the costs and benefits of renting a home
- evaluate the costs and benefits of buying a home
- assess the financial aspects of making the transition from renting to home ownership
- understand how to complete the Free Application for Federal Student Aid
- research and evaluate various scholarship opportunities
- analyze and compare student grant options
- analyze and compare student loan options
- research and evaluate various work-study program opportunities
- investigate nontraditional methods of paying for college or postsecondary education and training

Sample Questions for Topic 2:

The following are sample questions. You can find the correct answers listed after the questions, but try answering the questions without looking at the answers first to check your comprehension.

DIRECTIONS: Select the BEST responses to the following questions.

4. A _____ is a type of business that has one owner who assumes all liability.
 - A. corporation
 - B. partnership
 - C. sole proprietorship
 - D. limited partnership

5. Which of the following is an advantage of a corporation when compared to a partnership?
 - A. easy to start
 - B. unlimited life
 - C. unlimited liability
 - D. difficulty in raising capital

Topic 3: Social studies skills

This topic relates to your ability to apply critical thinking, problem solving, and decision making skills to organize and use information from valid sources.

Study Tips for Topic 3:

This topic relates to TEKS 22A–24B. Familiarize yourself with those TEKS, and then be prepared to demonstrate knowledge of the following topics:

- analyze economic information by sequencing, categorizing, identifying cause-and-effect relationships, comparing, contrasting, finding the main idea, summarizing, making generalizations and predictions, and drawing inferences and conclusions
- create economic models, including production-possibilities curves, circular-flow charts, and supply-and-demand graphs, to analyze economic concepts or issues
- explain a point of view on an economic issue
- analyze and evaluate the validity of economic information from primary and secondary sources for bias, propaganda, point of view, and frame of reference
- evaluate economic data using charts, tables, graphs, and maps
- use appropriate mathematical skills to interpret economic information
- use economic-related terminology correctly
- use standard grammar, spelling, sentence structure, and punctuation
- transfer information from one medium to another
- create written, oral, and visual presentations of economic information
- attribute ideas and information to source materials and authors

- use a problem-solving process to identify a problem, gather information, list and consider options, consider advantages and disadvantages, choose and implement a solution, and evaluate the effectiveness of the solution
- use a decision-making process to identify a situation that requires a decision, gather information, identify options, predict consequences, and take action to implement a decision

Sample Questions for Topic 3:

The following are sample questions. You can find the correct answers listed after the questions, but try answering the questions without looking at the answers first to check your comprehension.

DIRECTIONS: Select the BEST responses to the following questions.

6. What is the difference between the federal government and the Federal Reserve?
 - A. The Federal Reserve recognizes high unemployment as signs of a healthy economy.
 - B. The federal government sets high interest rates to strengthen the economy.
 - C. The federal government creates short-term results while the Federal Reserve looks for long-term solutions.
 - D. The Federal Reserve responds to public outcries while the federal government refers to the data.
7. What economic model would be used to analyze the trade-offs between the production of two goods?
 - A. T-account chart
 - B. gross domestic product
 - C. supply and demand model
 - D. production possibilities curve

Answer Key

| Item Number | Correct Answer | TEKS expectation |
|--------------------|-----------------------|-------------------------|
| 1 | C | 4A |
| 2 | A | 5C |
| 3 | B | 14B |
| 4 | C | 16A |
| 5 | A | 16B |
| 6 | B | 22A |
| 7 | D | 23A |