

Abeka Economic - Work and Prosperity Test 6 Practice (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Which economic system is guided by the choices made by the private sector?**
 - A. Command**
 - B. Free enterprise**
 - C. Traditional**
 - D. Mixed**

- 2. The Phillips Curve describes what kind of relationship in the short run between inflation and unemployment?**
 - A. A guaranteed inverse relationship that holds in the long run.**
 - B. No relationship at all between inflation and unemployment.**
 - C. A short-run trade-off where high inflation may coincide with low unemployment, but there is no stable long-run rule.**
 - D. A direct relationship where higher inflation always means higher unemployment.**

- 3. Which concept composes the American system of mass production?**
 - A. Globalization**
 - B. Standardized parts, division of labor, automatic conveyance**
 - C. Consumer sovereignty**
 - D. Specialization**

- 4. What is a market failure and which of the following is a common example?**
 - A. Market failure occurs whenever prices are high.**
 - B. Market failure occurs when there is full employment.**
 - C. Market failure is when markets allocate resources efficiently.**
 - D. Market failure occurs when markets fail to allocate resources efficiently; example: externalities like pollution or public goods.**

- 5. How does entrepreneurship contribute to economic growth?**
 - A. By reproducing existing firms without change.**
 - B. By innovating, taking risks, and organizing resources to improve productivity.**
 - C. By avoiding any risk and maintaining the status quo.**
 - D. By increasing government control of markets.**

- 6. Which practice involves buying or selling a stock based on information that has not been made public?**
- A. Market manipulation**
 - B. Short selling**
 - C. Insider trading**
 - D. Dividend capture**
- 7. Which market model results in firms that are price takers?**
- A. Monopolistic competition**
 - B. Perfect competition**
 - C. Oligopoly**
 - D. Monopoly**
- 8. The system that controls the money supply of the United States?**
- A. IMF**
 - B. World Bank**
 - C. Federal Reserve**
 - D. Treasury**
- 9. What term refers to property owned by an individual that can be used to secure a loan?**
- A. Collateral**
 - B. Lien**
 - C. Mortgage**
 - D. Equity**
- 10. The system for the production, distribution, and consumption of goods within a country is called what?**
- A. Market**
 - B. Enterprise**
 - C. System**
 - D. Economy**

Answers

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1. B
2. C
3. B
4. D
5. B
6. C
7. B
8. C
9. A
10. D

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Explanations

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1. Which economic system is guided by the choices made by the private sector?

- A. Command
- B. Free enterprise**
- C. Traditional
- D. Mixed

In a free enterprise system, private individuals and businesses decide what to produce, how to produce, and for whom to produce, driven by profit and the demand of buyers. Prices act as signals that channel resources: when more people want a good, its price and production tend to rise; when demand wanes, production shifts elsewhere. Consumers have real choices, and competition encourages efficiency and innovation. The government's role is limited to enforcing laws and maintaining fair play, not steering what gets produced. This focus on private-sector decisions distinguishes it from a command economy, where the government directs production; from a traditional economy, where customs guide choices; and from a mixed economy, where both private decisions and government actions shape outcomes.

2. The Phillips Curve describes what kind of relationship in the short run between inflation and unemployment?

- A. A guaranteed inverse relationship that holds in the long run.
- B. No relationship at all between inflation and unemployment.
- C. A short-run trade-off where high inflation may coincide with low unemployment, but there is no stable long-run rule.**
- D. A direct relationship where higher inflation always means higher unemployment.

The main idea here is that in the short run there's a trade-off between inflation and unemployment. When aggregate demand is stronger, unemployment tends to fall while prices rise, so higher inflation can occur together with lower unemployment. That's why the short-run Phillips Curve is downward-sloping. But this relationship doesn't hold in the long run. If policymakers try to keep unemployment below its natural level by pushing up inflation, people's expectations adjust, and unemployment tends to return to its natural rate even as inflation stays higher. So there isn't a stable, long-run rule linking inflation and unemployment. The other statements don't fit this nuance: there isn't a guaranteed inverse relationship in the long run, there isn't no relationship at all, and there isn't a direct positive link where higher inflation always means higher unemployment. The best description is a short-run trade-off with no lasting long-run rule.

3. Which concept composes the American system of mass production?

- A. Globalization
- B. Standardized parts, division of labor, automatic conveyance**
- C. Consumer sovereignty
- D. Specialization

Mass production hinges on making things through a smooth, repeatable process that can be scaled up. Standardized parts, division of labor, and automatic conveyance together create that process. Standardized parts mean each piece is identical and interchangeable, so assembling products becomes faster and cheaper because any part can fit in any unit and repairs are easier. Division of labor breaks production into simple, specialized tasks performed by workers who become highly practiced at their one job, speeding up each step and reducing wasted time. Automatic conveyance moves components and assemblies along a continuous path, keeping the line flowing and minimizing delays between steps. Put together, these ideas explain how large numbers of identical products can be made quickly and efficiently in the American system. Other concepts touch related topics but don't describe the production mechanism itself. Globalization concerns markets and the spread of production across borders, consumer sovereignty focuses on consumers' power in deciding what gets produced, and specialization is a broader notion that is actually part of division of labor but doesn't alone capture the entire mass-production setup.

4. What is a market failure and which of the following is a common example?

- A. Market failure occurs whenever prices are high.
- B. Market failure occurs when there is full employment.
- C. Market failure is when markets allocate resources efficiently.
- D. Market failure occurs when markets fail to allocate resources efficiently; example: externalities like pollution or public goods.**

Market failure happens when the price system alone doesn't allocate resources efficiently. This shows up when actions by individuals or firms affect others in ways not reflected in prices (externalities) or when certain goods are hard to exclude people from using and don't rival in consumption (public goods). Externalities, like pollution, impose costs on others without those costs being paid for in the market price, leading to overproduction of polluting activities. Public goods create a free-rider problem, so they're under-provided by markets because people can enjoy the benefits without paying. Because these situations prevent a socially optimal allocation of resources, market failure is described as a failure to allocate resources efficiently, with externalities and public goods as classic examples. The other statements don't describe market failure correctly: prices being high doesn't in itself signal a failure; full employment isn't a marker of market failure; and market failure isn't about markets allocating resources efficiently—that would be the opposite of failure.

5. How does entrepreneurship contribute to economic growth?

- A. By reproducing existing firms without change.
- B. By innovating, taking risks, and organizing resources to improve productivity.**
- C. By avoiding any risk and maintaining the status quo.
- D. By increasing government control of markets.

Entrepreneurship drives economic growth by introducing new ideas and methods, taking calculated risks, and coordinating resources to improve productivity. When an entrepreneur brings a new product, service, or production method to market, they often produce more output with the same inputs or the same output with fewer inputs. This boosts productivity and, in turn, overall economic growth. By directing labor, capital, and technology toward the most productive uses, entrepreneurs create jobs, attract investment, and spur further innovation through competition. The other ideas miss a crucial point: simply copying existing firms, avoiding risk, or increasing government control does not generate the dynamic changes that push an economy forward.

6. Which practice involves buying or selling a stock based on information that has not been made public?

- A. Market manipulation
- B. Short selling
- C. Insider trading**
- D. Dividend capture

Trading on information that hasn't been released to the public is insider trading. This happens when someone uses material information that could move a stock's price once it's public to buy or sell before others know it, giving them an unfair advantage and often breaking the law. For example, if a company is about to announce a major new contract or a bad earnings report, acting on that knowledge before the information goes public would constitute insider trading. The other activities involve different practices: market manipulation aims to move prices through deceptive actions, short selling bets that a stock will fall in price, and dividend capture aims to collect dividends around the ex-dividend date, none of which rely on nonpublic information.

7. Which market model results in firms that are price takers?

A. Monopolistic competition

B. Perfect competition

C. Oligopoly

D. Monopoly

In a market where many firms sell identical products and there are no barriers to entry or exit, individual firms have no power to set prices. They must take the going market price as given. This makes them price takers. In this perfect competition setting, each firm faces a horizontal demand curve at the market price and chooses output where price equals marginal cost ($P = MC$) to maximize profit. The market price itself is determined by the total supply and demand in the economy, not by any single firm. Other market structures give firms some ability to influence price—monopolies set prices, oligopolies involve interdependent pricing among a few firms, and monopolistic competition grants some price power due to product differentiation. Therefore, the model that yields price-taking firms is perfect competition.

8. The system that controls the money supply of the United States?

A. IMF

B. World Bank

C. Federal Reserve

D. Treasury

Controlling the money supply means managing how much money is available in the economy to influence inflation and interest rates. The United States' central bank, the Federal Reserve, is the institution responsible for this. It uses tools like open market operations (buying or selling government securities to add or remove bank reserves), setting reserve requirements for banks, and adjusting the discount rate. Through these actions, the Fed can expand or contract the money supply and steer short-term interest rates toward goals like price stability and maximum employment. The IMF and World Bank are international organizations that don't control domestic money supply, and the Treasury handles government finances and debt but does not manage the money supply.

9. What term refers to property owned by an individual that can be used to secure a loan?

A. Collateral

B. Lien

C. Mortgage

D. Equity

Collateral is the asset a borrower offers to a lender to secure a loan. If the borrower can't repay, the lender can take ownership of that asset to recover the debt, which lowers the lender's risk and can lead to better terms for the borrower, such as a lower interest rate or a larger loan amount. The asset must belong to the borrower and can be real property like a house or land, or personal property like a car, valuable possessions, or a savings balance. This is different from a lien, which is the lender's legal claim against the asset; a mortgage is a loan secured by real estate; and equity is the portion of the asset's value that the owner actually owns free of debt, not the asset pledged to secure the loan.

10. The system for the production, distribution, and consumption of goods within a country is called what?

- A. Market**
- B. Enterprise**
- C. System**
- D. Economy**

Economy is the system that coordinates how a country uses its resources to produce goods and services, move them through markets, and provide them to people to consume. It covers all stages: what gets produced, how it's distributed among people and firms, and how households and the government use what's available. A market is just one part of the economy—the mechanism where buyers and sellers trade—so it isn't the whole system. An enterprise refers to a single business, not the entire framework of production, distribution, and consumption. A system is simply a general term and doesn't specify the particular economic activities involved. So the term that best describes the overall framework for production, distribution, and consumption within a country is economy.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://abekaeconworkandprosperity6.examzify.com>

We wish you the very best on your exam journey. You've got this!

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