Fill in the missing word(s) in the space provided at the right.

Example: All countries operate on some type of _______ system.
1. A(n) _______ economy is one in which both consumers and producers play important roles.
2. Transfer payments are _______ income because they are not obtained by working for them.
3. _______ advertising is a fantastic price offer on an item that is out of stock; customers are then urged to buy another item at a higher price.
4. Satisfaction or reward received by consumers who buy products is called _______.
5. _______ are government grants to some citizens paid with money collected from other citizens.
6. _______ is the willingness and ability of consumers to purchase a product.
7. Having money with which to buy goods and services is called _______.
8. _______ are schemes by which managers can make large profits by getting other workers to sell products to their friends.
9. When a consumer gets action desired to resolve a problem with a product or service, it is called _______.
10. A(n) _______ is a fraudulent practice in which vulnerable people are convinced that they are investing in a legitimate enterprise.
11. Advertising an item at special savings that is in reality selling at regular price is called a(n) _______.
12. Reducing prices and quantities to the lowest unit possible to compare values is called _______.
13. Manufacturers or makers of goods and services for sale are called _______.
14. When producers get together to set prices and do not engage in competition, they are involved in _______.
15. Buyers and users of goods and services are called _______.
16. The quantity of goods and services being produced is called _______.
17. Advertising repairs at low prices, then urging more repairs, is called _______.
18. _______ occurs when more than one producer or supplier of a good or service exists, each trying to sell its product.

Answers
0. _______ economic
1. _______ market
2. _______ unearned income
3. _______ Bait and switch
4. _______ utility
5. _______ Transfer payments
6. _______ Demand
7. _______ purchasing power
8. _______ Pyramid schemes
9. _______ redress
10. _______ pigeon drop
11. _______ fake sale
12. _______ unit pricing
13. _______ producers
14. _______ price-fixing
15. _______ consumers
16. _______ supply
17. _______ low-balling
18. _______ Competition
Section 2  Review Questions

After each of the following statements, circle T for a true statement or F for a false statement.

1. Everyone is a producer and everyone is a consumer in a market economy.  T F
2. Demand is the quantity of goods and services available for sale.  T F
3. Whenever consumers purchase a product, they are casting a dollar vote for that product.  T F
4. It is necessary to have competition, purchasing power, and informed consumers in a free enterprise system.  T F
5. The government shifts purchasing power among citizens by making transfer payments.  T F
6. A monopoly is a market with many buyers but only one seller.  T F
7. Consumer sovereignty is the power of consumers to determine what is produced and sold.  T F
8. Low-balling results when the consumer is promised a great deal of money with little effort.  T F
9. Vulnerable people are often subject to the schemes of con artists who convince them to invest their money in phony deals.  T F
10. Infomercials are advertisements involving product demonstrations and testimonials.  T F

On the line at the right of each sentence, print the letter that represents the word or group of words correctly completing the sentence or answering the question.

1. A method of swindling money from vulnerable people through phony deals is known as (a) bait and switch, (b) pigeon drop, (c) pyramid schemes, (d) low-balling.  b 1. ___
2. In the _____ scheme, distributors are promised commissions from their own sales and those of other distributors they recruit. (a) bait and switch, (b) pyramid, (c) pigeon drop, (d) low-balling  b 2. ___
3. Which of the following items is a warning signal for a deceptive practice? (a) very low prices, (b) something for nothing, (c) must decide today, (d) all the above  d 3. ___
4. Which of the following items is the best buy when unit prices are computed? (a) 3/$.89, (b) 4/$1.00, (c) 5/$1.29, (d) 6/$1.33  d 4. ___
5. When seeking consumer redress, (a) contact the manufacturer first, (b) write the Better Business Bureau first, (c) contact the seller first, (d) complain to your neighbor so that he or she will not make the same mistake.  c 5. ___
6. Which of the following items is not a transfer payment? (a) interest income, (b) social security, (c) welfare, (d) veterans’ benefits  a 6. ___
7. Everyone is a (a) producer, (b) consumer, (c) producer and consumer, (d) producer or consumer.  b 7. ___
8. The _____ has the final say in what is produced and at what price. (a) producer, (b) government, (c) consumer, (d) president of the United States  c 8. ___
Activity 28.1 Calculating Unit Prices

Directions: To compute unit prices, reduce the selling price to the lowest possible unit. For example, if a product costs $1.00 and a package contains 8 ounces, the price per unit is $1.00 divided by 8 ounces, or 12.5 cents per ounce.

Calculate the following unit prices to the nearest penny:

1. a. The cost of gasoline is $15.50 to fill up a tank containing 13 gallons. What is the cost per gallon? \$1.19
   b. There are 3.785 liters per gallon. You bought 33 liters of gasoline and paid $11.25. What is the price per gallon? \$1.29

2. You are purchasing the following items. Calculate unit prices to the nearest penny:
   a. 6/$1.00
   b. 3/$1.09
   c. 5/$.99
   d. 6/$.89
   e. 4/$1.00
   f. 8/$3.99

3. Compute the following prices per ounce to the nearest penny:
   a. 8 oz./$1.49
   b. 12 oz./$1.33
   c. 31 oz./$2.29
   d. 48 oz./$3.89
   e. 1 lb./$3.29
   f. 1 lb. 6 oz./$4.49
   g. 2 lbs. 12 oz./$3.99
   h. 3 lbs. 6 oz./$4.99

4. After reading the following problems, which of the following cars should you buy? (Car A or Car B) Car B
   a. Car A uses regular gasoline at $1.21 a gallon and gets 19 miles per gallon (mpg) in town. Assume that you drive 100 miles a week, or 400 miles a month. What is your gas bill each month? $25.47
   b. Car B uses premium unleaded gasoline at $1.41 a gallon and gets 24 mpg in town. If you drive 100 miles a week, 400 miles a month, what will be your gas bill each month? $23.50
Activity 28.2 Reading the Label

Directions: The following label represents a consumer product. Read the label carefully and answer the questions in the right-hand column.

**NUTRITION INFORMATION**

The potato is America's favorite vegetable. Potato chips are a favorite energy food for many active Americans. Potato chips provide protein, vitamins, and minerals needed to maintain good health.

Because we quick-fry our potato chips, we make sure that important vitamins are sealed in. A one-ounce serving contains 10% of the Recommended Daily Allowance of Vitamin C plus measurable amounts of protein, thiamine, and niacin. No preservatives added!

Only the finest natural ingredients are used in GRIPMAN’S potato chips. EAT THEM FOR ENJOYMENT. EAT THEM FOR ENERGY. EAT THEM FOR NUTRITION.

**Serving Size: 1 ounce**

**Number of Servings: 10**

<table>
<thead>
<tr>
<th>Calorie</th>
<th>150</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protein</td>
<td>2g</td>
</tr>
<tr>
<td>Carbohydrates</td>
<td>14g</td>
</tr>
<tr>
<td>Fat</td>
<td>10g</td>
</tr>
<tr>
<td>Cholesterol** (0mg/100g)</td>
<td>0mg</td>
</tr>
<tr>
<td>Sodium (800mg/100g)</td>
<td>225mg</td>
</tr>
</tbody>
</table>

**Percentage of U.S. Recommended Daily Allowances (U.S. RDA)**

- Protein: 2 Riboflavin: *
- Vitamin A: * Niacin: 6
- Vitamin C: 10 Calcium: *
- Thiamine: 4 Iron: 2
- Vitamin B6: 4

**Information on cholesterol content is provided for individuals who, on the advice of a physician, are modifying their total dietary intake of cholesterol.**

*Contains less than 2% U.S. RDA for this nutrient.

**INGREDIENTS: POTATOES, VEGETABLE OIL (CONTAINS ONE OR MORE OF THE FOLLOWING: COTTONSEED OIL, CORN OIL, PALM OIL, SOYBEAN OIL, PARTIALLY HYDROGENATED SOYBEAN OIL), SALT.**

**THIS PACKAGE IS PACKED AND SOLD BY WEIGHT, NOT BY VOLUME. SOME SETTLING OF CONTENTS MAY OCCUR DURING SHIPMENT.**

**GRIPMAN’S FINE SNACK FOODS,** Alexandria, VA 22310-2511

**Gripman’s**
America's Favorite Snack Food

1. What general information is given about potatoes and potato chips?

   *The potato is America's favorite vegetable; potato chips are a favorite energy food for active Americans; they provide protein, vitamins, minerals; they are quick-fried, thus vitamins are sealed in; a one-ounce serving contains 10 percent of the RDA of Vitamin C and measurable amounts of protein, thiamine, and niacin; only the finest natural ingredients are used; no preservatives are added.*

2. How large is one serving size? **One oz.**

3. How many calories are contained in 10 servings? **1,500**

4. How much cholesterol is contained in an ounce of potato chips? **None**

5. What percentages of the RDA are provided in:
   - a. Protein: **2%**
   - b. Thiamine: **4%**
   - c. Calcium: **less than 2%**
   - d. Vitamin B6: **4%**

6. List the ingredients.

   *Potatoes, vegetable oil, cottonseed oil, corn oil, palm oil, sunflower oil, soybean oil or partially hydrogenated soybean oil, salt.*

7. Is the package sold by weight or volume?

   **By weight**

8. List the name of the producer and the address.

   **Gripman’s Fine Snack Foods, Alexandria, VA 22310-2511**

9. Are preservatives contained in this product?

   **No**
Activity 28.3 Correcting an Error

Directions: Information about the correct procedures to follow in solving errors in bank statements or credit card statements are usually sent to bank and credit card customers at least once a year. Following is a leaflet, sometimes sent with a monthly bank reconciliation, for you to review. The purpose of this leaflet is to inform customers of the procedures to follow in case of errors or inquiries about electronic transfers. Answer the questions that follow.

1. What should you do if you suspect an error in a DNT receipt?
   
2. How soon after suspecting an error must you contact the bank?
   
3. How soon will the bank acknowledge your complaint?
   
4. How many days will the bank take to investigate and respond to your complaint?
   
5. If your complaint is not in writing, what must you do?
   
6. If the bank agrees there is an error, what will it do?
   
7. If the bank does not find an error, what will it do?
   
8. What is the name of the bank? Is the bank federally insured?
Activity 28.4 Reading the Warranty—No. 1

Directions: Read the following warranty carefully and answer the questions.

ONE-YEAR LIMITED WARRANTY

This Evans-Powell electronic calculator warranty extends to the original purchaser of the calculator.

WARRANTY DURATION
This Evans-Powell electronic calculator is warranted to the original purchaser for a period of one (1) year from the original purchase date.

WARRANTY COVERAGE
This Evans-Powell electronic calculator is warranted against defective materials or workmanship. This warranty is void if (i) the calculator has been damaged by accident or unreasonable use, neglect, improper service or other causes not arising out of defects in material or workmanship, (ii) the serial number has been altered or defaced.

WARRANTY PERFORMANCE
During the above one-year warranty period your calculator will either be repaired or replaced with a reconditioned model of an equivalent quality (at E-P's option) when the calculator is returned, postage prepaid and insured to an Evans-Powell Service Facility listed below. In the event of replacement with a reconditioned model, the replacement unit will continue the warranty of the original calculator or 90 days, whichever is longer. Other than the postage and insurance requirement, no charge will be made for such repair, adjustment, and/or replacement.

WARRANTY DISCLAIMERS
Any implied warranties arising out of this sale, including but not limited to the implied warranties of merchantability and fitness for a particular purpose, are limited in duration to the above one-year period. Evans-Powell shall not be liable for loss of use of the calculator or other incidental or consequential costs, expenses, or damages incurred by the purchaser.

Some states do not allow the exclusion or limitation of implied warranties or consequential damages; therefore, the above limitations or exclusions may not apply to you.

LEGAL REMEDIES
This warranty gives you specific legal rights, and you may also have other rights that vary from state to state.

EVANS-POWELL CONSUMER SERVICE FACILITIES
United States residents write to:
P.O. Box 851
Chicago, Illinois 60611-4160

Canadian residents write to:
P.O. Box 841
Toronto, Canada M2V 1P1

Evans-Powell
INCORPORATED
Chicago, Illinois

Printed in U.S.A. 0930185-1

1. What type of equipment or merchandise is represented by this warranty?
   Electronic calculator

2. Who is the manufacturer of the equipment? Where is the manufacturer located?
   Evans-Powell; Chicago, Illinois

3. How long does the warranty last?
   One year

4. To whom is the warranty extended?
   To the original purchaser only

5. How is the warranty made void?
   a. Calculator has been damaged by accident or unreasonable use, neglect, improper service, or other causes not arising out of defects in material or workmanship.
   b. The serial number has been altered or defaced.

6. Do you have to return the merchandise for repair or replacement?
   Yes (The company will decide whether to repair or replace a calculator.)

7. How long is the warranty on a replaced (reconditioned) model?
   90 days or the extent of the original warranty, whichever is longer

8. What is the address for the Canadian service facility of this manufacturer?
   P.O. Box 841 Toronto, Canada M2V 1P1

9. Where should Pennsylvania residents write to this manufacturer?
   P.O. Box 851, Chicago, IL 60611-4160

10. What are the limits to the warranty on this product?
    Implied warranties are limited to one year. The manufacturer is not liable for loss of use of the calculator or other costs, expenses, or damages incurred by the purchaser.
Activity 28.5 Reading the Warranty—No. 2

Directions: From the limited warranty below, answer the questions that follow.

CALL-ON-TIME RECORDERS, INC., RECORDER II, Telephone Answering Systems
LIMITED WARRANTY
Model Nos. 70C, 70CA, 70CB Ninety Days Labor/One Year Parts

Call-on-Time Recorders, Inc., warrants your Recorder II to be free from factory defects in material and workmanship for a period of one (1) year for parts and ninety (90) days for labor from the date of the original purchase. The obligation under this warranty is limited to repairing or replacing any defective part for one (1) year, and providing all necessary labor for the first ninety (90) days in connection with the correction of any defect. Tapes and accessories are not covered under this warranty, and all transportation charges or shipping expenses shall be the sole responsibility of the purchaser. The exchange of any factory defective Recorder II is at the exclusive option of Call-on-Time Recorders, Inc. and in no event does Call-on-Time Recorders, Inc. assume liability for any damage beyond the refund of the purchase price of its nonconforming products, or the repair or replacement of same.

ALL IMPLIED WARRANTIES IN RESPECT TO THE RECORDER II PRODUCTS, EXCEPT TO THE EXTENT PROHIBITED BY APPLICABLE LAW, SHALL HAVE NO GREATER DURATION THAN THE WARRANTY PERIODS SET FORTH HEREIN. NO WARRANTIES, WHETHER EXPRESSED OR IMPLIED, INCLUDING WARRANTIES OF THE MERCHANTABILITY OR FITNESS SHALL APPLY TO THE RECORDER II PRODUCT AFTER THE WARRANTY PERIODS HAVE EXPIRED. UNDER NO CIRCUMSTANCES SHALL THE COMPANY BE HELD LIABLE FOR ANY LOSS OR DAMAGE, DIRECT OR CONSEQUENTIAL, ARISING OUT OF THE USE OF, OR INABILITY TO USE, RECORDER II PRODUCTS. SOME STATES DO NOT ALLOW LIMITATIONS ON HOW LONG AN IMPLIED WARRANTY LASTS, AND EXCLUSIONS OR LIMITATION OF INCIDENTAL OR CONSEQUENTIAL DAMAGES; THEREFORE, THE ABOVE LIMITATIONS OR EXCLUSIONS MAY NOT APPLY TO YOU. THIS WARRANTY GIVES YOU SPECIFIC LEGAL RIGHTS, AND YOU MAY HAVE OTHER RIGHTS WHICH VARY FROM STATE TO STATE.

To obtain repairs under the terms of this warranty, pack your Recorder II product carefully in the original packing, or its equivalent, and carry in, or ship to, your nearest authorized Service Center* or directly to Call-on-Time Recorders, Inc., together with a copy of the original bill of sale.

This warranty extends only to the original purchaser and is not assignable or transferable. This warranty shall not apply to any Recorder II product which has been improperly maintained or repaired, including the installation of parts or accessories that do not conform to the quality and specifications of the original components or parts, or that may have been subject to alterations, abuse, misuse, neglect (including improper installation), accidental or intentional damage, or to any product which may have had serial numbers or model name altered, defaced or removed.

No informal dispute settlement mechanism as allowed under the Magnuson-Moss Warranties/Federal Trade Commission Improvements Act, Public Law 93-637 (1975) is available under this warranty. Although it is not mandatory, to avoid unnecessary difficulties in determining your eligibility for warranty work, we suggest you fill out your warranty and registration card and mail it to Call-on-Time Recorders, Inc., National Service Department, 4821 Blair Boulevard, San Francisco, California 94162-1580, within ten (10) days after purchase of the Recorder II product.

NO OTHER WARRANTY, WRITTEN OR VERBAL, IS AUTHORIZED BY CALL-ON-TIME RECORDERS, INC., WITH RESPECT TO THE RECORDER II PRODUCT. Call-on-Time Recorders, Inc., or its authorized representative will either repair or replace the unit, at its option, and return the repaired or new unit to any address in the United States at no charge. If a unit is to be returned to any address outside of the United States, shipping charges must be paid in advance by the owner. In addition, Call-on-Time Recorders, Inc., assumes no responsibility for compliance with laws and regulations other than those of the United States pertaining to the usage of telephone answering devices and/or their connection to or with telephone systems in countries other than the United States. Any usage in connection with electrical systems other than those for which the unit was designed will void this warranty.

*Requests for warranty information and questions regarding the location of authorized Service Centers should be directed to the National Service Department of Call-on-Time Recorders, Inc., at the following telephone numbers: toll free 800-555-0111, and in California (213) 555-0178 collect.

1. How long does the warranty extend for labor? parts?

   **90 days labor; one year parts**

2. How must the original equipment be returned to the manufacturer?

   **Packed carefully in original packing or its equivalent, together with a copy of original bill of sale**

3. Is the warranty transferable or assignable to anyone other than the original purchaser?

   **No**

4. What public law is cited in this warranty?

   **Public Law 93-637, Magnuson-Moss Warranties/Federal Trade Commission Improvements Act**

5. To what address should you send the warranty and registration card?

   **Call-on-Time Recorders, Inc., National Service Department, 4821 Blair Boulevard, San Francisco, CA 94162-1580**

6. How long after the purchase should you send in the warranty and registration card?

   **Within 10 days**

7. List the toll-free number that can be called with questions regarding authorized service centers for this product.

   **800-555-0111**