

Future Business Leader Achievements (FBLA) Economics Practice Exam (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. The prohibition of exports to another country is called _____.
 - A. an embargo
 - B. a boycott
 - C. a filter
 - D. a quota

2. Which type of unemployment can occur when workers' skills do not match the job requirements?
 - A. Frictional unemployment
 - B. Structural unemployment
 - C. Cyclical unemployment
 - D. Seasonal unemployment

3. What is a substitute good?
 - A. A product that complements another product
 - B. A good that cannot replace another good
 - C. A good that can replace another good when prices increase
 - D. A product that increases the consumption of its complement

4. What is the difference between accounting profits and economic profit?
 - A. There is no difference between accounting profit and economic profit
 - B. Implicit costs are subtracted from accounting profit to give economic profit
 - C. Implicit costs are added to accounting profit to give economic profit
 - D. Implicit costs and nominal profit are subtracted from accounting profit to give economic profit

5. What does GDP stand for?
 - A. Global Domestic Product
 - B. Gross Domestic Product
 - C. Generalized Data for Production
 - D. Gross Development Policy

6. How is an externality defined in economics?
- A. A government intervention in the market
 - B. A side effect of an economic activity that affects third parties who did not choose to be involved
 - C. A type of public good
 - D. An unexpected fluctuation in market prices
7. What characterizes a monopoly?
- A. A market with multiple sellers
 - B. A market where the price is determined by competition
 - C. A market structure with a single seller
 - D. A market where goods are freely traded
8. Explain what "liquidity" indicates in finance.
- A. The total market capitalization of companies
 - B. The speed at which investments grow
 - C. The availability of liquid assets to be converted into cash
 - D. The total amount of cash reserves held by banks
9. What issue arises when not all beneficiaries of a public good contribute to its cost?
- A. The free rider problem
 - B. The public goods rationale
 - C. Freedom of choice
 - D. None of these
10. What is human capital?
- A. The availability of natural resources in an economy
 - B. The economic value of an individual's skills, knowledge, and experience
 - C. The financial capital held by an organization
 - D. The total number of employees in a workforce

Answers

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

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Explanations

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1. The prohibition of exports to another country is called _____.

A. an embargo

B. a boycott

C. a filter

D. a quota

The prohibition of exports to another country is called an embargo. An embargo is a government-imposed restriction that prohibits the movement of goods into or out of a country. This can be a strategic decision often implemented for political reasons, such as to exert economic pressure or to enforce sanctions against a particular nation for its actions or policies. In contrast, a boycott typically refers to the voluntary act of abstaining from buying or using goods and services from a particular country or company, often as a form of protest. A filter does not pertain to economic restrictions; it usually refers to a tool for data processing or management. A quota generally refers to a limit on the quantity of a specific good that can be produced or imported, rather than a prohibition on exports. Therefore, the concept of an embargo specifically fits the definition of prohibiting exports to another country.

2. Which type of unemployment can occur when workers' skills do not match the job requirements?

A. Frictional unemployment

B. Structural unemployment

C. Cyclical unemployment

D. Seasonal unemployment

The type of unemployment that occurs when workers' skills do not match the job requirements is structural unemployment. This form of unemployment arises from changes in the economy that create a mismatch between the skills that workers possess and the skills needed for available jobs. For example, advancements in technology can render certain skills obsolete, leading to workers being unemployed because they do not have the necessary qualifications for new job opportunities. Structural unemployment often requires workers to undergo training or education to adapt to the new job market conditions. In contrast, frictional unemployment involves temporary periods of time when individuals are between jobs, often due to voluntary transitions. Cyclical unemployment is linked to the overall economic cycle and fluctuates with the rise and fall of economic activity. Seasonal unemployment occurs due to variations in demand for labor during different times of the year, such as agricultural seasons or holiday-related jobs. Thus, structural unemployment specifically points to the skill mismatch in the job market, making it the correct choice in this context.

3. What is a substitute good?

- A. A product that complements another product
- B. A good that cannot replace another good
- C. A good that can replace another good when prices increase
- D. A product that increases the consumption of its complement

A substitute good is defined as a product that can replace another product when its price increases. This relationship is based on consumer behavior, where individuals seek alternatives to a good that has become more expensive. For example, if the price of coffee rises significantly, consumers may opt to purchase tea instead, as tea serves as a substitute for coffee. This substitution effect is a fundamental concept in economics, illustrating how changes in price can lead to changes in the quantity demanded of a good. The rationale behind this choice emphasizes the importance of price sensitivity in consumer choices; when faced with higher costs for a product, consumers will often look for similar goods that can fulfill the same need or desire. Substitutes are crucial for understanding market dynamics, as they can lead to a decrease in demand for the original product's price increases.

4. What is the difference between accounting profits and economic profit?

- A. There is no difference between accounting profit and economic profit
- B. Implicit costs are subtracted from accounting profit to give economic profit
- C. Implicit costs are added to accounting profit to give economic profit
- D. Implicit costs and nominal profit are subtracted from accounting profit to give economic profit

The correct choice highlights that implicit costs and nominal profit are considered when calculating economic profit from accounting profit. To clarify, accounting profit is the financial gain that a business makes, calculated by subtracting explicit costs (direct, out-of-pocket expenses) from total revenue. However, economic profit goes further by including both explicit and implicit costs. Implicit costs represent the opportunity costs of utilizing the resources in their current use instead of the next best alternative. By subtracting both implicit costs and nominal profit (the accounting profit derived solely from explicit transactions) from total revenue, one can determine the economic profit, which provides a more comprehensive view of profitability that considers both direct expenses and the opportunity costs of business decisions. This understanding is crucial for evaluating the true profitability of a business, as it considers the broader implications of resource utilization beyond just immediate financial transactions.

5. What does GDP stand for?

- A. Global Domestic Product
- B. Gross Domestic Product**
- C. Generalized Data for Production
- D. Gross Development Policy

GDP stands for Gross Domestic Product. This term refers to the total monetary value of all goods and services produced within a country's borders in a specific time frame, usually annually or quarterly. It serves as a comprehensive measure of a nation's overall economic activity and health. GDP is a critical indicator that economists use to gauge the size and growth of a country's economy, as well as to compare economic performance across different countries or time periods. Understanding GDP is essential for analyzing economic performance, making policy decisions, and assessing the standard of living in a country. This measure can be adjusted for inflation (real GDP) to provide a clearer picture of an economy's growth by accounting for price changes over time. It is crucial in economic discussions and policymaking, influencing everything from fiscal policy to investment decisions.

6. How is an externality defined in economics?

- A. A government intervention in the market
- B. A side effect of an economic activity that affects third parties who did not choose to be involved**
- C. A type of public good
- D. An unexpected fluctuation in market prices

An externality in economics is defined as a side effect of an economic activity that impacts third parties who did not choose to be involved in that activity. This means that externalities occur when the actions of individuals or businesses have consequences—positive or negative—for others who are not directly part of the transaction. For instance, pollution generated by a factory can negatively affect the health and environment of nearby residents, who have no say in the factory's operations. Conversely, a positive externality could be the benefits an individual receives from a well-maintained public park, which enhances community well-being even for those who do not directly contribute to its funding or upkeep. Understanding externalities is crucial because they often lead to market failures, necessitating potential government intervention to correct the inefficiencies and ensure a more equitable distribution of costs and benefits within society.

7. What characterizes a monopoly?

- A. A market with multiple sellers
- B. A market where the price is determined by competition
- C. A market structure with a single seller
- D. A market where goods are freely traded

A monopoly is characterized by a market structure in which there is a single seller providing a unique product or service for which there are no close substitutes. This singular control means that the monopolist has significant market power, allowing them to set prices above the competitive level and influence overall market supply and demand. In a monopoly, the absence of competition often results in lower consumer choices and potentially higher prices because the monopolist does not face pressure from other sellers to lower costs or improve services. Monopolies can arise due to various factors, including high barriers to entry that prevent other firms from entering the market, exclusive access to essential resources, or government regulations. The other options describe characteristics that are not consistent with a monopoly. A market with multiple sellers typically refers to perfect competition or monopolistic competition, where competition drives prices down. A market where the price is determined by competition also indicates multiple sellers are influencing the market dynamics. Lastly, a market where goods are freely traded suggests an environment where buyers and sellers operate without restrictions typically seen in a competitive or free market, which stands in contrast to the controlled nature of a monopoly.

8. Explain what "liquidity" indicates in finance.

- A. The total market capitalization of companies
- B. The speed at which investments grow
- C. The availability of liquid assets to be converted into cash
- D. The total amount of cash reserves held by banks

Liquidity in finance pertains to the availability of liquid assets that can be quickly converted into cash without significantly impacting their market value. It is a crucial concept because it indicates how easily and quickly an individual or business can access cash to meet immediate obligations or take advantage of investment opportunities. In practical terms, cash is considered the most liquid asset, while other assets like stocks or bonds are also liquid but may take a little longer to convert into cash. The concept of liquidity is particularly important for businesses as it affects their operational flexibility and ability to respond to unforeseen expenses. A company with high liquidity can easily meet short-term liabilities, while one with low liquidity might struggle to pay its debts, even if it has significant assets in other forms that are not easily converted to cash. In contrast, options discussing market capitalization, investment growth speed, or cash reserves held by banks do not encapsulate the essence of liquidity. Market capitalization reflects the total market value of a company, while the growth of investments pertains to returns rather than the ease of asset conversion. Cash reserves held by banks relate more to banking operations and overall financial stability than to the liquidity of assets in a broader sense.

9. What issue arises when not all beneficiaries of a public good contribute to its cost?

- A. The free rider problem
- B. The public goods rationale
- C. Freedom of choice
- D. None of these

The issue that arises when not all beneficiaries of a public good contribute to its cost is known as the free rider problem. A public good is defined by its characteristics of being non-excludable and non-rivalrous, meaning that once it is provided, no one can be effectively excluded from using it, and one person's use does not diminish the availability for others. Because individuals can benefit from the good without directly paying for it, some may choose to avoid contributing, relying instead on others to cover the costs. This leads to underfunding of the public good, as the revenue required to maintain or enhance it is not sufficiently gathered due to the lack of contributions from all users. As a result, the public good may become inefficiently provided or could eventually fail to exist, impacting all beneficiaries negatively. This creates a dilemma for society on how to fund and provide sufficient public goods since voluntary contributions may not meet the necessary costs for provision. The other options mention concepts that do not directly address the issue of non-contributing beneficiaries. Thus, the free rider problem captures the essence of the economic challenge related to public goods most accurately.

10. What is human capital?

- A. The availability of natural resources in an economy
- B. The economic value of an individual's skills, knowledge, and experience
- C. The financial capital held by an organization
- D. The total number of employees in a workforce

Human capital refers to the economic value of an individual's skills, knowledge, and experience. This concept encompasses the attributes that people bring to the workforce, which contribute to their productivity and the overall economic performance of organizations and economies. Human capital is critical in determining how effectively individuals can perform tasks, solve problems, and innovate in their work roles. Investments in human capital, such as education and vocational training, enhance an individual's skills and knowledge, thereby increasing their potential productivity and the value they add to their employers. This can lead to higher wages and improved career prospects, as well as benefits for the economy, such as increased competitiveness and growth. The other options do not accurately capture the definition of human capital. Natural resources pertain to the raw materials and environmental assets of an economy, financial capital relates to the funds available for investment or expenditure, and the number of employees in a workforce reflects workforce size rather than the skills or economic potential of those individuals. Understanding human capital is essential in fields like economics and business, as it highlights the importance of investing in people for long-term success.

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://fbla-economics.examzify.com>

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

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