

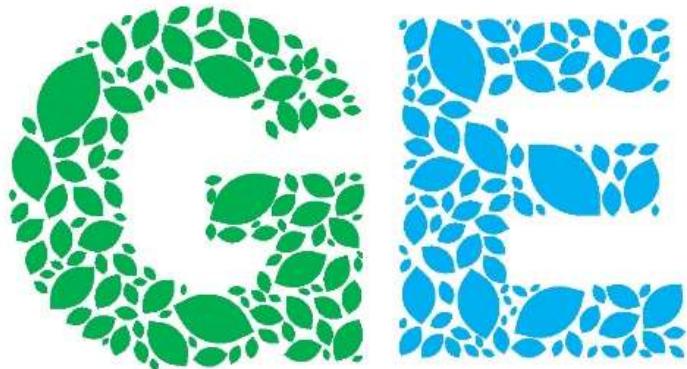
GreenEMPIRE

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Licensure Examination in Agriculture Reviewer

(Lecture Manual and Review Questions)

AGRICULTURAL ECONOMICS AND MARKETING



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AGRICULTURAL ECONOMICS

Introduction

- Definitions of Terms

- Economics

- the study of how people choose to use scarce or limited productive resources (land, labor, capital goods such as machinery, technical knowledge) to produce various commodities and distribute them to various members of society for their consumption
- origin: oikonomia (Gk.) = household management

- Macroeconomics vs. Microeconomics

- Macroeconomics: deals with the whole or aggregate economy – GNP, GDP, inflation, unemployment
- Microeconomics: deals with the individuals – households, firms, markets, consumers, producers

- Positive vs. Normative Economics

- Positive Economics: makes statements on "what is" or "what will happen"; unbiased; cause and effect
- Normative Economics: makes statements on "what should be"; biased; value judgments used in formulating policies

- Economic Model

- o the basic building block in the logic of the economist; a conceptualization based on assumptions of how

economic activity occurs; example: perfectly competitive firm

- Agricultural Economics

- applies the principles of Economics to crop and animal production
- deals with the allocation of scarce resources for competing alternative uses found in the production, processing, distribution, and consumption of food, feed, and fiber
- in the United States: first taught at Harvard University and at the University of Wisconsin in 1903; Bureau of Agricultural Economics was formed under the US Department of Agriculture in 1921
- in the Philippines: Bureau of Agricultural Economics was formed on June 22, 1963 under the office of the Secretary of Agriculture and Natural Resources

- Production Possibilities Frontier (PPF)

- useful tool for illustrating the choices available to society and its constraints
- all the possible combinations of the maximum amounts of two goods and services that can be produced with a given amount of resources
- negative slope illustrates trade off/opportunity cost
- inside the PPF: inefficient use of resources; outside the PPF: infeasible

- Ceteris paribus

- Lt. "other things being equal"

• Opportunity Cost

- the value of the best forgone alternative

• Diminishing Returns

- indicates that as you increase the amount of something, *ceteris paribus*, the additional impact of that "something" (economic variable) will eventually increase at a decreasing rate
- in consumption: Law of Diminishing Marginal Utility
- in production: Law of Diminishing Marginal Product

• Marginality

- an additional or incremental unit of something

• Economic Resource

- scarce and command a non-zero price, i.e. they cost something; example: land, labor, capital

Nature and Scope

• Economics is a social science and even utilizes principles from other social sciences such as political science, history, and sociology

- describes, analyzes, explains, and correlates economic behavior, which encompasses the production, consumption, and distribution of goods and services, in a systematic fashion

• Basic Economic Problems

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- scarcity is what drives society to answer the following problems

- a. **What to produce?** - what society desires
- b. **How much to produce?** – how much of the good or service society desires
- c. **When to produce?** – making goods available on the time that they are needed or wanted
- d. **How to produce?** – who will produce and with what resources and production techniques (labor intensive or machine intensive)
- e. **For whom to produced?** – who gets to eat the fruit of economic activity

• Economic Goals

- a. **Full Employment** – all available resources should be employed or fully utilized or no workers should be involuntarily out of work
- b. **Equity** - an equitable distribution of wealth and income
- c. **Efficiency** - producing any given level of output at minimum opportunity cost of the inputs used in production
- d. **Economic growth** – expansion of production, constantly increasing output or national income, reduction in poverty incidence, increase in employment, etc.
- e. **Economic freedom** – includes our freedom to choose what to produce or consume, employment, etc.; the freedom to do economic activities within the legal framework of the economy.
- f. **Price stability** – the absence of inflation (successive increase in prices of almost all kinds of commodities in the market) and wide fluctuations in prices

- g. **Economic development** – improvement in the quality of life of the people
- h. **Economic Security** – assurance of the fulfillment of economic needs of every member of society, including the handicapped

Foundation of Economics

- Self-interest
- Scarcity
- Choice

Ideologies

- **Capitalism**
 - also called market economy or free-enterprise economy
 - features:
 - a. Absence of a central economic plan
 - b. Private ownership of property
 - c. Operation of the pricing process/price system
 - d. Competitive conditions
 - e. Profit motive
 - f. Presence of essential freedoms
- **Communism**
 - also called command economy or classless economy
 - opposite of capitalism
 - features:
 - a. Essential freedoms enjoyed in a capitalist system are eliminated, and property ceases to be the source of private or individual income



- b. Factors of production are owned by the government, which regulates and controls their functions in consonance with a central economic plan
- c. Government determines the aims of the economy, directs production, and regulates (or controls) distribution and consumption of output
- d. Government determines the type, quality, and quantity of commodities to be produced and arbitrarily allocates the output of production
- e. Government regulates the prices of goods and services

- **Socialism**

- mixed economic system
- features:
 - a. Operation of the pricing process/price system
 - b. Freedom of choice in consumption and in the pursuit of occupations
 - c. A private sector of small producing units
 - d. A public sector which oversees the fulfillment of collective objectives

- **Fascism**

- an economic system associated more with the political system of a strong one-man or junta dictatorship, such as Nazi Germany in the 1930s and early 1940s; large companies were linked to state power and had great monopoly power

- **Feudalism**

- an economic system that still persists in many developing countries; an agrarian economic system in which the control of land and the specialization of class roles between landholders and peasants is strictly structured

Economic Theories

- **Prehistory** - economics has developed into a body of knowledge by various thinkers or writers some of whom were called earlier as philosophers, mercantilists, pamphleteers, arithmeticians, political economists, and then as economists
- **Classical Economics** - a market economy tends toward an equilibrium with full employment and tends to be stable if monetary conditions are stable; changes in the quality of money are the major cause of changes in aggregate demand
 - a. **Adam Smith** – father of modern economics; in Wealth of Nations (1776), he advocated the laissez-faire or left-alone policy in the invisible hands theory, which in essence means that for the economic system to function efficiently, the government should not interfere with business and commerce
 - b. **David Ricardo** – proposed the labor theory of value, which states that labor creates value; in Principles of Political Economy and Taxation, he elaborated on the theory of value, taxation, and international trade in the classical tradition
 - c. **Thomas Malthus** – English economist and demographer; directly connected the problems of an economic system to the rapid growth of population
- d. **John Stuart Mill** - heir to David Ricardo in the exposition of classical economics in Principles of Political Economy (1848), which dominated economics throughout the second half of the nineteenth century
- **Neoclassical Economics** - value depends on both costs of production (supply) and utility (demands); development of microeconomics; economic measurement involving the tools of modern probability and statistics and special techniques were also introduced
 - a. **Leon Walras** - introduced the general economic system; analysis of general equilibrium was achieved; market equilibrium can take place only at a price where the quantities supplied and demanded are equal
 - b. **Alfred Marshall** – in Principles of Economics, he emphasized that price and output are determined by supply and demand
- **John Maynard Keynes** – father of macroeconomics; published his General Theory of Employment, Interest, and Money in the 1930s, which changed the focus of economics to macroeconomics – national income, employment, general price levels, and fiscal policy
- **Post-Keynesian Mainstream (Mainstream Economics)** - the present state of the development of economics is a hybrid of neoclassical economics and Keynesian economics
- **Socialist Economics**
 - a. **Karl Marx** – in Das Kapital, he attempted an ambitious effort in examining the laws of motion of the capitalist production by embracing historical, sociological, and economic aspects together;

- had a predictive model – that of the ultimate collapse of the capitalist system; influenced leaders of the Bolshevik Revolution
- b. **Friedrich Engels** – collaborator of Karl Marx in the foundation of Communism; co-authored the Communist Manifesto with Marx

Microeconomics

Production and Costs

A. Theory of Production

- the process of transforming both fixed and variable inputs into finished goods and services
- **Enterprise** - refers to a single production activity; example: a farmer simultaneously produces rice and mungbean; therefore, s/he is involved in two different enterprises
- **Production Function** - the technical relationship between the quantity of inputs used to produce a good and the quantity of output of that good; can be represented by a table, equation, or graph
- **Inputs** – factors of production
 - Fixed** - inputs whose use rate does not change as the output level changes; example: land
 - Variable** - inputs whose use rate changes as the output level changes; example: labor, seeds, fertilizer

- **Outputs** – goods and services produced using the inputs
- **Total Product (Q)** – total amount of output produced in physical units
- **Marginal Product (MP)** – the rate of change in output as an input is changed by one unit, holding all other inputs constant; $MP_I = \Delta Q_I / \Delta I$ where I is any variable input
- **Law of Diminishing Returns** - states that when successive units of a variable input work with a fixed input, beyond a certain point the additional product produced by each additional unit of a variable input, decreases
- **Average Product (AP)** – measures the total output per unit of input used; expresses the "productivity" of an input; associated with efficiency; $AP_I = Q_I / I$

Stages of Production

- a. **Stage I** – all product curves are increasing; ends where AP_I has reached its maximum point; MP_I begins to decrease due to law of diminishing returns
- b. **Stage II** – begins where AP_I begins to decrease; Q_I is still increasing but begins to taper off; MP_I continues to decrease till; ends where MP_I is zero
- c. **Stage III** – begins where MP_I is zero and turns negative; all product curves are decreasing; Q_I begins to decrease even though input is being increased

Length of Run

- production processes can be classified according to the length of run or time period being considered

- a. **Long Run** – all inputs to the production function can be treated as variable; management must evaluate investment alternatives such as whether the firm should purchase more land or equipment

- b. **Short Run** – period of time is short enough that some inputs can be treated as fixed; management must evaluate which variable resources should be combined with the fixed resources in order to maximize the profits of the enterprise
- c. **Very Short Run** – so short that none of the inputs are variable
- **Returns to Scale** - the quantitative change in output of a firm or industry resulting from a proportionate increase in all inputs
 - a. **Constant Returns to Scale** - as all inputs are increased by a given proportion, output increases by the same proportion; large firms are equally efficient and could be expected to happily coexist
 - b. **Increasing Returns to Scale** - as all inputs are increased by a given proportion, output increases by a greater proportion; expect to see larger firms driving the smaller ones out of business since the larger firms could produce more output per bundle of inputs than the smaller firms
 - c. **Decreasing Returns to Scale** - as all inputs are increased by a given proportion, output increases by a lesser proportion
- **Profit** - the difference between total revenue and total cost
 - a. **Total Revenue** - the amount a firm receives from the sale of its output
 - b. **Total Cost** - the market value of the inputs a firm uses in production
 - i. **Explicit Costs** - require cash outlay; example: paying wages to workers
 - ii. **Implicit Costs** - do not require cash outlay; example: the opportunity cost of the owner's time
 - c. **Types**
 - i. **Accounting Profit** - total revenue minus total explicit costs; ignores implicit costs, so it's higher than economic profit
 - ii. **Economic Profit** - total revenue minus total costs (including explicit and implicit costs)

Factors of Production

- **Land** – everything above and beneath the land surface; payment is rent
- **Labor** – the physical and mental effort exerted in the production of goods and services; payment is wages
- **Capital** – finished product, such as machineries, equipment, and processed raw materials, used to produce other goods and services; payment is interest
- **Management/Entrepreneur** – one who organizes the other resources (land, labor, and capital); payment is profit

Theory of Costs

- **Costs of Production** – can be derived from production function
- **Short-run Costs** - the costs over a period during which some factors of production are fixed
- **Long-run Costs** - the costs over a period long enough to permit the change of all factors of production; all factors are variable
- **Total cost** is a multivariate function, where C is total cost, X is output, T is technology, P_f is factor prices, and \bar{K} is fixed factors.

- a. In the short-run, $C = f(X, T, P_f, \bar{K})$
- b. In the long-run, $C = f(X, T, P_f)$
- **Total Cost (TC)** – typically depicted as a function of output, i.e. $C = f(X)$, ceteris paribus; represents the least cost needed to produce each output level
- **Total Fixed Cost (TFC)** – “sunk cost” or “overhead cost”; slope is zero; examples: payment or rent for land, buildings, and equipment
- **Total Variable Cost (TVC)** – changes as the amount of output changes; upward sloping curve starting from the origin (0, 0); examples: purchases of raw material, wages, water, electricity, fuel
- $TC = TFC + TVC$; graph is parallel to that of TVC, vertical distance between TC and TVC is TFC
- **Marginal Cost (MC)** – the rate of change in cost as output is changed by one unit; $MC = \Delta TC / \Delta Q$; U-shaped curve that intersects AVC then AC at their minimum points
- **Average Cost (AC)** - measures the total cost per unit of output used; $AC = TC / Q$; U-shaped curve
- **Average Variable Cost (AVC)** - measures the total variable cost per unit of output used; $AVC = TVC / Q$; U-shaped curve
- **Average Fixed Cost (AFC)** - measures the total fixed cost per unit of output used; $AFC = TFC / Q$; slope declines but never reaches zero, a consequence of this is that AC and AVC will never meet
- **MP and MC curves** – the minimum point of MC curve is the maximum point of the MP curve

Price and Output Determination in a Perfectly Competitive Market

- **Perfectly Competitive Market** – economic model with the following features: numerous buyers and sellers that do not affect price (“price taker”), homogeneous product, demand and supply work freely, goods and services freely enter and exit the market, perfect information
- **Total Revenue (TR)** – gross income from selling a product; $TR = P * Q$, where P is selling price of a good or service and Q is output level sold
- Marginal Revenue (MR) = $\Delta TR / \Delta Q$
- Average Revenue (AR) = TR / Q
- TR is upward sloping with constant slope; $P = MR = AR = D$ (horizontal line)
- Profit (π) = $TR - TC$
- **Objective:** to identify profit maximizing level of output by finding the price and output level that will yield the largest surplus of TR over TC

- **Profit-Maximizing Condition:** $P = MR = MC$
 - Profit is vertical distance between TR and TC curves (TR,TC vs. Q)
 - TR and TC intersect at Q_0 and Q_1 ; since $TR = TC$, profit is zero at this output level
 - Between Q_0 and Q_1 : $TR > TC$ so there is positive profit at this output level
 - To the left of Q_0 and to the right of Q_1 : $TC > TR$ so there is negative profit, i.e. losses, at this output level
 - Profit-maximizing level of output (Q^*) is when slopes of TR and TC are equal
 - Using "per unit curves" (P,R,C vs. Q)
 - Profit-maximizing level of output (Q^*) is at point of intersection of MR and MC
 - If $P = MR = \text{minimum AC}$, then $TC = TR$ and profit is zero. This is the **break-even point**.
 - If $P = MR = \text{minimum AVC}$, losses from continued production and losses from closing down are equal to TFC. This is the **shut-down point**.

Demand

- **Price** - the amount paid for a certain quantity and quality of good or service
- **Demand (D)** – the amounts of a good or service that consumers are both willing and able to purchase at alternative prices in a given time period, ceteris paribus; a relationship, not a point

- **Quantity Demanded (Q_d)** - how much of a good or service a buyer is willing to purchase at a single specified price, in a given market, at a given time, ceteris paribus; a point, not a relationship

- **Law of Demand** – negative/inverse relationship between Q_d and P , ceteris paribus; people are willing to buy more goods if the price is low

- Substitution Effect** – as the price of good A increases, ceteris paribus, the relative price of good B decreases and the consumer substitutes B for A in consumption
- Income Effect** - as the price of good A increases, ceteris paribus, the real income or purchasing power, of consumer falls, and as a result less of both good A & B is consumed

- **Demand Curve** – downward sloping line

- **Changes in D** - rightward (increase in D) or leftward (decrease in D) shift of the entire demand curve; caused by change in income (normal goods - D increases when income increases; inferior goods – D increases when income decreases), price of related products, population, tastes and preferences, or expectation of future prices and income

- **Change in Q_d** – refers to a change in the amount along the demand curve or to a change in P

Supply

- **Supply (S)** - the amounts of a good or service that consumers are both willing and able to offer for sale all possible prices in a given time period, ceteris paribus; a relationship, not a point

- **Quantity Supplied (Q_s)** - how much of a good or service a seller is willing to offer at a single, specified price, in a given market, at a given time, ceteris paribus
- **Law of Supply** - positive relationship between Q_s and P, ceteris paribus; sellers are willing to produce more at a higher price
- **Supply Curve** – upward sloping curve
 - **Changes in S** - rightward (increase in S) or leftward (decrease in S) shift of the entire supply curve; caused by change in prices of inputs, prices of competing products, technology, institutional factors, weather, seller's expectation of future prices
 - **Change in Q_s** – refers to a change in the amount along the supply curve due to a change in own P

Market Equilibrium

- **Market Equilibrium** – both P and Q are at levels at which the amounts producers want to supply exactly match the amounts consumers want to buy; $Q_s = Q_d$
- S and D curves intersect at the **equilibrium price (P^*)/equilibrium quantity (Q^*)**
- **Surplus** or excess supply above P^* ; **shortage** or excess demand below P^*

- P^* is also called market-clearing price

Elasticity

- **Elasticity** – measure of responsiveness of Q_d or Q_s to changes in P, income, etc.; percentage change in Q in response to a 1% change in P
- **Price Elasticity of Demand (ϵ_d)** - measures the responsiveness of demand to changes in the commodity's own price; measures the percentage change in the quantity demanded resulting from a 1% change in price
 - a. **Point Elasticity Method** – measures the elasticity at only one point on the demand curve; $\epsilon_d = (\% \Delta \text{ in } Q_d) / (\% \Delta \text{ in } P) = [(Q_{d2} - Q_{d1}) / (Q_{d1} + Q_{d2})] / [(P_2 - P_1) / (P_1 + P_2)]$
 - b. **Arc Elasticity Method** - measures the elasticity between two separate points on the demand curve; $\epsilon_d = (\Delta Q_d / \Delta P) * (\text{average } P / \text{average } Q_d)$
- **Price Elasticity Values** – these coefficients can be found along a linear D curve; interpretation: If $\epsilon_d = |-4|$, this implies that a 1% increase (decrease) in the price of good X results in a 4% decrease (increase) in the quantity demanded of good X
 - a. if $|\epsilon| = 0$, then **perfectly inelastic** (i.e. D curve is vertical, so Q_d does not change as P changes)
 - b. if $|\epsilon| < 1$, then **inelastic** (i.e. D is relatively insensitive to small P changes)
 - c. if $|\epsilon| = 1$, then **unit elastic**
 - d. if $|\epsilon| > 1$, then **elastic** (i.e. D is relatively sensitive to small P changes)

- e. if $|\epsilon| = \infty$, then **perfectly elastic** (i.e. D curve is horizontal, so consumers are willing to buy all at a particular P and none at any other price)

- **Price Elasticity and the Shape of the Demand Curve**

- a. If demand curve is steep, this implies that the quantity demanded does not respond much to price changes
- b. If demand curve is relatively flat, this implies that the quantity demanded responds greatly to price changes

- **Price Elasticity of Demand and Total Household Expenditure**

- a. When demand is inelastic: as price increases (decreases), expenditure also increases (decreases)
- b. When demand is elastic: as price increases (decreases), expenditure will decrease (increase)
- c. When demand is unit elastic: as price increases (decreases), expenditure does not change

- **Price Elasticity of Demand and Total Revenue**

- a. When demand is inelastic: as price increases (decreases), TR also increases (decreases)
- b. When demand is elastic: as price increases (decreases), TR will decrease (increase)
- c. When demand is unit elastic: as price increases (decreases), TR does not change

- **Determinants of Price Elasticity of Demand**

- a. ϵ_d for a commodity depends on the number and closeness of the substitutes that are available.

- i. **Many close substitutes** - demand is likely to be elastic

- ii. **Less close substitutes** - demand is likely to be inelastic

- iii. **Perfect substitutes** - demand is infinite

- b. ϵ_d for a commodity is likely to depend on the importance of the commodity in consumer's budget.

- i. **Luxury or non-basic goods** – price elastic

- ii. **Necessities or basic goods** – price inelastic

- c. ϵ_d is likely to depend on the length of time to which the demand curve pertains. Demand is likely to be more elastic over a long period of time than over a short period of time. The longer the period of time, the easier it is for consumers and business firms to substitute one good for another.

- d. The more possible uses of the commodity, the greater is its price elasticity.

- **Income Elasticity of Demand (η_i)** - the proportional change in quantity demanded resulting from a proportionate change in income; measures the percentage change in the quantity demanded resulting from a 1% change in income

- a. **Point Elasticity Method** – measures the elasticity at only one point on the demand curve; $\eta_i = (\% \Delta \text{ in } Q_d) / (\% \Delta \text{ in } I) = [(Q_{d2} - Q_{d1}) / (Q_{d1} + Q_{d2})] / [(I_2 - I_1) / (I_1 + I_2)]$

- b. **Arc Elasticity Method** - measures the elasticity between two separate points on the demand curve; $\eta_i = (\Delta Q_d / \Delta I) * (\text{average } I / \text{average } Q_d)$

- **Income Elasticity Values** - interpretation: If $\eta_i = |+3|$, this implies that a 1% increase (decrease) in the consumer's income results in a 3% increase (decrease) in the quantity demanded for good X
 - a. If η_i is positive (+), the good is called **normal good**; good is a **luxury** if > 1 while good is a **necessity** if < 1
 - b. If η_i is negative (-), the good is called **inferior good**.
 - c. If $\eta_i > 1$, a 1% change in income results in more than 1% change in total quantity demanded
 - d. If $\eta_i < 1$, a 1% change in income results in less than 1% change in total quantity demanded
- **Cross-Price Elasticity of Demand (e_{xy})** – responsiveness of quantity demand of a good to changes in the price of another good; $e_{xy} = (\% \Delta \text{ in } Q_{dx}) / (\% \Delta \text{ in } P_y)$; interpretation: if positive (+), goods are substitutes and if negative (-), goods are complements
- **Floor Price** – also called minimum price policy; lower limit on a price; must be set above P^* (surplus) to be effective; example: minimum wages
- **Price Ceiling** – also called maximum price policy; upper limit on a price; must be set below P^* (shortage) to be effective; example: jeepney fares
- **Tax Incidence** – concerned with the effects of government taxes on consumption and production
 - a. **Specific/Excise Tax** – tax per unit of the product
 - b. **Ad valorem Tax** – tax as a percentage of the ceiling price
- **Consumer Surplus** – difference between what a consumer is willing to pay and what s/he actually pays for the good; market price decrease raises consumer surplus
- **Producer Surplus** – difference between what a producer receives and the amount that will motivate her/him to sell the product; market price increase raises producer surplus

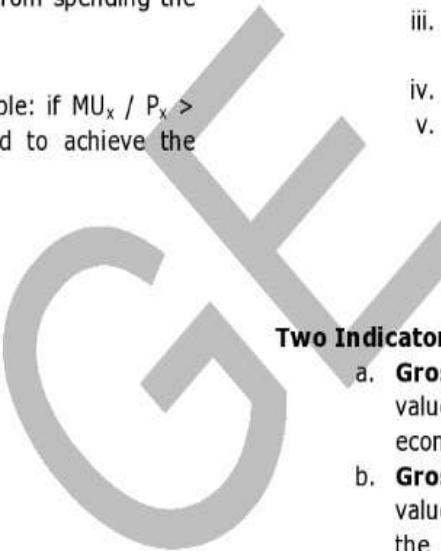
Consumption

- **Utility** – amount of satisfaction derived from the consumption of a good or service
- **Utils** – unit of measurement
- **Approaches:**
 - a. **Cardinal Utility** – can assign values for utility
 - b. **Ordinal Utility** – instead of assigning values for utility, ranking of preferences is done
- In general, **total utility (TU)** increases with Q
- If TU is increasing, marginal utility (MU) > 0 but is declining as explained by the Law of Diminishing Marginal Utility

- **Law of Diminishing Marginal Utility** – as more and more of a good is consumed, the process of consumption will, at some point, yield smaller additions to utility

Consumer Equilibrium

- **Marginal Utility per Peso** – additional utility derived from spending the next peso on the good; MU / P
- **Equimarginal Condition:** $MU_x / P_x = MU_y / P_y$; example: if $MU_x / P_x > MU_y / P_y$, then more of good X has to be consumed to achieve the optimizing condition for maximizing utility



Macroeconomics

National Income Accounting (NIA) – refers to the measurement of indicators of national output or income; examples: GDP, GNP

Circular Flow Diagram – summarizes transactions between the different economic agents such as households, firms, government, and the rest of the world

- a. **Assumption:** the economy is composed of households, which own the factors of production and consume the goods and services, and of firms, GreenEMPIRE PH (www.facebook.com/greenempireph)

which employ the factors of production and produce the goods and services

- b. **Upper loop:** the transfer of goods and services from firms to households
- c. **Lower loop:** the transfer of factor services from households to firms
- d. **Accounting for government and the rest of the world:**
 - i. Government purchases goods and services
 - ii. Government pays for factors of production
 - iii. **Transfer payments** such as donations, unemployment benefits, etc.
 - iv. Households and firms pay government taxes
 - v. Transactions with the foreign sector such as **exports** (sales of domestically produced goods to other countries; reflected as payment from the rest of the world to the firms) and **imports** (goods bought from other countries; reflected as payment by the purchasing domestic agent to the rest of the world)

Two Indicators of Aggregate Output

- a. **Gross National Product (of the Philippines, GNP)** - the market value of all final goods and services produced by all nationals in the economy during a given period of time; expressed in Philippine peso
- b. **Gross Domestic Product (of the Philippines, GDP)** - the market value of all final goods and services produced within the boundaries of the Philippines, whether by Filipinos or foreign-supplied resources; only measures current production and excludes transfer payments; expressed in Philippine peso

- **Final Goods** – goods which are not purchased for the purpose of producing other goods or for resale in order to avoid double counting; examples: rice for consumption and not for re-sale in a restaurant, coconut for consumption and not for re-sale for producing coconut oil

- $GDP = GNP - \text{Net factor income from the rest of the world (NFIRW)}$
- **Net Factor Income from the Rest of the World (NFIRW)** - the difference between the earnings of Filipinos from activities overseas and the earnings of foreigners in the Philippines

Approaches to GDP/GNP Computations

There are three equivalent approaches.

- Expenditure Approach:** $GDP = \text{sum of expenditures on final goods}$
- Income Approach:** $GDP = \text{sum of payments for the different factors of production} = \text{wages} + \text{rent} + \text{interest} + \text{profits}$
- Value-Added Approach:** $GDP = \text{sum of value added of all productive activities}$; Value Added = Sales – Purchases from other firms

Equivalence

- Expenditure and Income Approaches** – A transaction is an expenditure on one side while an income from another side.
- Income and Value Added Approaches** - Value Added = Sales – Purchases from other firms = wages + rent + interest + profits

National Income Accounts – adjustments to GDP are introduced to account for the realities of modern economies

- **Expenditure Approach:**
 $GDP = C + G + I + X - M + SD$; where C = personal consumption expenditure, G = government consumption expenditure, I = gross domestic capital formation (investment), X = exports of goods and services; M = imports of goods and services; SD = statistical discrepancy
 - Personal Consumption Expenditure** – spending of households and private non-profit institutions on goods and services
 - Government Consumption Expenditure – government's payments for its workforce and purchases of goods and services
 - Gross Domestic Capital Formation (Investment)** – investment spending of domestic agents; consists of Fixed Capital and Changes in Stocks
 - Exports of Goods and Services** – spending of foreigners on goods and non-factor services produced in the Philippines
 - Imports of Goods and Services** – Philippine purchases of goods and non-factor services produced in other countries
 - Statistical Discrepancy** – accounting and reporting errors inserted to ensure that the three approaches generate the same GDP
- **Income Approach:**
 $GDP = COE + NOS + \text{Depreciation} + IBTS$
 - Compensation of Employees (COE)** – wages
 - Net Operating Surplus (NOS)** – rent, profit, and interest
 - Depreciation** – wear and tear of physical capital

- d. **Indirect Business Taxes less Subsidies (IBTS)** – taxes on the use, purchase, or production of goods and services and grants from governments to firms; example: VAT
- **Value-Added Approach:**
 $\text{GDP} = \text{Agriculture, Fishery, and Forestry} + \text{Industry} + \text{Services}$
 - a. **Nominal GDP** = GDP at current prices; prices for the year are used
 - b. **Real GDP** = GDP at constant prices; prices of a pre-selected/base year are used, eliminates impact of changing prices
 - c. **Real GDP** = $(\text{Nominal GDP} / \text{GDP Deflator}) * 100$
 - d. **GDP Deflator** = a price index that allow conversion of nominal GDP into real GDP
 - e. **GDP per capita** = GDP / population
 - f. **PPP adjusted GDP** – adjusts for the fact that one dollar spent in one country does not buy the same quantity of goods as in another country
 - g. **Personal Disposable Income** – income that households are free to spend or save
- GDP does not consider income distribution, costs of achieving high output levels such as pollution and leisure time, informal transactions, and illegal activities
- **Price Index** – indicates the change in the cost of purchasing a given bundle of goods in one year relative to another (base year)
- **Consumer Price Index (CPI)** – indicates the change in the cost of purchasing a given bundle of goods that are bought by the average household
- **Inflation Rate** – measures the rate of change in the general price level; $\text{Inflation rate}_t = [(\text{CPI}_t - \text{CPI}_{t-1}) / \text{CPI}_{t-1}] * 100$; a lower inflation rate does not mean low prices

Consumption, Savings, and Investments

The Consumption Function

- The Marginal Propensity to Consume (MPC) is the amount by which consumption increases when disposable income increases by one unit.
- The MPC is between 0-1

- Example: If the MPC is 0.8, then households spend 80 cents of each additional peso of disposable income on consumer goods and services and save 20 cents.

Unemployment

1. Labor Force

- Refers to the population 15 years old to 64 who contribute to the production of goods and services in the country.

2. Employed

- Consists of persons in the labor force who were reported either as at work or with a job or business although not at work. Persons at work are those who did some work, even for an hour, during the reference period.

3. Unemployed

- include all persons 15 years old to 64 as of their last birthday and are reported as:
 1. without work or had no job/business during the basic survey reference period
 2. currently available for work, i.e., were available and willing to take up work in paid employment or self -employment during the basic survey reference period, and/or would be available and willing to take up work in paid employment or self-employment within two weeks after the interview date
 3. seeking work, i.e., had taken specific steps to look for a job or establish business during the basic survey reference period

4. Underemployed

- Refers to all employed persons who expressed the desire to have additional hours of work in their present job or an additional job, or have a new job with longer working hours.

5. Visibly Underemployed

- Refers to all employed persons who worked less than 40 hours during the reference week and wanted additional hours of work.

6. Experienced Unemployed

- Refers to all unemployed persons who ever worked at any time since the age of 15 for at least one hour either for pay, for profit or without pay on own family farm or business.

Labor Economics

7. Not in the Labor Force

- Refers to persons 15 years old and over who are neither employed nor unemployed.

8. Discouraged Workers

- Refers to all persons without jobs and are not actively seeking/looking work because they believe that there are no available jobs.

9. Labor Force Participation Rate (LFPR)

- Ratio of total labor force or economically active 15 years old and over to the total population 15 years old and over.

10. Employment Rate

- Proportion of employed persons to the total labor force.

11. Underemployment

- Proportion of employed persons wanting more hours of work to total employed persons.

2 Types of Underemployment:

- a. **Visible**: who work less than 40 hours a week.
- b. **Invisible**: although working for 40 hours a week or more, a worker still looks for additional job.

12. Unemployment Rate

- Proportion of unemployed persons to the total labor force.

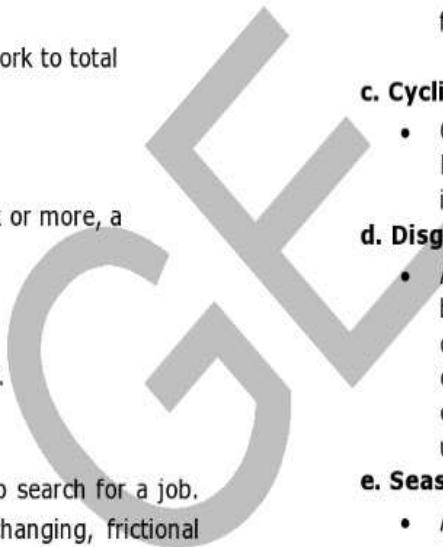
• Types of Unemployment

a. Frictional Unemployment

The unemployment caused by the time it takes workers to search for a job. As long as the supply and demand for labor among firms is changing, frictional unemployment is unavoidable.

b. Structural unemployment

- When an economy undergoes basic structural changes like trends towards traditional agriculture to modern industry, transformation of rural sectors into urban units, replacement of small scale & cottage



industries by large scale manufacturing units, and introduction electricity or others.

- Caused by lack of skills or education.
- Results because the number of jobs available in some labor markets is insufficient to provide a job for everyone who wants one.
- Exists when there is a permanent decrease in demand and/or technological change results in lay-off because a business needs fewer individuals to produce a particular goods and services.

c. Cyclical Unemployment

- Caused by changes in the business cycle
Exists when the economy contracts & people laid off because of insufficient spending.

d. Disguised Unemployment

- A situation where the productivity of the working force is very low because the number of workers is more than what is optimally desirable i.e. If a small plot of land has a maximum capacity to employ six workers but the actual number of workers attached to land exceeds this limit, some of the workers will be disguisedly unemployed.

e. Seasonal Unemployment

- A condition that will exist in such productive activities which can be undertaken only during a specific season.

Inflation rate (IR)

- is the annual rate of change or year-on-year change in CPI.

Types of Inflation

1. Demand-pull inflation

- occurs when consumers suddenly or seasonally demand some products thereby allowing suppliers to increase prices to maximize their profits. This includes holiday products such as those sold during Christmas, All Souls Day, etc.

2. Cost-push inflation

- occurs due to increasing costs of production on the part of the producers. These increased costs may be the result of increased wages, prices of raw materials or even an increased desire of the firm to earn more profits.

Deflation

- Occurs when prices are observably declining over time.
- Opposite of inflation
- A decrease in the general price level or a rise in the purchasing power of money.

Disinflation

- Refers to decreasing rate of inflation the general level of prices are increasing at a decreasing rate

Monetary and Fiscal Policy

Monetary Policy

- the setting of the money supply by policymakers in the central bank. It affects the economy first by affecting the interest rate and then by affecting

aggregate demand. An increase in the money supply reduces the interest rate, increases investment spending and aggregate demand, and thus increases equilibrium output.

Money- the set of assets in an economy that people regularly use to buy goods and services from other people.

Functions of Money

i. Medium of exchange

- an item that buyers give to sellers when they want to purchase goods and services.

ii. Unit of account- the yardstick people use to post prices and record debts; money provides the terms in which prices are quoted & debts are recorded.

iii. Store of value- an item that people can use to transfer purchasing power from the present to the future.

Kinds of Money

a. **Commodity Money**—takes the form of commodity with intrinsic value (i.e. item would have value even if it were not used as money). Example is gold. Gold standard is the term used to an economy that uses gold as money.

b. **Fiat Money** – money without intrinsic value that is used as money because of government decree.

Types or Forms of Money

- a. Peso Note – composes our currency in circulation

- b. Check
- c. Demand deposits or current accounts

Fiscal Policy

- The policy of the government with regard to the level of government purchases, the level of transfers, and the tax structure.
- Concerned with working with taxes and government expenditure.
- Can be used to stabilize the economy. When the economy is in a recession, or growing slowly, perhaps taxes should be cut or spending increased to get output to rise. And when the economy is booming, taxes should be increased or government spending cut to get back down to full employment.

Taxation & Tax Burden

Types:

1. **Direct tax** – income tax
2. **Indirect tax** – excise taxes

Tax Burden - the ratio of the tax to a payer's income

Progressive tax - if the assessment on the rich is greater than those on the poor.

Proportional tax - all pay the same percentage of their income in taxes.

Regressive tax - if the taxpayer receiving a lower income shoulders the heavier tax burden.

INTERNATIONAL ECONOMICS

Definition of Terms

- ✓ **International Trade** - trade between people or firms in different countries

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- ✓ **Export** - the sale of goods and services abroad
- ✓ **Import** - the purchase of good and services abroad
- ✓ **Net exports** - the value of goods and services sold abroad minus the goods and services bought from the rest of the world; exports minus imports

Four specific reasons why a country could gain from trade:

1. Mutual gains from Voluntary Exchange of Existing goods.

- when people voluntarily exchange existing goods they mutually gain even though there is no increase in amount of goods in the economy by reaching the preferred combination of different goods than before trade.

2. Increased competition

- International trade makes home market competitive.

3. Division of labor

- identified as key reason for trade.
- There is much less opportunity cost if market is larger/ increase production.
- It reduces costs since each worker can specialize and develop expertise in a certain area.
- The gain from trade is the reduction in cost per unit

4. Better use of skills and resources in different countries

- country can gain from trade if they export things (product) that they are good at producing and import products that other countries are good in producing

Specialization and Comparative advantage

Comparative advantage

- situation in which a person or a country can produce one good more efficiently than another good in comparison in another person or country.

Absolute advantage

- situation in which a person or country is more efficient at producing a good in comparison with another person or country.

Opportunity Cost

- value of the next best forgone alternative
- gives a way to define comparative advantage; a person with a lower opportunity cost of producing a good than another person has a comparative advantage in that good.

Specialization and international trade increase the productivity of nation's resources and allow for greater total output than would otherwise be possible. (Adam Smith, 1776).

David Ricardo, British Economist expanded Smith's idea by observing that it pays much for a person or a country to specialize and trade even if some potential trading partner is more productive in all economic activities.

*Specializing enables nations to reduce the cost of obtaining the goods and services they desired by taking its comparative costs.

Agents of trade growth:

1. Transportation technology

- High transportation costs are barriers to any type of trade particularly among traders who are distant from one another.

2. Communication technology

- Dramatic improvements in communication technology have also advanced world trade. Computers, the Internet, telephones, facsimile machines now directly link traders around the world, enabling exporters to access overseas markets to carry out trade deals.

3. General decline in Tariffs

- Many nations still maintains barriers to free trade but on average, tariffs have fallen significantly, thus increasing international trade.

Terms of trade

- Quantity of imported goods a country can obtain in exchange for a unit of exported goods.
- Exchange ratio of the product in terms of quantity equal to the amount of the product imported/ exported.

World price- the price that equates the quantities supplied and demanded globally

Gains of Trade:

1. Improvements in income based on comparative advantage
2. Production- added output
3. Satisfaction owing to the exchange of goods or services- improved option

Financial linkages

Four main categories of economic flows linking nations:

1. Goods and services flows- "trade flows"

The country's export goods and services to other nations and import goods from other nations.

2. Capital and labor flows or "resource flows"

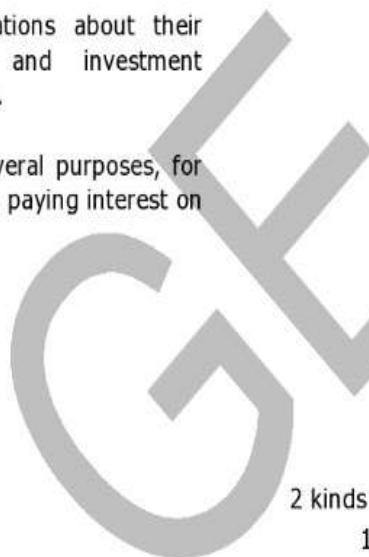
The country's production facilities, capital in foreign countries and foreign firms' establishment in the country. Labor also moves between nations.

3. Information and technology flows

The country transmits information to other nations about their domestic products, prices, interest rates, and investment opportunities and receives such information abroad.

4. Financial flows

The transfer of money between countries for several purposes, for example, paying for imports, buying foreign assets, paying interest on debt, and providing foreign aid.



b. Trade barriers

Protectionist policy – policy used by the government that restricted trade to protect domestic producers.

1. **Tariffs** - are excise tax imposed on imported goods
 - imposed to obtain revenue or to protect domestic firms against import competitions against the world.
 - the higher the tariff the more trade is restricted

Revenue tariff

- an import tax used to provide government revenue
- usually applied to a product that is not being produced domestically to obtain return from the importing country.

Protective tariff

- tax meant to raise the price of an imported good in order to protect a certain domestic industry from foreign competition.
- is designed to shield domestic producers from foreign competition.
- puts the foreign producer at comparative disadvantage since the price of the imported goods will go higher.

2 kinds of tariffs:

1. Ad valorem tariff- a tax on imports evaluated as a percentage of the value of the imports
2. Specific tariff- a tax on imports that is proportional to the number of units or items imported.

Economic impact of tariffs:

1. Decline in consumption
2. Increased domestic production

TRADE LIBERALIZATION- FREE TRADE

a. Free trade

- a complete lack of restrictions on international trade

- 3. Decline in imports
 - 4. Tariff revenue
2. **Import quota**- a law that sets a fixed amount of imports
- specifies the maximum amount of commodity that may be imported in any period
 - a product might be imported regardless of high tariffs; but low imports quotas completely prohibits imports
- Economic impact of Quotas:**
- a. Same economic impacts as of tariffs
 - b. While tariffs generate revenue for domestic government; a quota transfers that revenue to foreign producers
- Net costs of tariffs and quotas:**
- a. Tariff and quotas impose costs on domestic consumers but provide gains to domestic producers.
 - b. In the case of tariff, revenue to the government
 - c. Consumer costs in trade restrictions are calculated in the consumer prices as being determined of the effect of restrictions on consumer prices. Protection raises production in three ways:
 - i. The price of the imported product goes up
 - ii. The higher price of imports causes some consumers to shift their purchases to higher priced domestically produced-goods
 - iii. The prices of domestically produced goods because import competition has declined

3. Non-tariff barriers (NTB)

- include anything from quotas to quality standards aimed at reducing the import of foreign products.
- Licensing requirement that specifies unreasonable standards pertaining to product quality and safety, or unnecessary bureaucratic red tape that is used to restrict imports.
- setting standards and restricting issuance of licenses

4. Voluntary Export Restriction (VER)-

is a trade barrier by which foreign firms "voluntarily" limit the amount of their exports to a particular country.

- use to avoid stringent trade barriers of the importing country

Cases for protection to justify trade barriers

1. Military self sufficiency argument

- Protective tariffs are needed to preserve or strengthen industries that produce the material essential for national defense
- The political-military objectives is self sufficiency sometimes must take precedence over economic goals

2. Increased domestic Employment argument

-reducing imports will divert spending on other nation's output to spending on domestic output, thus domestic output and employment will rise.

-Shortcomings in this argument:

a. Job creation from imports.

Import restrictions alter the composition of employment, but they may have little or no effects on the volume of production

b. Fallacy of composition.

A nation cannot succeed in restricting imports while maintaining their exports. To the extent that a country must able to expand its economy is through an excess in imports over exports.

c. Possibility of retaliation.

Nations adversely affected by quotas and tariffs are likely to retaliate causing a "trade barrier war" that will choke off trade and make all nations worse off.

- trade war will cause contraction of international trade and lowered the income and employment levels of all nations.

d. Long-run feedbacks.

- forcing an excess of exports over imports cannot succeed in raising domestic employment
- In the long run nation must import in order to export

3. Diversification-for-stability argument

- Highly specialized economy are dependent on international markets for their income. In these economies, random fluctuations of world supply and demand for one or two particular goods can cause deep declines in export revenues and therefore in the domestic income.
- tariff and quota protection are allegedly needed to enable greater industrial diversification.

4. Infant Industry argument

- Protective tariffs are needed to slow new domestic industries to establish and develop themselves as efficient producers

5. Strategic trade policy

- Contend that government should use the trade barriers to reduce the risk in investing in product development by domestic firms, particularly where advanced technologies are involved.
- The protected firms can eventually dominate world market because of their lower costs.
- the outcome maybe higher tariffs worldwide, reduction of world trade and the loss of potential gains from technological advances

6. Protection against- dumping Argument

- contends that tariff are needed to protect domestic firms from "dumping" by foreign producers.
- Dumping is selling of excess goods in a foreign market at a price below a cost.

7. Cheap foreign labor argument

- Domestic firms and workers must be shielded from the ruinous competition of the countries where wages are low.
- Ex OFW's

How to reduce trade barriers:

- 1. Unilateral disarmament**- the removal of trade barriers by one country without reciprocal action on the part of other countries.
- 2. Multilateral Negotiations**- involves simultaneous tariff reductions among many countries. The main example of multilateral approach is the GATT.

3. Regional Trading Areas - ex. NAFCA-The North American free trade agreement

4. Managed Trade

-actions of government agencies to affect trade by persuading firms to buy or sell larger or smaller quantities of goods in other countries.

Examples: The VRAs and VEIs

1. Voluntary Restraint Agreements (VRAs) - a country's self imposed government restrictions on export to a particular country. Similar to quotas except these can be done after import quotas have set. VRAs can be done by president's negotiation without congress approving.

- Effects are like in quota except that revenue will go to foreign firms rather than quota holder

2. Voluntary Import Expansion (VIE) - a government agreement to expand imports from a particular country.

- The government agrees to have its firms expand their imports of foreign goods from another country.

- Record of the composition of the current account balance and the many transactions that finance it.

- Record of the transactions which includes the export and import of goods, services, tourist expenditures, interests or dividends received or paid abroad, and purchases and sales of financial and real assets abroad between the residents of a country with the rest of the world.

Two types of Accounts in the Nation's BOP Records

1. Current Account- contains all the nations' transactions that involve the import and export of current production of goods and services as well as transfer payments.

Components of Imports and Exports

a. Merchandise Trade- consist of trade in goods
Exports - expenditures of the foreigners on domestically produced goods

Imports - refers to the domestic expenditures on foreign goods.

b. Investment Income – consists of international interest and dividend payments and the earnings of domestically owned firms operating abroad

c. Other services – include payments for legal assistance, tourists' expenditures, freight and shipping fees, royalty payment, interest and profits on asset abroad.

d. Transfer Payments – remittances of domestic residents working abroad, gifts and grants.

THE BALANCE OF PAYMENTS, EXCHANGE RATES, and INTERNATIONAL RESERVES

A. Balance of Payment

2. Capital Account - records all the international transactions involving the purchase or sale of assets or any existing form of wealth which are the result of past production

- Measures the differences between sales of assets to foreigners and purchases of assets located abroad.

Assets – consists partly of tangible producers' and consumers' durable goods such as land and natural resources, financial aspects which represents various types of claims, certificates of ownership such as stock and equities.

Equilibrium in the BOP

For convenience and for making more explicit the conditions for BOP equilibrium, the nation's total receipts from the rest of the world must be equal to the total payments it made to the foreigners. Since the record of BOP is composed of both the current and capital accounts, then for BOP equilibrium to exist, if the subtotal called the current account shows a positive balance, then the subtotal called the capital account must show an equivalent negative balance and vice-versa.

BOP Deficits and Surplus -Any inequality of the left and the right hand side of the above equation will mean BOP disequilibrium. Oftentimes, a nation experiences disequilibrium in its BOP.

There is a **BOP deficit** if the nation's payment to the foreigners exceeds the receipts from them. This means that a currency is borrowing or accumulating debts from abroad.

There is a **BOP surplus** if the nation's receipts from the rest of the world exceed the payments made to them.

Note: Any BOP deficit is not necessarily bad nor is a BOP surplus is good. However any nation's Official reserve is limited

Foreign Exchange

-refers to the currency of countries other than one's own used to make international payments.

Foreign exchange market - market at which trading international currencies take place.

Major players in the Foreign Exchange markets

- Commercial Banks
- Corporations that engage in international trade
- Non-bank financial institution like asset-management firms and insurance companies
- Central Banks

The Exchange Rate System

Exchange rate - price in domestic currency of a unit of foreign exchange example the Peso per dollar (Php/\$). It measures how many pesos are required to buy a dollar worth of goods.

1. **Flexible or floating exchange rate system** through which demand and supply determine exchange rates and in which no government intervention occurs.

- An exchange rate which freely determined by the forces of supply and demand through foreign exchange dealers.

2. **Fixed-exchanged rates system** through which government determines exchange rates and makes necessary adjustments in their economies to maintain those rates.

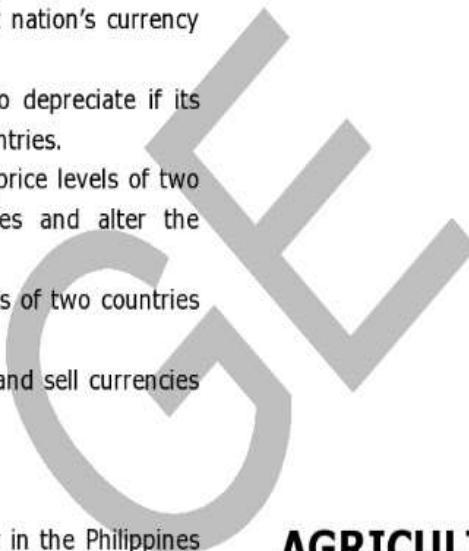
3. **Letter of Credit-** This may be denominated and make payable in the currency either of the exporter or the importer.

Determinants of exchange rates:

1. **Changes in tastes-** Any change in costumer tastes and preferences for the products of a foreign country may alter the demand for that nation's currency and change its exchange rate
2. **Relative income changes-** Nations' currency is likely to depreciate if its growth of national income is more rapid than that of other countries.
3. **Relative Price- level changes-** Changes in the relative price levels of two nations may change the demand and supply of currencies and alter the exchange rate between the two nation's currencies.
4. **Relative interest rates-** Changes in relative interest rates of two countries may alter their exchange rates.
5. **Speculations-** Currency speculators are people who buy and sell currencies with an eye toward reselling or repurchasing for a profit.

Instruments of foreign Exchange

1. **Cable or telegraphic transfers-** An importer in the Philippines with a payment to make abroad would pay in pesos to the Philippines bank, which would cable its branch or its foreign correspondent to make the payment in foreign currency to the exporter abroad.
2. **Bank drafts-** Checks drawn by one bank to another, sometimes used instead of telegraphic transfers.

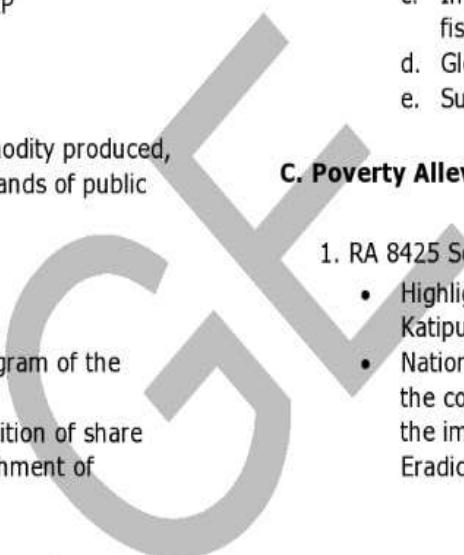


AGRICULTURE AND RELATED LAWS

A. Agrarian Reform Laws

1. PD 27
 - Known as Tenants Emancipation Decree of 1972
 - It provided for the transfer of rice and corn lands under tenancy to the tiller thereof

2. Proclamation No. 131
 - Instituted in 1987 a Comprehensive agrarian Reform Program covering all public and private agricultural lands
3. Executive Order No. 229
 - Provided for the mechanisms needed to implement CARP
4. RA 6657
 - Comprehensive Agrarian Reform Law of 1988
 - It covers, regardless of tenurial arrangement and commodity produced, all public and private agricultural lands including other lands of public domain suitable to agriculture
5. RA 3844 as amended by RA 6389
 - Known as the Code of Agrarian Reform
 - Governs the implementation of the agrarian reform program of the Philippines
 - Promulgated to institute land reforms including the abolition of share tenancy, transfer of capital to industry, and the establishment of implementing agencies



B. RA 8435 - The Agriculture and Fisheries Modernization Act of 1997 (AFMA)

- An act prescribing urgent related measures to modernize the agriculture and fisheries sectors of the country in order to enhance their profitability and prepare said sectors for the challenges of globalization through an

adequate, focused, and rational delivery of necessary support services, appropriating funds therefore and for other purposes

- Became effective beginning February 9, 1998
- Its major concerns are:
 - a. Food security
 - b. Poverty alleviation and food security
 - c. Income Enhancement and Profitability especially for farmers and fisherfolk
 - d. Global Competitiveness
 - e. Sustainability

C. Poverty Alleviation Law

1. RA 8425 Social Reform and Poverty Alleviation Act
 - Highlighting the ERAP Administration anti-poverty program is the Katipunang Kontra Kahirapan
 - National Anti-Poverty Commission (NAPC) - created by virtue of RA 8425; the coordinating and advisory body that exercises oversight functions in the implementation of the Erap Para sa Mahirap Program or Poverty Eradication Program

D. Pest Control Laws

1. PD 1152 Philippine Environment Code
 - The use of fertilizers and pesticides in agriculture shall be regulated, prescribing therefore a tolerance level in their use

2. PD 1433 Promulgating the Plant Quarantine Law of 1978

- Thereby revising and consolidating existing quarantine laws to further improve and strengthen the plant quarantine service of the Bureau of Plant Industry

3. Memorandum Order 126 series of 1993 (issued by Pres. Ramos)

- Implementing Kasaganaan ng Sakahan at Kalikasan (KASAKALIKASAN - A National IPM Program which aimed at making Integrated and Pest management the standard approach to crop husbandry and pest management in rice, corn, and vegetable production)

E. RA 7394 - Consumer Act of the Philippines of 1991 or Product Quality and Safety Law

- The policy to protect the interest of the consumer, promote his/her general welfare and to establish standard if conduct for business and industry

Objectives:

- a. Protection against hazards to health and safety
- b. Protection against deceptive, unfair and unconscionable sales acts and practices
- c. Provision of information and education to facilitate sound choice and the proper exercise of rights
- d. Provision of adequate rights and means of redress
- e. Involvement of consumer representatives in the formulation of social and economic policies

F. The PRC and the Board of Agriculture

1. RA 8981 - PRC Modernization Act of 2000

- An act modernizing the professional regulation commission repealing for the purpose of PD 2023 (Creating the Professional Regulation Commission and Prescribing its powers and Functions and other purposes

2. RA 8435 Section 75. Agriculture and Fisheries Board

- There shall be created Agriculture and Fisheries Board in the Professional Regulation Commission to upgrade the Agriculture and Fisheries profession.

G. Crop Insurance

1. PD 1467 - Law which constitutionalized the Phil. Crop Insurance Corporation (PCIC)

- Under this law, PCIC is mandated to provide insurance protection to farmers against losses arising from natural disasters, plant disease and pest infestation

2. RA 8175

- Act amending the charter of the PCIC in order to make it more stable and beneficial to farmers and the national economy

H. RA 7900 - High Value Crops Law

- An act to promote the production, processing, marketing, and distribution of high-valued crops providing funds therefore and for other purposes

I. Others

1. RA 3601
 - Establishment of the National Irrigation Administration (NIA) as a government-owned and controlled corporation on June 22, 1974
 - The creation of NIA is primarily aimed at achieving the optimal and diversified utilization of water by undertaking integrated irrigation projects
2. RA 2152 - Irrigation Laws of the Philippines
3. PD 1144 - Created the Fertilizer and Pesticide Authority and abolishing Fertilizer Industry Authority
4. PD1151 - known as the Philippine Environmental Policy and introduced the system of environmental impact assessment in development activities and formulate measures for preventing or mitigating adverse impacts
5. PD 175 - strengthen the cooperative movement law
6. RA 2508 - Rural Credit Law enacted Feb. 15, 1915
7. PD 775 - Sugar Marketing Cooperative Law
8. PD 269 - Electric Cooperative Law
9. EO 898 - Transport Cooperative Law
10. RA 7308 - An act to promote and develop the seed industry in the Philippines and created the National Seed Industry Council
11. RA 7606 - An act providing a Magna Carta for Small Farmers
12. RA 9003 - the Ecological Solid Waste Management Act
 - An act delegating powers and functions of DENR, DTI and other concerned agencies and LGUs, the rights and obligations of stakeholders and the rights and duties of the people with respect to the implementation of solid waste management
13. RA 7586
 - The establishment and management of National Integrated Protected Areas Systems of 1992 or NIPAS Act
14. RA 8749 - Philippine Clean Air Act of 1999
 - A policy of balancing development and environmental protection
15. RA 8550 - Philippine Fisheries Code
 - An act providing for the development , management and conservation of the fisheries and aquatic resources integrating all laws pertinent thereto and for other purposes
16. RA 3571
 - An act prohibiting the cutting of trees, destroying, injuring of planted growing trees , flowering plants and shrubs or plant scenic values along public roads, plazas, parks, school premises, or any public pleasure ground.

17. RA 9147 - Wild Resources Conservation and Protection Act
- Aims to protect our country's fauna from illicit trade, abuse and destruction
18. EO 430 s.1990
- Creation of National Committee on Biosafety council of the Philippines
19. PD 1067 - Water Code of the Philippines
- Adopts basic law governing the ownership, appropriation, utilization, exploitation, development, conservation, and protection of water resources and rights to land thereto
20. RA 8371 - Indigenous People's Rights Act of 1997
21. RA 7942 - Philippine Mining Act of 1992
22. RA 7638 - Department of Energy Act of 1992
23. RA 7916 - The Special Economic Zone Act of 1995
24. RA 9136 - Electric Power Industry Reform Act of 2001
- An act ordaining reforms in the electric power industry, amending for the purpose of certain laws and for other purposes
 - Provides restructuring of the electric power industry including the privatization of the assets of NPC



- Banner program for agri-development; blueprint for putting AFMA at work

K. Other Relevant Notes

1. ASEAN Free Trade Agreement (AFTA)
 - ASEAN's Trade Agreement
 - Requires that by the year 2008, ASEAN Countries shall have reduced their tariffs between zero to five percent, depending on commodities traded
2. Free Trade Agreement (FTA)
 - Allows for tariff-free trade between the member countries
3. Comparative Advantage - is the ability of one country/ region to produce a commodity at a lesser cost compared to that of another country/region.
4. International Trade - refers to exchange of goods and services that take place across international boundaries
5. General Agreement on Tariffs and Trade (GATT)
 - The forerunner of World Trade Organization (WTO)
 - Signing countries negotiate multilateral and mutually advantageous cuts on tariffs
6. Uruguay Round--GATT's 8th Round of Negotiation
 - The longest and most comprehensive rounds of GATT negotiation
 - First held in Puerta del Este, Uruguay in 1986
 - Finally signed in Marrakesh, Morocco on April 15, 1994

J. Ginintuang Masaganang Ani Program (GMA) Program



AGRICULTURAL MARKETING

Marketing

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- Series of services/process of moving the product from the point of production to the point of consumption.
- direct result of specialization of production and trading

Market

- Place where buyers and sellers meet to exchange goods and services
- Group of buyers and sellers with the facilities for trading with each other
- Large geographic area wherein supply and demand forces operate to set up prices

Elements of Market

1. Buyers

- a. Ultimate buyers- buy goods to satisfy their personal needs
- b. Industrial buyers- buy goods for resale/ for the purpose of transforming it into another form

2. Sellers- suppliers of goods and services

3. Trading facilities

Point of production

- Point of first sale by the farmers, typically at the farm or at the farmer's home.

Point of consumption

- point where marketing ends or point of last purchase/sale.

Services

- functions perform on a product to alter its form, time, place or characteristics that involves costs and added value to the product and somebody has to pay for it

- may involve the physical handling of the product such as transportation, packaging and processing or may not directly involve in the physical handling such as advertising and assumption of risks.

Production services	-Services added prior to the point of production
Marketing services	-Services added after the point of production

The Marketing Services

1. Processing
2. Transporting
3. Storing
4. Buying and Selling



The Agricultural Marketing System

Marketing system for agricultural products

- Complex system within which various subsystem interact with each other and with the different marketing environments.

Components or Subsystems of the Marketing System:

- Producer subsystem**
 - Consist of initiators of production who may be small farmers or corporate farms.
- Channel subsystem**
 - consists of market participants or intermediaries who are directly responsible for making the farmer's products available to the user at the right place, time and form
- Flow subsystem**
 - facilitates products' financial and information flows
- Functional subsystem**
 - consists of marketing function or services related to the creation of place, time and form utilities that involve assembly, concentration, dispersion and equalization activities
- Consumer subsystem**
 - refers to the final repository of products produced by farmers
- Environmental subsystem**
 - facilitates market performance
 - Encompasses four factors that affect the entire marketing subsystem (Climatic/Physical, Socio-cultural, Economic/technological, and Legal/political) factors.

4. Building of Marketing Infrastructure and Communication Facilities

Marketing Questions

1. What to produce and how to prepare it for sale?

- Preference of consumers
- Pre-sale services may have an effect on the value of the products

2. When and where to sell?

- Different product prices throughout the year, production and storage practices may be adjusted to take advantage.
- Many alternative outlets are usually available; knowing how to appraise the advantages and disadvantages of each will help in selecting the one that will maximize returns.

3. How much of the marketing job should be done by the farmers himself as an individual or as a member of a group?

4. What can be done to expand markets?

- Factors that influence consumers and their behavior to determine which proposals for action might be most effective.

5. Which of many different marketing arrangements are desirable?

6. How can changes necessary to correct undesirable practices be secured?

Entry Points in Agricultural Marketing

1. Organization of Small Farm Businesses

2. Corporate and Small Grower Arrangement

3. Establishment of Trading Post

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MARKETING PROCESS

Characteristics of marketing process

- One of movement; a series of actions and events which takes place in some sequence.
- Coordination of series of events and activities is necessary if goods and services are to move in some orderly fashion.

Sub-process activities:

1. Concentration

- Essentially one of assembly and procurement
- Assembling goods into large units at central points

2. Equalization

- Activities that match the flow of production with the rate of consumption.

3. Dispersion

- Process of breaking down large units and distributing them to consumers.

Agricultural marketing system – institutional organization of all activities necessary to expand and distribute agricultural production. It has the following characteristics:

1. It has objectives and goals to achieve
2. It has components of participants that performs a specific functions and all the necessary job between the decision to produce and the final consumption of product.
3. It needs institutional arrangements
4. It needs planning and management decision structure which control and coordinate the forces at work
5. It has spatial and temporal dimensions and most often commodity specific

APPROACHES TO THE STUDY OF MARKETING

1. Commodity Approach

- ✓ product oriented rather than marketing function oriented
- ✓ covers the characteristics of the product, the market demand and supply situation at the domestic and international levels, the behavior of the consumers in relation to a specific product, and prices either at the farm, wholesale or retail level

2. Institutional Approach

- ✓ Analysis of various agencies involved in the marketing process.
- ✓ Answers the "who" in the marketing process.
- ✓ considers the nature and character of the various middlemen and related agencies and also the arrangement and organization of the marketing machinery

✓ in this approach, human element receives primary emphasis

a. Middlemen – those individual or business concerns that specialized in performing various marketing functions involved in the purchase and sell of goods as they are moved from producers to consumers

Types of Middlemen

- **Merchant middlemen** – take the title to and therefore own the products they handle; buy and sell for their own gain.
- **Agent middlemen** – acts as representative of their clients; do not take title to and therefore do not own the products they handle; income is in the form of fees and commission.

1. Merchant Middlemen

- Contract buyers
- Grain millers
- Wholesalers
 - Assembly wholesale or viajeros
 - Financer wholesaler or bodegeros/cuartejera
 - Shippers
 - Wholesalers
 - Wholesaler-retailer
 - Retailer

2. Agent Middlemen

• Commission agent

- Normally take over the physical handling of the product; arranges for the terms of sale, collection, deducts his fees and remits the balance to the principal.

- **Broker**

- Usually does not have physical control of the product; ordinarily follows the instructions of his principal closely and has less discretionary power in price negotiations than the commission agent.

- **b. Processors and manufacturers**

- undertake some action of production too change their form.

- **c. Facilitative organizations**

- E.g. auction markets
- Aid the various middlemen in performing their tasks. Do not directly participate in the marketing processes

- **d. Market associations**

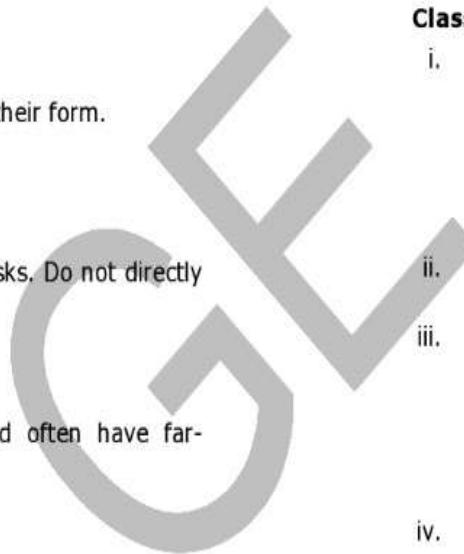
- are active in buying and selling of goods and often have far-reaching influence on the nature of marketing

3. Functional Approach

- ✓ Attempts to answer "what" in the query "who does what?"

4. Market structure –conduct- Performance approach

- ✓ Considers the jobs that must be done
- ✓ Helpful in evaluating marketing costs of various middlemen



- **a. Market structure**

- How a market is organized based on the characteristics that determine the relationship among the various sellers in the market, among the various buyers, and between the various buyers and sellers in a market.

Classification of market structure:

- i. **Purely competitive market**

- Number of buyers and sellers is sufficiently large so that no individual can perceptively influence price by his decision to buy or sell.
- Product is sufficiently homogenous so that the product of one firm is essentially a perfect substitute for that of another firm.

Absolute monopoly- distinguishing characteristics is a single seller.

- ii. **Monopolistic competition**

- Large number of sellers offer differentiated products which are close substitutes, but the individual sellers are able to differentiate it based on trade name, style, quality, service, location, or other factors.

- iii. **Oligopoly**

- Market with a few sellers. Each firm produces a large fraction of the industry's total product wherein the action of one firm in the industry can greatly influence other firms.

***Pure oligopoly-** Sellers produce homogeneous product

***Differentiated oligopoly-** firms produce similar but not identical products

v. **Monopsony**- market with single buyer

b. Market conduct

- How firms adjust to the markets in which they are engaged as buyers or sellers.
- Behavior or pattern that the firm exhibits in the market

c. Market performance

- how much the economic resource of the industry's market behavior or conduct deviates from the best possible contribution it can make to achieve relevant socio-economic goals.

Marketing Functions

- is a task performed by an intermediary in the channel of distribution to create form, time, place and possession utility. Marketing is productive because it creates **utility**.

Utility is not a physical quality of a thing in itself. It is the want-satisfying power of an object or service

Four types of utility in the process of making goods and services useful:

1. **Form utility** - created if goods possess the required properties.
 - ✓ resulted from changing the form of raw materials and creating something new
 - ✓ ex. chickens that are slaughtered and cut into parts
2. **Place utility** - created when products are made available where they are most wanted.

✓ Ex. Shippers who bring hogs to Metro Manila from Bulacan, then from wholesalers, retailers then to consumers.

3. **Time utility** - created when products are made available when they are most wanted.

✓ Ex. Meat wholesalers who freeze some chicken products for later use.
✓ Meat is made available from periods when they are plenty to periods when they are scarce.

4. **Possession utility** - created when goods are placed under the control of those who decide to use them.

Types of marketing functions:

1. **Exchange function**

- Activities involved in the transfer of title of goods.
- represents the point at which price determination enters into the study of marketing.

a. **Buying (assembling) function**

- Largely one of seeking out the sources of supply, assembling the products, and the activities associated with purchase.

b. **Selling function**

- covers all of the various activities which sometimes are called merchandising.

2. **Physical function** - are those activities that involve handling, movement and physical change of the actual commodity itself. Involved in solving the problems of when, what and where in marketing

- a. **Storage function**- concerned with marketing goods available at the desired time.

- b. **Transportation function**- concerned with the making goods available at the proper place.
 - c. **Processing function**- includes all essentially manufacturing activities that change the basic form of the product
3. **Facilitating function**- make possible the smooth performance of the exchange and physical functions.

a. **Standardization function**

- establishment and maintenance of uniform measurement
- simplifies buying and selling since it makes possible the sale by sample and description
- simplifies the concentration process, since it permits the grouping of similar lots of commodities early in movement from the production points

b. **Financing Function**

- advancing of money to carry on the various aspects of marketing

c. **Risk-bearing Function**

- acceptance of the possibility of loss in the marketing of a product

✓ Classification of Risks:

- **Physical Risk** – arise from destruction or deterioration of the product through fire, wind, earthquake, cold and heat.

➤ **Market Risk** – occur because of the change in the value of a product as it is marketed. Example, an unfavorable movement in prices might reduce the desirability of the product.

d. **Market Intelligence**

- is the job of collecting, interpreting, and disseminating the large variety of data which are necessary to the smooth operation in the marketing processes

e. **Market Research**

- Done to evaluate the possible alternative marketing channels that may be used, the different ways of performing other functions and the market potentials of new products.

f. **Demand Creation**

- Is usually achieved through effective advertising of the product and other promotional devices using either mass media or house-to-house campaign.

Marketing functions (Grading and Standardization)

- Specialized activities performed in accomplishing the marketing process

Grading

- Sorting of the products into lots/ units based on quality attributes.

Standardization

- Practice of making the quality specification of grades uniform among buyers and sellers and from place to place and time to time.

Marketing functions (Transportation --Space dimension of Marketing)

- Major purpose is to make food products useful by transporting them from the farm or processor to the consumer
- Transportation is the key link in the food system's marketing chain connecting different production points and consumer centers.
- Primary concerns are:
 - Cost of transportation
 - Time it takes to move them from the farm to the processing and consuming centers

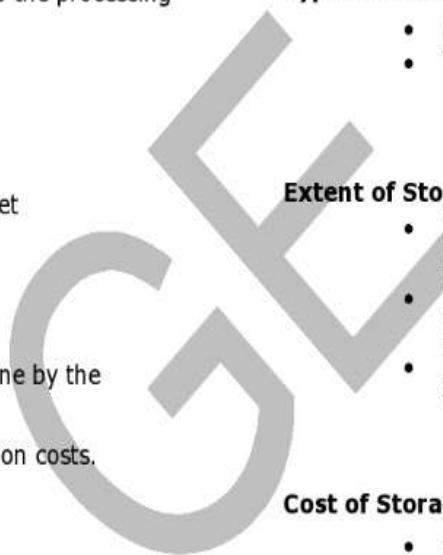
Effects of Transportation Time and Cost:

- Location of production centers
- The market area served
- The qualities and sizes of products shipped to market
- The form in which they are marketed
- The kind and type of transportation service used

Who pays transport costs?

Short run – most changes in transportation cost will be borne by the producers.

Long run – consumers to bear any increases in transportation costs.



Marketing functions (Storage -Time dimension of Marketing)

- Objective of storage – to balance supply and demand
 - ✓ Seasonal nature of production

- ✓ Demand for the different products throughout the year
- ✓ Time required to perform the various marketing services – pipeline product
- ✓ The need to carry-over into the following year.

Types of storage operations

- One that equalizes seasonal production to the pattern of demand
- The storage at all times within trade channels
 - ✓ Necessary to keep the marketing system operating without interruption

Extent of Storage

- Most important for crops that are harvested and marketed within a short time.
- Less important for products marketed throughout the year and are more plentiful at certain times than at other times.
- Least important for products marketed in relatively uniform quantities throughout the year.

Cost of Storage

- Provision and maintenance of the physical facilities for storage and for moving products into and out of storage.
 - ✓ Repairs, depreciation, insurance, handling fee, electricity
- Interest on the amount of capital invested in stored products
- Cost of quality deterioration, shrinkage, insect and rodent damage, etc.

How to estimate storage cost

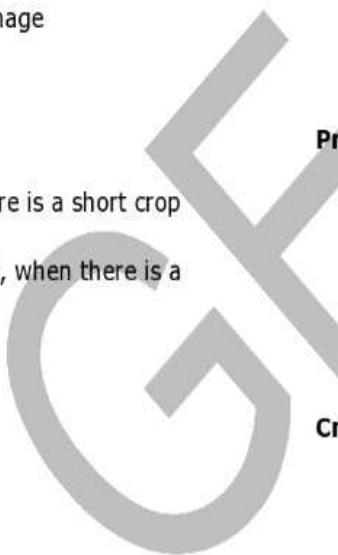
- Through seasonal change in prices
- $P > \text{costs}$ – heavier storage is encouraged
- $P < \text{costs}$ – fewer stocks are stored

Risks in Storage

- Risks of physical loss
 - ✓ Loss from fire, theft, and natural causes
 - ✓ Natural product deterioration, insect and pest damage
- Market risks due to price changes

Time of storage – size and nature of the crop

- Demand should be inelastic
- Store perishable price – inelastic products when there is a short crop than when there is a heavy crop.
- Store grain products which are used mainly for feed, when there is a large crop.



- ✓ to change the demand for the product
- Demand may be changed through advertising by:**

- Increasing demand
 - ✓ Consumers buying product at the same or higher prices
 - ✓ Consumers paying a high price for the same or larger quantity of products
 - ✓ Decreasing the price elasticity of demand
 - Product differentiation
 - ✓ Increasing the price elasticity of demand

Problems in advertising food products

- Inelastic demand for most products
- Food products already consumed in volume and not many people are interested in eating more of the same item
- Competition among food products is primarily in price, not in emotional or other appeals
- Difficulty in getting funds for advertising

Criteria for effectively advertising farm products

- Products should be highly differentiated with substitutes
- Production and marketing of the product should be in the hands of organized group of our farmers
- Advertising must be closely coordinated with other marketing activities – quality control, flow of suppliers, prices, product development, and point of purchase materials.
- Need for substantial amount of money

Marketing Channels

Marketing functions (Advertising)

- Purposes of advertising farm products
 - ✓ to inform the consumer what is available for purchase

Marketing channels- refer to an inter-organizational system made up of a set of interdependent institutions and agencies involved in the task of moving products from their point of production to the point of consumption.

Marketing Channels of Selected Farm Products

1. Contract-buyers

- Type of intermediaries most prevalent in the fruits and vegetables.
- Buying contracts between the buyer and the producer are made even before the product is harvested.

2. Wholesalers

- They sell to retailers, other wholesalers, and industrial users, but do not sell in significant amounts to ultimate consumers.

3. Commission Agent

- Takes over the physical handling of the product, arranges for the terms of sales, collects, deducts his fees, and remits the balance to his principal.
- Grains, poultry and livestock are commonly sold to wholesalers and processors through the commission agent.

4. Wholesaler-Retailer

- Business operators who get the produce in large quantities either from the wholesalers or contract buyers.
- They sell mainly to retailers on wholesale basis but they also retail to rest and maintain permanent stalls in the market.

5. Assembler – wholesaler

- Buy from producers and contract-buyers, assemble the products in large volume and transport them to market centers, locally known as the *viajeros* that sell products on wholesale basis.

6. Butcher – retailers

- Middlemen who buy live poultry and livestock from the wholesaler or direct from the producer and sell them in dressed or carcass form.

7. Retailers

- Product handlers who serve as the last link in the marketing channel.
- Have greater utility both in rural and urban centers by selling directly to consumers.

Marketing Margins (Price Spread)

- difference between prices at different levels of the marketing system
- difference between what the consumer pays and what the producer receives for his produce

Ways to subdivide marketing margin into different components:

1. **Marketing cost** - returns to the factors of production used in providing the processing and marketing services rendered between the farmers and consumers.

Components of Marketing Costs:

1. Wage - return to labor
2. Interest - return to borrowed capital
3. Rent - return to land & buildings
4. Profit - return to entrepreneurship & risk capital

2. Marketing charges - returns according to the various agencies or institutions involved in the marketing of products

Components of Marketing Charges:

1. Returns to retailers for their services
2. Returns to wholesaler for their activities
3. Returns to processors for their manufacturing activities
4. Returns to assemblers for the work they performed

Types of Margins

a. **Absolute Margin** = Selling price – Buying price

b. **Percentage Margin** = (Absolute Margin/Selling Price) x 100%

➤ **Percent Mark-up** = (Absolute Margin/Buying Price) x 100%

Caution: Marketing margin and mark-up are sometimes used interchangeably. The percentage mark-up differs from the percentage margin in that it is the absolute margin divided by the buying price or price paid.

Breakdown of Consumer's Peso:

- ✓ series of figures representing the absolute margins of different types of middlemen or assignable to different marketing functions, divided by the retail price,

Mathematically expressed as:

= Absolute Margin at any two levels

Final Retail Price or Consumer price

Where:

Final Retail Price or Consumer Price

= Farm Price + Marketing Margins of all Middlemen

1. Farmer's Share = $(\text{Farm Price}/\text{Final Retail Price}) \times 100\%$

Ex. Farm price: 10

Retail price: 20

$$\text{Farmer's share} = (10/20) \times 100\% = 50\%$$

2. Middleman's share =

Middlemen's Absolute Margin / Final Retail Price

a. **Wholesaler Share (WS)** = WS Absolute Margin/Final Retail Price

b. **Contact Buyer Share (CB)** = CB Absolute Margin/Final Retail Price

c. **Retailer Share (R)** = Absolute Margin/ Final Retail Price

Marketing efficiency

- Maximization of the input-output ratio
 - ✓ Output – consumer's satisfaction derived from the goods and services made available in the market.
 - ✓ Input – various resources of land, labor, capital and management used in moving the product from the point of production to the point of consumption.
- A more efficient marketing system provides goods and services at a lower cost or better services or products at existing costs.

Types of marketing efficiency

• **Operational/technological efficiency**

- ✓ Focuses more on reducing the cost of inputs assuming that the essential nature of output of goods and services remain constant.

- **Pricing/ economic efficiency**

- ✓ Concerned with improving the buying, selling and pricing aspects of the marketing process so that it will remain responsive to the consumer direction.
- ✓ A direct response of price to changing market conditions

Measuring market efficiency

- Evaluation of marketing margins and costs
- Input-output measurement
- Evaluation of product loss and waste in the market
- Load factor efficiency

Areas where efficiency may be developed

- Elaborate and comprehensively organized marketing system
- Volume of business
- Improved physical handling
- Location of the business
- Changes in marketing agencies
- Integration of marketing agencies

Integration

- Vertical integration – one concern handles the product through two or more steps in processing or marketing
- Horizontal integration – one organization controls a number of several units or business
- Forward integration – relationship with outlets
- Backward integration – relationship with suppliers

The Marketing Mix: 4P's of MARKETING

The 4 P's to consider:

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- ❖ Product
- ❖ Price
- ❖ Place
- ❖ Promotion

1. PRODUCT

- Choice of the right group of product
- Choice of right product mix
- Product branding strategy

Product

- Is defined as anything offered for sale, attention and acquisition. It includes physical objects, services, places, organizations and ideas.
- It also means the prestige and repetitions of the objects manufacturer, the credit available to facilitate its purchase, and the information and instruction given for its proper use.

Product Categories:

- i. raw/fresh
- ii. semi-processed
- iii. processed

Terminologies related to Product:

a. Profitability

- Expressed in terms of some specific absolute amount or in terms of a percentage of capital employed.

b. Market share

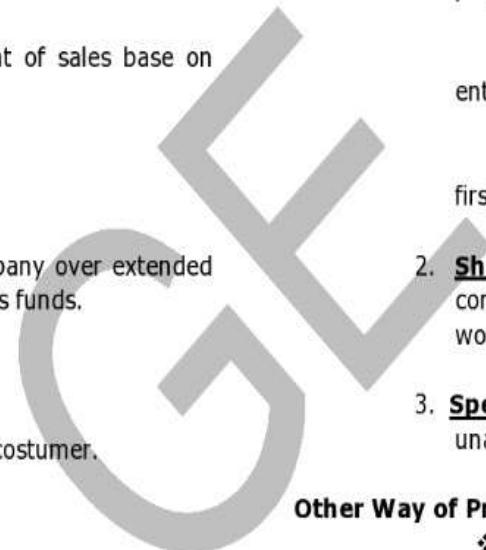
- It is seen as a viable objective of the product. It refers to the company's penetration on the market in the hands of several major competitors.

c. Growth

- Expressed in terms of units on peso or amount of sales base on variety of sources including;
 1. Customers
 2. Competition
 3. Channels of distribution

d. Budget determination

- It refers to the amount expenditure of the company over extended times. Considerations fall on spends of company's funds.



Total product concept

- Is the entire set of benefit of the product provides to the costumer.

Two (2) classifications of products:

1. **Consumer goods** are products used by the ultimate consumer or households and in such forms that they can be used without further processing.
2. **Industrial goods** are products that are be sold primarily for use in producing other goods or rendering services, as contrasted with goods destined to be sold primarily to the ultimate consumer.

*** Three kinds of consumer goods:**

1. **Convenience goods** - goods purchased on minimum of shopping efforts usually available in retail outlets.

a. Staple goods

- These products are purchased routinely, with some preplanning to minimize the time and effort to make the purchase.

b. Impulse goods

- These products are purchased without planning prior to entering the store ex. chewing gum, candy and magazines.

c. Emergency goods

- These products are required to meet an expected need ex. first aid kit, medicines

2. **Shopping goods** - products for which the consumer expends considerable effort comparing suitability, price, quality and style ex. women's suit, furniture, and bicycle.

3. **Specialty goods** - products for which consumers are unwilling or unable to accept substitutes.

Other Way of Product Classifications

- ❖ Consumption And Tangibility
- ❖ Effort And Risk
- ❖ Levels Of Product

A. Product (via consumption and tangibility)

- **Durables** – have a long interval between repeat purchases, e.g. floor polishers, cars, TV sets

- **Non-durables** – have stronger repeat purchases, e.g. detergents, ice cream, cassette tapes
- **Services** – which are essentially intangible because there are no physical products involved, does not result in ownership

B. Effort and risk (consumer satisfaction = benefit – cost)

Cost: Effort and Risk

- ✓ Effort – the amount of money, time and energy the buyer is willing to spend to purchase a given product.
- ✓ Risk – the buyer's subjective feeling about the consequences of making a purchasing mistake.

Type of product using effort and risk

- Convenience products
- Shopping products
- Specialty products

C. Three Levels of Products

1. **Core product** – the problem solving benefits that consumers are really buying.
 - ✓ The generic benefit each product gives
 - e.g. AMC cookware, better health
 - Manulife – financial security against uncertainty of death
2. **Augmented product** – the offering of additional services and benefits such as warranty and parts, toll free telephone numbers to call if customers have problems or questions.
 - ✓ The extras built in to the formal product

Product mix

- refers to the set of all product lines and items that a particular seller offers for sale to buyers. Mix may be described as:

1. Wide if there are a lot of product lines
2. Deep if there are several products within each line
3. Consistent if the products being produced are related

Product line is a group of products within a production mix that are closely related either because they function in similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within the given price ranges.

Product item is a distinct unit within a product line that is distinguishable by size, price, appearance, or some other characteristics. The item is sometimes called a stock keeping unit, product variant or sub variant.

Examples:

Del Monte Product

Product item – Del Monte pineapple, slices, tomato catsup

Product Line – Del Monte canned fruits (pineapple, peaches, and fruit cocktail).

Product Mix – all Del Monte products (canned, bottled, boxed, or fruit, catsup)

Brand- a letter, word or symbol used to identify a product

Branding is uncommon in Agriculture because:

- ✓ Not affordable
- ✓ Lack of product differentiation
- ✓ Short shelf life/ market exposure
- ✓ Perishable

Brand name refers to the part of a brand that can be vocalized.

Ex. Dole

Brand mark refers to the part of a brand that cannot be vocalized such as its symbol, design or distinctive packaging.

Trademark is a brand or part of a brand that is given legal protection because it is assigned exclusively.

2 kinds of Brands:

1. **Manufacturer Brand**- the producer assumes the responsibility for the naming, pricing, promotion and product- quality decisions. They are also known as national brands.

2. **Distributor brands**- are brand developed by the wholesaler or retailer who assumes the major responsibility for them. They are also called private brands.

***Brand name becomes generic**

As brand name becomes synonymous with a product category, the brand general or generic naming is used for the entire product class. Ex. Colgate instead of toothpaste

***Unbranded goods** also known as no-name, no frills, or plain wraps that consequently met an importance for a low-cost alternative to nationally branded products.

Packaging - it is the total presentation of the product

- The container or wrapping for a product item.

Some characteristics of a good package

- ✓ Attractive
- ✓ Informative/immediate
- ✓ Dependable (sustain quality or shelf life)

Benefits from packaging:

- ✓ Protection
- ✓ Convenience
- ✓ Enhancement/promotion

Label is a part of the package which carries information about the product to communicate with those who purchase or might purchase the product.

3 Types of Label:

1. **Grade labels**- indicate the product quality. Ex. meat may be graded as choice or prime. Canned fruits are grade labeled A, B, C.
2. **Descriptive labels** -tell how the product is to be used or maintained.
3. **Brand label**- identify the brand itself. It contains the brand name, symbol, sign, or some combination of these elements.

Open dating - indicates the useful life and helps consumer avoid spoiled products.

New products - It means a major innovation such as the automobile or television. Other times it refers to small modification in the feature or packaging of an existing product.

3 Classification of new products:

1. Continuous innovations are minor products changes that have little influence on establish on costumer behaviors.
2. Dynamically continuous innovations are more disruptive changes and include major product changes and creation of some new products.
3. Discontinuous innovations establish new products and new patterns of consumer behaviors.

The new product development stages:

1. **Generation of new product ideas**
2. **Screening**. Evaluate and reduce the number of product ideas.
3. **Business analysis**. Evaluate the financial aspects of new product aspects such as pay backs, average rate of return, etc.
4. **Product concept**. Develop the subjective meaning the company hopes to communicate about the product.

*Product idea- is a potential product describe in objective or functional terms.

5. **Product development**. Development of the physical product.
6. **Market testing**. Fine-tuning of the marketing mix by marketing it in a limited geographic area.
7. **Commercialization**

*** Considerations on Product life cycle and strategic planning**

1. Product and brand positioning

- It is a process in which a firm tries to create perception in a consumer's mind as to where a given product or brand fits in relation to competing products or brand.

2. Product cannibalization

- It is the process in which a company introduces a new product whose sales are partially derived from the sales of the company's existing products.

2 types of product cannibalization:

- a. **Planned cannibalization**- may be used to delete an existing product from the market. It occurs on the late stages of the product life cycle by replacing new or improved products in order to maintain market share.
- b. **Preemptive cannibalization**- it occurs during the maturity stages of the product.

3. Product deletion

- As product reaches the decline stage, management must evaluate their role in the company's product portfolio and consider eliminating them.

4. Evaluation of product performance

- Involves comparing plans and actual results.

Legal aspects of products:

1. Product liability

- is management's legal responsibility for defective products that cause injury to consumers.

4 theories of liability:

1. **Negligence theory**-carelessness of the manufacturer or product producer.
2. **Breach of warranty**- may be based on either express or implied warranty.

Express warranty- is an explicit statement in writing or conversation or in advertising, labeling, or any other form of promotion.

Implied warranty- required by laws

3. **Strict liability**- when a manufacturer places an article on the market without inspection and causes injury to mankind. Ex. defective products causing injuries
4. **Misrepresentation or fraud**-occurs when manufacturer engages in deception to secure an unfair or unlawful gain. Example: presenting a product as able to perform a specific function which is not good in performing.

2. Product warranty

- is an assurance by the seller of the quality of performance of a product.

Product Quality

- The ability of the product to perform its functions
- Conforming to customer's specifications, measured through consumer satisfaction and not self-gratification.
- Depends on the consumer's, not the firm's, assessment of competing products

Product Quality can be achieved by:

- Delivering the right product
- Satisfying customer's needs
- Meeting customer's satisfaction
- Treating every customer with integrity, respect and courtesy

Attributes that signal quality

- Intrinsic cues – involve the physical composition of the product such as flavor, color and sweetness in an orange drink.
- Extrinsic cues – are product-related but not part of the physical product itself such as brand name, price, warranty, product form, and level of advertising.

Product quality covers

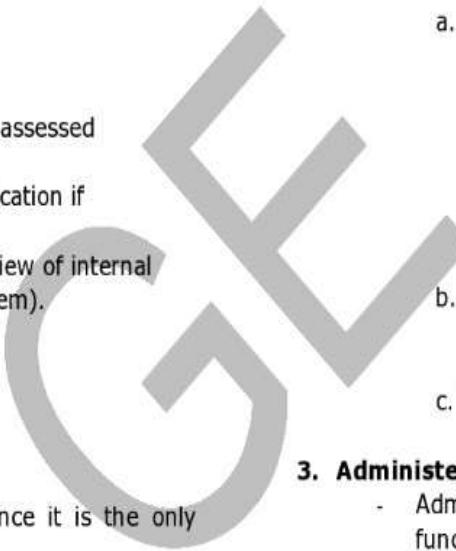
- Durability and reliability
- Precision
- Care of operation and repair

ISO 9000

- A series of quality management and assurance standards which define the elements required to achieve a quality system regardless of the product manufactured or the technology used.
- Enables a company to establish its reliability as a supplier that conforms to international standards.

ISO certification

- Valid only for the plant that was assessed, other plants are assessed separately.
- Bureau of Product Standards does the inspection and certification if companies are conforming to quality standards
- Observations of how records are filed and management review of internal audit system (financial, production process and quality system).



2. PRICE

Pricing is considered as the most important function since it is the only function which lets the money flow back to the business.

Price - is the value assigned to the utility one receives from products or services. Usually price is the amount of money that is given up to acquire a given quantity of goods or services.

Mechanisms of Price Discovery

1. Individual Negotiations

- Simple bargaining between individual buyers and sellers for each transaction

2. Organized Markets

- Local markets and fairs have centralized and institutionalized exchange and pricing functions
 - a. Commodity exchanges

Two Types:

1. "Spot" or cash markets- involves trading in actual commodities, normally on the basis of samples.
 2. Future Contracts- Specify the minimum grade or particular grades of a commodity which must be delivered in fulfillment of the contract at some future date
- b. Auction markets
 - For commodities which are difficult to standardize, auction markets provide the answer.
 - c. Terminal livestock exchanges
 - for selling of livestock through terminal livestock market

3. Administered Prices

- Administered pricing in agriculture is almost exclusively a government function. The objective is to provide a floor price for large crops so as to minimize price fluctuations

4. Group or Collective Bargaining

- Farmers form a bargaining associations through which they can negotiate for higher prices.

5. Formula Pricing

- Setting price through a formula. Usually used by wholesalers.

- In this strategy, a formula pricing agreement is negotiated with the buyer

Important considerations in pricing:

Credit is the provision of resources by one party to another party where that second party does not reimburse the first party immediately, thereby generating a debt and instead arranges either to repay or return those resources (or material(s) of equal value) at a later date. It is any form of deferred payment.

Discounts and allowances are reductions to a basic price of goods or services.

Payment methods

Exchanging is to change coin, money and banknote in terms of the price.

Provisioning is to transfer money from one account to another.

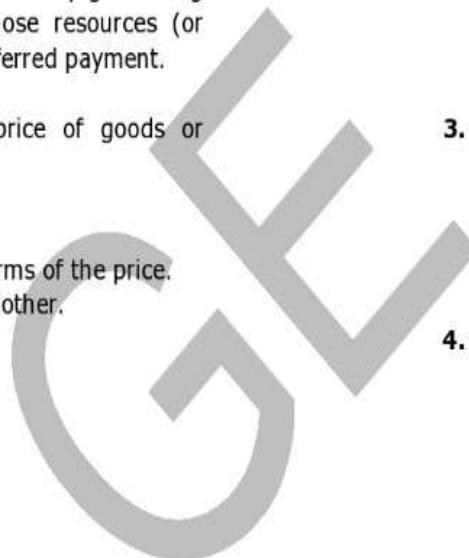
Types of price fluctuations:

1. Seasonal Price Variations
2. Annual Price Fluctuations
3. Trends
4. Irregular or Random Movement in Prices
5. Cyclical Price Variations

Pricing Strategies

1. Premium Pricing

Use a high price where there is uniqueness about the product or service. This approach is used where a substantial



competitive advantage exists. Such high prices are charged for luxuries such as Executive/business flights.

2. Penetration Pricing

The price charged for products and services is set artificially low in order to gain market share. Once this is achieved, the price is increased. This approach was used by France Telecom and Sky TV.

3. Economy Pricing

This is a no frills low price. The cost of marketing and manufacture are kept at a minimum. Supermarkets often have economy brands for soups, spaghetti, etc.

4. Price Skimming

Charge a high price because you have a substantial competitive advantage. However, the advantage is not sustainable. The high price tends to attract new competitors into the market, and the price inevitably falls due to increased supply. Manufacturers of digital watches used a skimming approach in the 1970s. Once other manufacturers were tempted into the market and the watches were produced at a lower unit cost, other marketing strategies and pricing approaches are implemented.

5. Psychological Pricing

This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational

basis. For example 'price point perspective' 99 cents not one peso.

6. Product Line Pricing

Where there is a range of product or services the pricing reflect the benefits of parts of the range. For example car washes. Basic wash could be 2.00, wash and wax 4.00, and the whole package 6.00.

7. Optional Product Pricing

Companies will attempt to increase the amount customer spend once they start to buy. Optional 'extras' increase the overall price of the product or service. For example airlines will charge for optional extras such as guaranteeing a window seat or reserving a row of seats next to each other.

8. Captive Product Pricing

Where products have complements, companies will charge a premium price where the consumer is captured. For example a shredder manufacturer will charge a low price and recoup its margin (and more) from the sale of the only design of blades which fit the shredder.

9. Product Bundle Pricing

Here sellers combine several products in the same package. This also serves to move old stock. Videos and CDs are often sold using the bundle approach.

10. Promotional Pricing

Pricing to promote a product is a very common application. There are many examples of promotional pricing including approaches such as BOGOF (Buy One Get One Free).

11. Geographical Pricing

Geographical pricing is evident where there are variations in price in different parts of the world. For example rarity value, or where shipping costs increase price.

12. Value Pricing

This approach is used where external factors such as recession or increased competition force companies to provide 'value' products and services to retain sales e.g. value meals at McDonalds.

13. Pre – emptive Pricing

It is to set the price of a product so low that the market is unattractive to competitors. In this manner, the firm essentially pre-empts the market for itself. The price, of course, must be established close to the cost of production.

14. Extinction Pricing

There are firms which price a product or products on the basis of variable costs in order to force firms in weak financial or marketwise positions to discontinue their production.

15. Formula Pricing

This type of pricing is usually used by wholesalers. In this strategy, a formula pricing agreement is negotiated with

the buyer. For example, all deliveries during a period will be made on the basis of a wholesale market quotation plus a margin of a given amount per unit.

16. Tie – in Pricing

Wholesaler use this procedure whenever they have a large supply of less desirable varieties or classes of product together with the limited more desirable ones.

17. Competitive Pricing

Retailers usually set prices to be near or equal to those in other stores for products bought on a regular or irregular basis.

18. Unit Pricing

One of the effective ways of pricing to gain volume is through pricing items in units of two or more. This is especially significant for low – priced items or items which the average customers' needs or can use more than one within a reasonable item.

19. Price Lining

Offering two or more classes of the same product at different prices is known as price lining. With products like onions, eggs or melons, there are some units better in size, color, quality, or appearance than others. By separating these products into two or more groups and placing a higher price

on the better lots, even though cost is the same, profits can be increased.

20. Special prices

A major aspect of retail pricing is the determination of prices for the items to be offered as specials each week. This includes the selection of appropriate items that will have broad appeal as well as reasonable extent of price reductions. Many of the "hot" specials are loss leaders – designed to attract customers to the store. The assumption, which is generally true, is that once in the store, the customer will buy other items at regular prices and thus help offset the loss of margins on the specials.

3. PLACE/DISTRIBUTION

Distribution Factors:

1. No. of potential buyers
2. Complexity of product
3. Sales & distribution experience
4. Geography

Channel distribution is a set of interdependent organizations involved in the process of making a product or service available for use or consumption.

Intermediaries or reseller- are used in the channel of distribution.

Marketing/Distribution Strategies

-route through which a product & its title or ownership flow from production to consumption.

4. PROMOTION

Promotion is the personal and/or impersonal process of assisting a perspective customer to buy a commodity to favor upon an idea that has commercial significance to the seller.

Importance of Promotion

- make buyers aware of the alternatives goods and services that exist.
- shorten the distance between the market and the manufacturers by keeping buyers well-informed about the different products
- help regulate the level and timing of demand.

Promotional Methods

1. Advertising

– Any form of non-personal presentation and promotion of ideas, goods or services in a medium paid for by an identified sponsor.

Types of advertisements:

1. Product advertising



- presents information and /or persuasive appeal about products or services.

2. Competitive advertising

- consists of brand-oriented messages designed to stimulate selective demand.

3. Comparative advertising

- makes direct comparisons between the advertised brand and one or more competing brands, usually across several attributes.

4. Institutional advertising

- seeks to enhance the overall image of and build goodwill for the information.

5. Trade advertising

- consists of messages directed at resellers that appear in specialized trade organizations or are sent through the mail.

6. Cooperative advertising

- occurs when the costs of an advertising message are shared by more than one party.

7. Advertising campaign

- is an integrated campaign effort for a product that extends over time. It involves multiple messages with a common underlying theme.

2. Personal selling

– Oral presentation with one or more prospective purchasers/buyers for purposes of making sales.

3. Packaging

- viewed as simply an extension of the physical product. It can be used to:

- A. enhance shelf life
- B. symbolize brand
- C. reposition or modernize a brand
- D. remind consumers

4. **Public relations** - is the management function of an organization designed to elicit from one or more publics a general positive feeling forward the organization and the products.

- **Publicity** – non-personal stimulation of demand for a product, service or idea by planting commercially significant news about it in a medium that is not paid for by the sponsor.

5. **Sales promotion** – those marketing activities, other than personal selling, advertising and publicity that stimulates consumer purchasing and dealer effectiveness.

Types of Sales Promotion

- Consumer promotion (samples, coupons, raffles, money-refund offers, discounts, rebates)
- Trade promotion (cooperative advertising, dealer sales contests)
- Sales-force promotion (contest, recognition, awards, Bonuses, extra commissions)

Some Considerations on Promotions

1. Nature of the market
2. Nature of the product
3. Stage of the product life cycle

4. Availability of funds

Theory of Price Controls

- ✓ Principal purpose: Keep prices from rising.
- ✓ Recall: High prices discourage consumption and encourage production particularly in a competitive economy where economic forces operate.
- ✓ Assume that the market for meat is initially at equilibrium at P^* and Q^* .

PROBLEMS IN AGRICULTURAL MARKETING:

1. Product Characteristics

a. Perishability

Role of marketing system

- Retard or stop the 3 D action (death, decay, and deterioration)
- Get the products to the consumers before 3D actions progressed

b. Seasonality

c. Bulkiness - low in price relative to their volume or weight

Bulky products- most profitably produced near the consuming centers where they are to be marketed because more storage space and transportation facilities

d. Heterogeneity

2. Number of producers

3. Characteristics of Consumers

4. Inadequate Market Information

5. Inadequate Marketing Support Services

6. Increasing Marketing Efficiency

- **Efficiency** - moving products through the channels at the lowest possible cost, considering the services performed.

DEMAND FOR AGRICULTURAL PRODUCTS

Demand

- Force that "pulls" food products through the marketing channels
- Various quantities of a product which consumers will buy at all probable prices, all other factor held constant.

Effective demand- consists of desire for the product and the ability to pay for it

Law of demand- inverse relationship between price and quantity.

Giffens paradox

- Positive slope demand relation e.g. increase in quantity demand, increase price

Market demand

- Generalization of the consumer demand concept.
- quantities of a commodity which all consumers in a particular market are willing and able to buy as price varies, all other factors held constant

COOPERATIVES

Definition of a Cooperative:

The International Co-operative Alliance (ICA), the oldest (organized in 1895) and the largest (total world coverage of 90 countries, 8 international organizations, 207 national organizations, and more than 750 million individual members) worldwide confederation of cooperative organizations of all types, which is based in Geneva, Switzerland. The ICA definition of a **COOPERATIVE** is

"A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise."

Alternative definition:

A **cooperative** is an association of, by, and for people with common problems and community of interests whose main objective is to improve the standard of living and quality of life of members by working together in the form of a voluntary and autonomous business organization within the framework of the universally accepted cooperative principles.

Cooperatives are based on values of self-help, self-responsibility, democracy, equality, equity and solidarity. While cooperatives are also businesses, the main

objectives for people to set up or join a cooperative is to improve their economic and social conditions through joint action for the good of all members rather than through individual concerns only

Common Characteristics of Cooperatives

- Members are united through at least one common interest
- Members pursue the goal of improving their economic and social situation through joint actions
- Members use a jointly owned and operated unit which provides them with goods and/or services. Regardless of its physical size and activities, the unit's purpose is to use the joint resources of the members to produce or obtain goods or services for the members.

The Main Concepts of Cooperation

A cooperative must succeed as a business institution; it cannot prosper long on any other basis.

Four Main Concepts of Cooperatives

1. Social

- Cooperation is considered as a means of social reform.

2. Sociopolitical

- Cooperative organization as an effective political means of improving the social life of the cooperators.

3. Legalistic

- Cooperative organization as a legalistic creation. An association is simply a form

4. Economic

- The concept gears cooperative towards business efficiency and social improvement. It considers the organization and operation of cooperatives as a means to a richer life and a higher plane of living.

Seven principles of cooperatives

At the congress of the International Cooperative Alliance in Manchester in 1995, seven principles of cooperatives were agreed by which Cooperatives put their values into practice:

1st Principle: Voluntary and Open Membership

Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial political or religious discrimination.

2nd Principle: Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member one vote), and cooperatives at other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their cooperative enterprise, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Principle: Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public -particularly young people and opinion leaders-about the nature and benefits of co-operation.

6th Principle: Co-Operation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

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7th Principle: Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Delineation of Cooperation with Other Economic Systems

A. Laissez-Faire System

Characterized by a lack of organization. In a laissez-faire economy, it is every man for himself.

B. Planned Economy System

The authority is centered in some individual or group of masterminds to draft, direct, and control the activities of the masses.

C. Cooperation System

A synthesis of the laissez-faire system of economy and of a planned economy.

Dimension of Cooperative Operations

A. Cooperative Dimension

The main objective of the cooperative aspect of operation is to achieve and maintain the distinctive character of cooperatives.

B. Business Dimension

The main objective of the business aspect of operation is to obtain satisfactory operating results.

3 Cooperative Core Functions

1. **Marketing**- extend control of members' products through processing, distribution, and sale
2. **Purchasing**- providing affordable supplies and goods
3. **Service**- provide needed services

TYPE OF COOPERATIVE:

I. Type of Cooperative Based on Broad Sectors of the Economy

a. Agricultural Sector

- i. **Marketing Cooperatives**- engage in supplying production inputs to members and marketing their products.
- ii. **Supply Cooperatives**- procure production inputs for members.
- iii. **Credit Cooperatives**- undertake grant production whether agricultural or industrial.
- iv. **Production Cooperatives**- undertake grant production whether agricultural or industrial.

b. Non-agricultural Sector

- i. **Consumers Cooperatives**- procure and distribution commodities to members and nonmembers
- ii. **Industrial Cooperatives**- Engage in the production of nonagricultural or industrial products
- iii. **Credit Union Cooperatives**- a type of cooperative organized under RA 2023.

II. Types of Cooperatives Based on Broad Levels of Organization

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- a. **First Level**- Primary cooperative- cooperative whose members are natural persons
- b. **Second Level**- Secondary cooperative- cooperatives whose members are primary cooperatives
- c. **Tertiary Level**- members are secondary cooperatives

III. Types of Cooperatives Based on Membership

- a. **Federal type**- membership is limited to cooperatives (juridical persons) doing the same line of business
- b. **Union type**- membership is limited to cooperatives (juridical persons); the main activity of the Union is nonbusiness
- c. **Combination type**- the cooperative activity of federation and union of cooperatives

IV. Types of Cooperatives based on Capital Structure

- a. **Stock Cooperative**- issues share of stocks, common, and preferred
- b. **Non-stock Cooperative**- does not issue shares of stocks

V. Types of Cooperatives based on Number of Commodities Handled and/or Services Performed

- a. **Single purpose or specialized cooperative**- handles only one kind of commodity or performs only one kind of service
- b. **Multipurpose cooperative**- handles more than one kind of commodity or performs more than one kind of service

VI. Types of Cooperative based on Legal Personality

- a. **Incorporated cooperative**- duly registered with the cooperative registering office of the government
- b. **Unincorporated cooperative (also called informal association)**- not registered with the cooperative registering office of the government

VII. Types of Cooperatives based on Geographical Coverage

- a. **Local association**- organized at the local level
- b. **District, provincial, or regional association**- organized in a congressional district, provincial, or regional level
- c. **National association**- organized at the national level
- d. **International association**- organized at the international level

VIII. Type of Cooperative based on Degree of Adherence to Cooperative Principles

- a. **Geniune cooperative**- adhere fully to cooperative principles
- b. **Para- or precooperative**- adheres only partially to cooperative principles and usually performs no business activities
- c. **Pseudocooperative**- does not adhere to cooperative principles but take advantage of the benefits or privileges granted by government laws to cooperatives.

Sound Cooperative Management

- Is defined by the efficient and effective utilization of the resources of a cooperative as a business organization with the end in view of serving the needs of the members within the context of the universally accepted cooperative principles.

Potential advantages of cooperative organizations

Farmers and rural household can either produce inputs themselves or buy them. Cooperatives are one way individuals buy inputs and services. To be attractive, therefore they must offer advantages over the alternatives.

Cooperative organizations will have advantages over their competitors when they can either provide the same services/activities at lower costs through:

- a. Economies of scale (e.g. bulk purchase)
- b. Reducing transaction costs e.g. for information, implementation, control and exchange of services and goods,
- c. Reducing uncertainty concerning e.g. prices and availability of inputs,
- d. Avoiding linked markets, i.e. Where for example the purchasing of inputs or the marketing of produce are linked to the provision of loan facilities. or,
- e. They can offer new services / access to external resources / services not otherwise available.

personal liability of a corporation. As in a cooperative, LLC owners are called members.

Understanding Cooperatives

Individually Owned (Proprietorship)

- A business enterprise where the individual owns, operates, manages, and receives the earnings of the business

(The oldest and most common method of doing business.)

Partnership

- A business enterprise owned and controlled by two or more people who have agreed to operate on a partnership basis.

(Family partnerships are common in farming.)

Corporation: Investor-Oriented

- A (State-chartered) business that has the right to buy and sell goods and services.

(Operated as a profit-making enterprise for its investors.)

Corporation: Cooperative

- A user-owned and user controlled (State-chartered) business in which benefits are received in proportion to use.

(Commonly used in agriculture to buy, sell, and service individual farm businesses.)

Hybrid: Limited Liability Company

- A business structure that combines characteristics of both a partnership and a corporation. It combines the single-tax treatment of a partnership with the limited

Cooperative Business Principles

A cooperative is a business owned and controlled by persons who use its services. It is mainly distinguished from other business forms by three contemporary principles:

Contemporary Cooperative Principles

1. **The User-Owner Principle-** People who own and finance the cooperative are those that use it
2. **The User-Control Principle-** People who control the cooperative are those who use
3. **The User-Benefit Principle-** The cooperative's sole purpose is to provide and distribute benefits to users on the basis of their use

Accounting

1. ACCOUNTING AS A LANGUAGE

- Accounting has been called the "Language of Business"

2. BASIC ACCOUNTING PRINCIPLES OR CONCEPTS:

1. First Principle: Money, the Common Denominator

- a. The advantage of expressing facts in monetary terms is that money is a common denominator by which the heterogeneous facts about a business can be expressed in terms of numbers which can be added and subtracted.

2. Second Principle: The Business Entity

- a. Accounts are kept for business entities, as distinguished from the persons who are with these entities.

3. Third Principle: Value Equals Cost

- a. Valuable things owned by a business are called, in accounting language, assets. A fundamental concept of accounting is that assets are ordinarily entered on the accounting records of the company at the price paid to acquire them.

4. Fourth Principle: The Dual Aspect Principle

- a. The valuable things owned by a business are called "assets". The claims of various parties against these assets are: 1.) liabilities, owner of the business; and (2) members' equity (or "owners' equity" or "net worth" or "capital"), which is the claims of the owners of the business.

5. Fifth Principle: The Accrual Principle

- a. Then net income refers to changes in the owners' equity resulting from operations rather than to changes in the amount of cash the business has.

3. APPLICATION OF THE BASIC ACCOUNTING PRINCIPLES ON THE BALANCE SHEET

Balance sheet – is the fundamental accounting report in the sense that every transaction can be recorded in terms of its effect on the balance sheet.

The purpose of the balance sheet is to tell where the money of the cooperative is placed and from where it was received. The financial situation changes with every transaction and therefore it should be noted that the balance sheet shows the financial situation of the cooperative on a certain date, which is mentioned in the balance sheet.

4. FUNDAMENTAL CONVENTIONS OF ACCOUNTANTS

a. Conventions

- The doctrine of consistency requires that once a company has decided on one of these methods, it will treat all subsequent events of the same character in the same fashion.

b. Conservation

- The doctrine of conservatism means that when the accountant has a reasonable choice, he ordinarily will show the lower of two asset values for a given item, or will record an event so that owner's equity is lower than it otherwise would be.

c. Materiality

- In law, there is a doctrine called *de minimis non curat lex*, which means that the court will not consider trivial matters. Similarly, the accountant does not attempt to record insignificant events that the work of recording is not justified by the value gained.

Development of Framework for Growth and Expansion

Growth and Expansion can be effected in 3 interrelated ways

1. Horizontal and Vertical Integration

- **Horizontal integration**- Involves the grouping together of associations or units with similar business activities.
- **Vertical integration**- Refers to the extension by an association of business activities to another stage of operation.

2. Diversification

- This involves the broadening of the range of services specifically by adding new lines of services.

3. Consolidation and Merger

- The general trend throughout the world is the expansion of corporations.

- **Consolidation**- is the combining of two or more associations to form a new association.
- **Merger**- is the union of two or more associations wherein one of the merging association absorbs the other so no new association is formed.

Cooperatives can effectively employ these strategies to generate volume through member's patronage:

1. Building up a large number of quality members
2. Providing members with more economical and efficient services
3. Adopting effective volume-generating practices

Pooling Method of Cooperative Marketing

Pooling- is a method of cooperative marketing where the products of the members are physically commingled and sold collectively during a particular period and then paid, an average price derived after deducting the total expense from the sales proceeds.

Objectives of Pooling

1. To diffuse the marketing risk among the participating members in the pool.
2. To enable management to work out realistic and systematic marketing program.
3. To effect economies in distributions.

Adequate and Sound Financing

General Classification of Capital

1. **Equity Capital** – refers to the capital contributions provided by the cooperative members.
2. **Loan Capital** – represents the borrowings made by a cooperative from outside creditors.

Common Methods of Raising Equity Capital

1. Sale of shares of stock

- a. **Common Stock**- is a form of share capital and is therefore entitled to receive interest that is limited.
 - i. **Stockholder**- is therefore an owner of a cooperative corporation with proprietary interest and has the right to vote and be voted upon.
 - ii. **Stock Certificate**- is the document issued to shareholders as evidence of ownership of shares of stock.
- b. **Preferred Stock**- is the next best alternative to boost the capitalization of a cooperative. It is normally offered to the friends and sympathizers of cooperatives who are not usually qualified to buy common stocks.

2. Collection of member's capital contribution (for nonstick cooperative corporations)

3. Collection of Retains

- a. **Retains**- also called **capital retains**, are authorized deductions usually on a per unit basis from the sales proceeds of products sold to or through a cooperative marketing association.

4. Deferment of distribution of patronage refund

5. Accumulation of reserves

- a. Common kinds and uses of reserves
 - i. **Valuation reserves**- intended to payoff losses from bad debts as well as to cover depreciation or obsolescence of fixed assets such as land, buildings, equipments
 - ii. **Liquidity reserves**- earmarked to absorb losses from operations and to meet extraordinary contingencies and liabilities in general
 - iii. **Capital reserves**- designed to provide funds for working capital as well as for fixed investment and to retire various forms of capital contribution such as common and preferred stocks and revolving funds certificates

Common Methods of Raising Loan Capital

1. **Borrowings**- The best-known method of raising capital is through borrowings.
2. **Deferred Payments**- Refers to the payment of products after they had been sold is a long standing practice among marketing cooperatives.
3. **Trade Credit**- It is the ability of the trading firm, such as cooperatives, to secure goods for sale in exchange for a promise to pay at some specific future time.
4. **Sale of bonds and debentures**- Bonds and debentures are practically identical instruments, except that debentures have a shorter period of maturity.
5. **Donations, grants, gifts, etc**- Given for specific purpose, mostly in relation to cooperative education and training activities.

Bookkeeping

1. **Account**
2. **Debit and Credit**- The left hand side of any account is arbitrarily called the debt side, and the right-hand side is called the credit side.
3. **Ledger**- A ledger is a group of accounts. The student has probably seen a bound book.
4. **Journal**- The journal is a chronological record of accounting transactions showing the names of accounts that are to be debited or credited
5. **The Trial and Balance**- is simply a list of the account names and the balances in each account as a given moment of time, with debit balances in one column and credit balances in another column.

Assets

Assets give information of all the property of the cooperative and its value. Assets are money in the cash box, money in the bank, land, buildings, tools, machinery, furniture, and motor vehicles, stock of the shop, etc.

1. **Current assets** - Property, which has been bought for trading purposes such as stock in the shop and other property, which will circulate quickly such as cash and money owed to the cooperative by its trade customers.
2. **Cash**- Consists of funds that are immediately available for disbursement without restriction
3. **Accounts Receivable**- amounts owed to the company, usually by its customers.

4. **Inventory**- means "the aggregate of those items of tangible personal property"
5. **Prepaid Expenses and Deferred Charges**- represent certain assets, usually of an intangible nature, whose usefulness will expire in the near future
6. **Fixed assets** - Investment property, which has been tied in the long term to support the business activities of the cooperative such as furniture, machinery, vehicles, buildings and land.
7. **Investments**- refers to share in overhead cooperative corporations or investment in bonds, debentures, securities, etc.

Liabilities

Liabilities will show all debts, loans and monies, which have been used to finance the assets of the cooperative.

Three categories of Liabilities

1. Current liabilities
2. Long-term liabilities
3. Share capital (members' equity)

Current liabilities - Circulating trade finance (short-term debts) of the cooperative, which is expected to remain with the cooperative for less than one year.

Long-term liabilities - Investment finance with a repayment period of more than one year. Medium term loans of 1-3 years are sometimes given separately.

Share capital - Money belonging to the members. There can be several (Members' equity, types of funds under this category. Some of the funds members' funds) have been contributed directly by the members such as share capital. Some of the funds have been generated by the operations of the cooperative such as indivisible reserves and surplus/and loss.

Assessing the financial strength of the cooperative

Good financial strategy is to:

- ensure that short-term and long-term funds are adequate to meet the debts and loans so that there is no danger to go into financial crisis and bankruptcy;
- ensure that the circulation of working capital is efficient;
- plan wise investments and develop capital structure.

A balance sheet reveals important information about the strengths and weaknesses of the financial position of the cooperative.

Short-term liquidity

Liquidity is the ability to pay the short-term debts, which are in the fast circulating current liabilities of less than one year's repayment period. Liquidity is

measured by comparing current assets (liquid funds) to current liabilities (short-term debts)

Cash and money in the bank are the truly liquid funds. These funds can be released immediately in case a creditor requires payment. Debtors and stocks are less liquid forms of property (assets).

Net working capital in peso = Current assets less current liabilities
Quick (acid) ratio = Current assets (less stocks) divided by current liabilities

Quick ratio takes only the "immediately" available funds (cash, bank and debtors) to assess the ability to pay the creditors quickly. A sign of good liquidity is that the quick assets are at least equal to current liabilities.

Long-term capital structure

Long-term own capital (members' funds, members' share capital, equity) is the foundation on which a successful cooperative can be built.

The capital structure of the cooperative shown by the balance sheet gives an indication of the strength or weakness of the cooperative.

Solvency

The financial strength of the cooperative depends on how its assets (property) are financed, which is shown by the liabilities. Liabilities are divided into financing by external lenders and financing by members' funds (share capital,

reserves and accumulated surplus). Financial strength improves with increased member financing of the cooperative's assets.

Solvency in = Members' funds (share capital + reserves + surplus) x 100 % divided by Total liabilities (total financing)

Indebtedness

Indebtedness is the opposite of solvency and describes how much of the total capital of the cooperative consists of debt payable to creditors and banks. Indebtedness can be calculated as a percentage ratio.

Indebtedness in % = Total liabilities less members' funds x 100 divided by Total liabilities (total financing)

Value of the cooperative

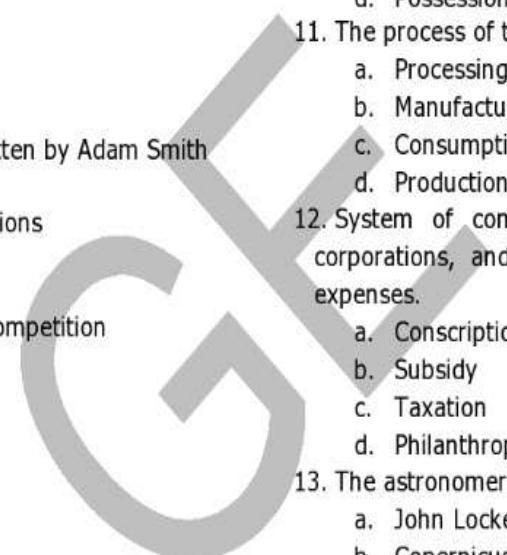
Net worth shows the cash value of the cooperative to its members. It is normally already calculated in the balance sheet for the day indicated in the balance sheet. Net worth is equal to owners' equity = members' funds (share capital + reserves + accumulated surplus) and gives the share of member financing of the assets of the cooperative.

Net worth in peso = Equity (members' funds) = Share capital + reserves + accumulated surplus.

Net worth is the pesos value received by the members in a liquidation of the cooperative on the day of the balance sheet.

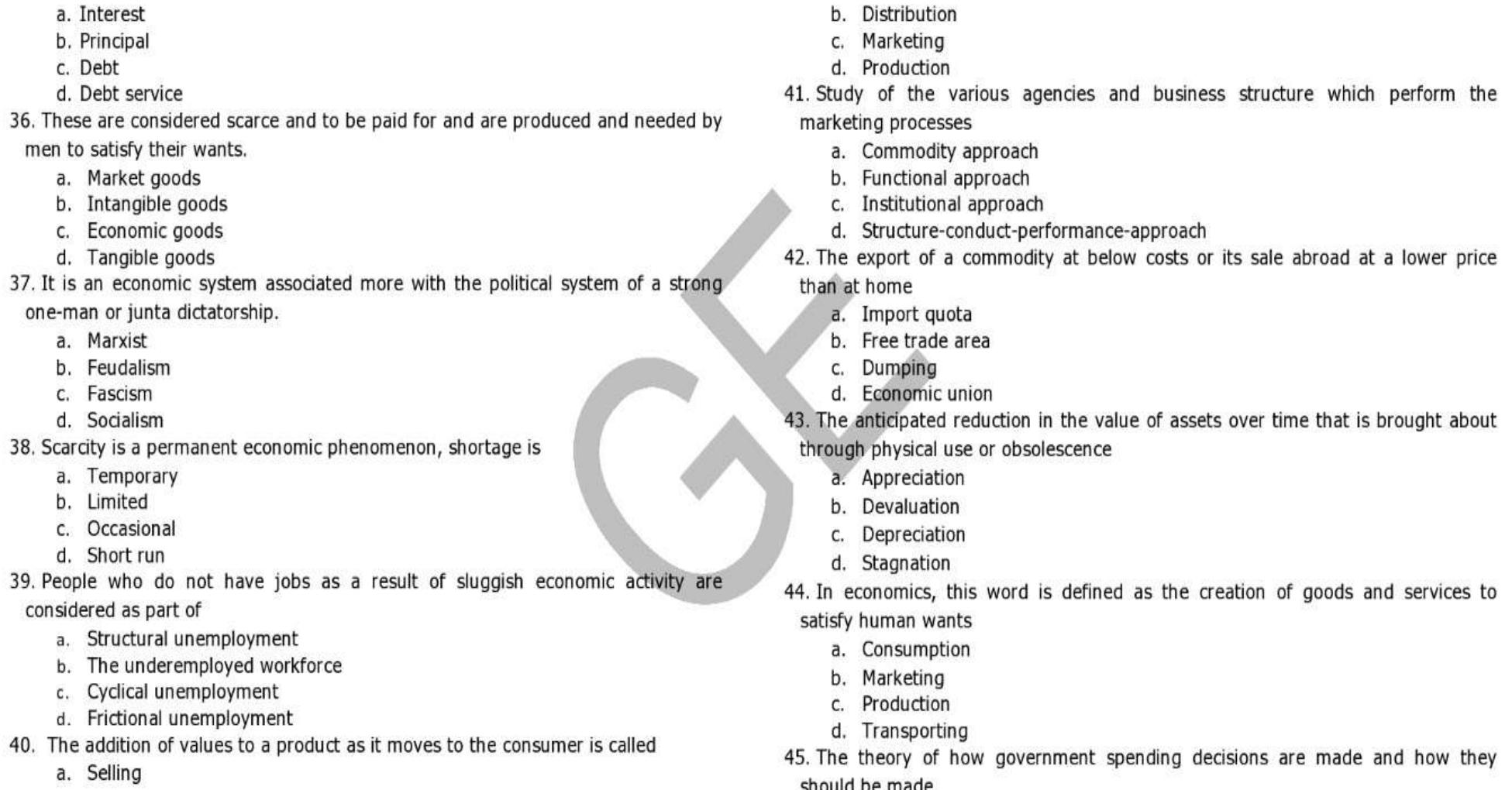
AGRICULTURAL ECONOMICS AND MARKETING

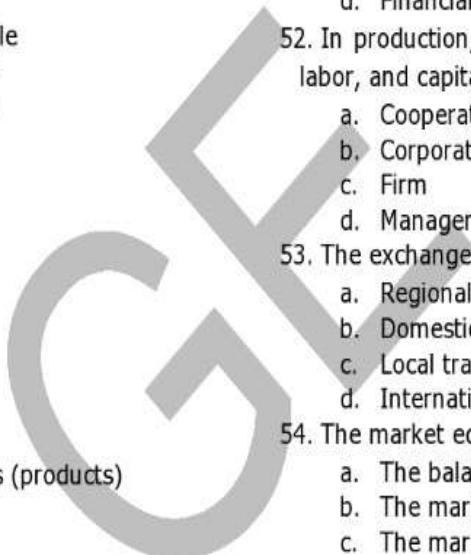
1. Economics is based on two fundamental facts. These are
 - a. Consumers would like to maximize their satisfaction while producers would like to maximize profit
 - b. Resources are scarce while human wants are unlimited
 - c. Family income is limited while goods and services to buy are limited
 - d. Resources are scarce
2. This marketing function addresses the problem on product seasonality. The primary aim is to help balance consumption or periods of scarcity
 - a. Processing
 - b. Storage
 - c. Pooling
 - d. Packaging
3. It is the key link in the food systems marketing chain connecting different production points and consuming centers
 - a. Transportation
 - b. Storage
 - c. Processing
 - d. Buying and selling

- 
4. It is the ratio between a country's export and imports
 - a. Balance of trade
 - b. Balance of payment
 - c. Net export
 - d. None of the above
 5. The objective or goal of a rational producer or firm is
 - a. Benefit maximization
 - b. Sales maximization
 - c. Profit maximization
 - d. Cost maximization
 6. The book which became the apostle of classical economics written by Adam Smith
 - a. Principles of Political Economy
 - b. Inquiry into the Nature and Causes of the Wealth of Nations
 - c. Essay on the Principle of Population
 - d. General Theory of Employment, Interest and Money
 7. It is a policy which defends domestic producers from foreign competition
 - a. Fiscalism
 - b. Monetarist
 - c. Mercantilism
 - d. Protectionist
 8. The fundamental problem faced by every economy is
 - a. Finite amount of factors of production
 - b. Scarcity
 - c. Limited supply of resources
 - d. All of the above
 9. Anything that can be offered to a market for attention, acquisition, use, or consumption to satisfy human needs and wants
 - a. Goods
 - b. Service
 10. This is the utility created when raw materials are transformed into products
 - c. Technology
 - d. Products
 11. The process of transformation of inputs into output
 - a. Processing
 - b. Manufacturing
 - c. Consumption
 - d. Production
 12. System of compulsory contributions levied by a government on persons, corporations, and property, primarily as a source of revenue for government expenses.
 - a. Conscription
 - b. Subsidy
 - c. Taxation
 - d. Philanthropy
 13. The astronomer who encountered the quantity theory of money and prices
 - a. John Locke
 - b. Copernicus
 - c. David Hume
 - d. John Law
 14. Tariff barrier
 - a. Export tax
 - b. Quota
 - c. Import tax

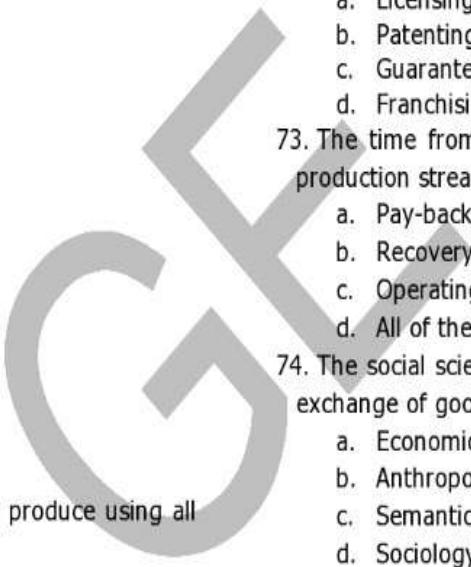
- d. Preferential trading
15. The agreement among countries to present common trade regulations and trading front
- Collusion
 - Merging
 - Uniform market
 - Common market
16. Known as the Father of Modern Economics
- John Maynard Keynes
 - Karl Marx
 - Adam Smith
 - St. Thomas Aquinas
17. A system of buyers and sellers with facilities for trading with each other.
- Pure competitive market
 - Market
 - Public market
 - Supermarket
18. It consists of market participants or intermediaries who are directly responsible for making farmers' product available to the users at the right place, time and form
- Producer subsystem
 - Flow subsystem
 - Channel subsystem
 - Functional subsystem
19. These are considered as fixed costs except
- Labor cost
 - Depreciation
 - Interest
 - Tax
20. The economic system under which private individuals and businesses carry on the production and exchange of goods and services through a network of markets.
- Mercantilism
 - Capitalism
 - Socialism
 - Syndicalism
21. A left-alone policy with respect to the business as a natural consequence of the principle of competition which is the underlying assumption of the invisible hands.
- Cost
 - Economics
 - Laissez Faire
 - Freedom
22. It is concerned with controlling or influencing economic behavior or its consequences
- Policy economics
 - Normative economics
 - Positive economics
 - Agricultural economics
23. The inflation rate shows
- The average price level during a particular period of time
 - The price level in a given year expressed in terms of a base year
 - A measure of the change in real output from one year to the next
 - The percentage rate per period that prices are increasing
24. The first book ever published about the study of economics
- The General Theory of Employment, interest and Money
 - The Wealth of Nations
 - Communist Manifesto
 - Das Kapital

25. Which of the following is most closely approximates our definitions of oligopoly?
- The cigarette industry
 - The fast food chains
 - Rice farming in the region
 - Corn farming in the region
26. To which of the following would the mercantilists have objected
- Stimulating exports
 - Restricting imports
 - Free trade
 - Accumulation of gold by their nation
27. The process of finding the future value in some future year of a present amount growing at compound interest
- Discounting
 - Discount rate
 - Compound rate
 - Compounding
28. An applied science which is concerned with the identification, description and classification of economic problems in agriculture.
- Applied economics
 - Agricultural economics
 - Normative economics
 - Positive economics
29. Who published the book "General Theory of Employment, Interest and Money"
- Adam Smith
 - David Ricardo
 - Leon Walras
 - John Maynard Keynes
30. While macroeconomics deals with the economy as a whole, microeconomics deals with the actions of individual
- Enterprise
 - Firms and markets
 - Expenditures
 - Employment
31. The CPI is designed to measure the degree to which
- Income are distributed among the poor and rich over time
 - Consumer prices have risen, relative to wages
 - The cost of purchasing a bundle of consumer goods has changed with time
 - Consumption patterns have changed with time because of prices
32. Laissez faire means
- Absence of government support
 - Absence of government concern in the market
 - Absence of government intervention
 - All of the above
33. The performance of all business activities involved in the flow of goods and services from initial agricultural production until they are in the hands of the ultimate consumers.
- Marketing function
 - Marketing
 - Exchange function
 - Marketing
34. A tariff expressed as a fixed percentage of the value of imported product.
- Specific tariff
 - Ad valorem tariff
 - Nominal tariff
 - Optical tariff
35. A payment made by a borrower to lender

- 
- a. Interest
 - b. Principal
 - c. Debt
 - d. Debt service
36. These are considered scarce and to be paid for and are produced and needed by men to satisfy their wants.
- a. Market goods
 - b. Intangible goods
 - c. Economic goods
 - d. Tangible goods
37. It is an economic system associated more with the political system of a strong one-man or junta dictatorship.
- a. Marxist
 - b. Feudalism
 - c. Fascism
 - d. Socialism
38. Scarcity is a permanent economic phenomenon, shortage is
- a. Temporary
 - b. Limited
 - c. Occasional
 - d. Short run
39. People who do not have jobs as a result of sluggish economic activity are considered as part of
- a. Structural unemployment
 - b. The underemployed workforce
 - c. Cyclical unemployment
 - d. Frictional unemployment
40. The addition of values to a product as it moves to the consumer is called
- a. Selling
- b. Distribution
 - c. Marketing
 - d. Production
41. Study of the various agencies and business structure which perform the marketing processes
- a. Commodity approach
 - b. Functional approach
 - c. Institutional approach
 - d. Structure-conduct-performance-approach
42. The export of a commodity at below costs or its sale abroad at a lower price than at home
- a. Import quota
 - b. Free trade area
 - c. Dumping
 - d. Economic union
43. The anticipated reduction in the value of assets over time that is brought about through physical use or obsolescence
- a. Appreciation
 - b. Devaluation
 - c. Depreciation
 - d. Stagnation
44. In economics, this word is defined as the creation of goods and services to satisfy human wants
- a. Consumption
 - b. Marketing
 - c. Production
 - d. Transporting
45. The theory of how government spending decisions are made and how they should be made

- 
- a. Quantity Theory
 - b. Satisfying Theory
 - c. Theory of Public Choice
 - d. Game Theory
46. The objective of a rational consumer is to
- a. Buy as much as his income allows of the cheapest articles
 - b. Avoid purchasing the most expensive commodities
 - c. Spread his expenditures over as many products as possible
 - d. Secure the highest of satisfaction from his money income
47. The Philips curve shows the relationship between inflation and
- a. The interest rate
 - b. The wage rate
 - c. The budget deficit
 - d. Unemployment
48. The utilization of products
- a. Consumption
 - b. Marketing
 - c. Selling
 - d. Production
49. The set of all actual and potential buyers of goods and services (products)
- a. Middlemen
 - b. Producers
 - c. Market
 - d. Trading center
50. The form of economic integration that removes all barriers on trade among members but each nation retains its own tariff rates against non-members
- a. Custom union
 - b. Economic market
 - c. Economic union
51. A study of a proposed project to indicate whether the proposal is attractive enough to justify more detailed preparation
- a. Feasibility study
 - b. Market study
 - c. Technical study
 - d. Financial study
52. In production, this is the input considered as the organizer and coordinator of labor, and capital.
- a. Cooperative
 - b. Corporation
 - c. Firm
 - d. Management
53. The exchange of goods and services across international boundaries.
- a. Regional trade
 - b. Domestic trade
 - c. Local trade
 - d. International trade
54. The market equilibrium point for a commodity is determined by
- a. The balancing forces of demand and supply
 - b. The market demand
 - c. The market supply
 - d. All of the above
55. Capitalism is an economic system that
- a. Presence of Essential Freedoms
 - b. Absence of a central economic plan
 - c. Promotes private ownership of resources
 - d. All of the above

56. Individuals or business concerns that specialize in performing the various marketing functions involve in the purchase and sold of goods as they moved from producers to consumers
- Merchant middlemen
 - Middlemen
 - Processors and manufacturers
 - Wholesalers
 - Assemblers-wholesalers
57. Period during which a borrower need not repay principal and sometimes, interest
- Guarantee period
 - Free period
 - Grace period
 - Non-payment period
58. The president responsible for the implementation of the Comprehensive Agrarian Reform Program in the Philippines.
- Joseph E. Estrada
 - Corazon C. Aquino
 - Ferdinand E. Ramos
 - Fidel V. Ramos
59. Source of gains from trade
- Forex
 - Resource endowment
 - Remittance
 - Foreign investors
60. Which of the following is also known as RA 7394 which protects consumers against hazard to health and safely, unfair sales acts and the like?
- Toxic Substance and Nuclear Waste Control Act
 - Retail Trade Liberalization Act
 - Consumers Act of the Philippines
61. Inflationary pressure may be reduced by:
- Increasing money supply
 - Raising income taxes
 - Raising government spending
 - All of the above
62. The problems of what to produce, how to produce, and for whom to produce are automatically solved by
- The economists of the country
 - The president of the country
 - The use of computers
 - The price mechanism
63. The behavior pattern of a firm in the industry
- Market structure
 - Market performance
 - Market conduct
 - Pure competitive market
64. Point of consumption is the point of ___ sale.
- First
 - Second
 - Last
 - Infinite
65. A financial report that summarize the revenues and expenses of an enterprise during an accounting period
- Balance sheet
 - Funds flow analysis
 - Financial statement
 - Income statement
66. The 1991 Consumer Act of the Philippines is also known as

- 
- a. Consumer Quality and Safety Law
 - b. Consumer Product Quality and Safety Law
 - c. Product Quality and Safety Law
 - d. Product Safety and Quality Law
67. The exclusive right of an inventor for the control of his invention for a period of some say, 20 years is called
- a. Royalty
 - b. Patent
 - c. Monopoly
 - d. Franchise
68. A fee received by individuals for endorsing a product is called
- a. Franchise
 - b. Patent fee
 - c. Royalty
 - d. Intellectual property rights fee
69. The real wage is equivalent to the nominal wage adjusted for
- a. Allowances and other benefits
 - b. Inflation
 - c. Income taxes
 - d. Income and business taxes
70. The maximum amount of food and clothing that a nation can produce using all its stock resources is depicted by the nation's
- a. Market supply curve
 - b. Indifference curve
 - c. Production possibility curve
 - d. Isoquant curve
71. Acts as the grease in the marketing machinery
- a. Facilitating function
 - b. Transportation
- c. Market intelligence
- d. Market behavior
72. It is an arrangement whereby the manufacturer or sole distributor of a trademarked product or service gives exclusive rights of local distribution to independent retailers in return for their payment of royal ties and conformance to standardized operating procedures
- a. Licensing
 - b. Patenting
 - c. Guaranteeing
 - d. Franchising
73. The time from the beginning of project until the net value of the investment production stream totals the amount of the investment of capital
- a. Pay-back period
 - b. Recovery period
 - c. Operating period
 - d. All of the above
74. The social science concerned with the production, distribution, consumption and exchange of goods and services to satisfy human wants.
- a. Economics
 - b. Anthropology
 - c. Semantics
 - d. Sociology
75. Protection against imitators or copycats is known as
- a. Intellectual property rights
 - b. Copyright
 - c. Patent
 - d. SEC registration
76. Which of the following cannot be used as synonym for another?

- a. Price system
 - b. Free enterprise
 - c. Command economy
 - d. Capitalism
77. An economy that is producing above its production possibility curve is
- a. Maximizing profit
 - b. Minimizing loss
 - c. Maximizing satisfaction
 - d. Non existent
78. When a firm sells its locally produced goods in a foreign country through an intermediary is called
- a. Importing
 - b. Indirect exporting
 - c. Indirect importing
 - d. Exporting
79. A form of organization by a few firm in an oligopolistic industry with the objective of regulating the output, prices, and behavior of members in the industry
- a. Sales
 - b. Purchasing
 - c. Cartel
 - d. Profit
80. In economics, the term used to describe the persistent increase in the general price level.
- a. Flux
 - b. Inflation
 - c. Interest
 - d. Coordinate
81. It is the selling of government-owned or controlled corporations and non-performing assets to the private sector
- a. Corporativism
 - b. Privatization
 - c. Cooperativism
 - d. Regulation
82. The _____ is the unemployment rate that exists in normal times when there is neither a recession nor a boom.
- a. Cyclical unemployment
 - b. Natural unemployment
 - c. Frictional unemployment
 - d. Structural unemployment
83. A type of middlemen or market intermediaries that takes the title to and therefore own, the products they handle in the marketing process
- a. Merchant middlemen
 - b. Retailers
 - c. Wholesalers
 - d. Middlemen
84. It refers to organization that require goods and services which are used in the production of product that they later sell at a profit
- a. Reseller market
 - b. Government market
 - c. Industrial market
 - d. Consumer market
85. The amount of goods and services that can be bought with a given income and prices of commodity
- a. Total revenue
 - b. Sales
 - c. Purchasing power
 - d. Profit

86. Any medium of exchange that is widely accepted in payment for goods and services and in settlement of debts.

- a. Bond
- b. Foreign exchange
- c. Stock exchange
- d. Money

87. Underground economy is conducted

- a. Within legal boundaries
- b. Outside legal boundaries
- c. On parts of entry
- d. Outside parts of entry

88. The locus of points each of which represents a bundle of goods that can be purchased if the entire money is spent is called

- a. Indifference curve
- b. Budget line
- c. Isoquant
- d. Supply curve

89. An extreme high inflation is known as

- a. Stagflation
- b. Hyperinflation
- c. Super inflation
- d. Mega inflation

90. Marketing function that represents the point at which the price determination is influenced in the marketing process.

- a. Exchange function
- b. Buying
- c. Pricing
- d. Selling

91. The business activity of selling goods and services to the final consumer

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- a. Wholesaling
- b. Selling
- c. Distribution
- d. Retailing

92. The income that households are free to spend or save

- a. Gross domestic product
- b. Savings
- c. Personal disposable
- d. Gross national product

93. Represents the fraction of the labor force that cannot find jobs.

- a. Employment rate
- b. Birth rate
- c. Unemployment rate
- d. Labor Force Participation Rate

94. Which of the following best describe the "Production Function"?

- a. It indicates the best output to produce
- b. It relates peso inputs to peso outputs
- c. It relates physical inputs to physical outputs
- d. It indicates the best way to combine factors to produce any given product

95. A negative inflation rate or declining prices is known as

- a. Deflation
- b. Disinflation
- c. Reinflation
- d. Price shock

96. An approach used in analyzing economic situation using value judgment is called

- a. Positive economics
- b. Normative economics
- c. Microeconomics
- d. Macroeconomics

97. It is a management orientation that assumes that the consumer will normally buy enough of the company's product unless they are approached with a substantial selling and promotion effort

- a. Product concept
- b. Marketing concept
- c. Societal marketing concept
- d. Selling concept

98. It refers to the corporate concern for social welfare

- a. Consumerism
- b. Social responsibility
- c. Environmentalism
- d. Social issue

99. The measure of responsiveness of quantity demanded or supplied to changes in price, income or price of other related goods

- a. Price elasticity
- b. Elasticity
- c. Cross price
- d. Income elasticity

100. The monetary authority in the Philippines that governs the level of money supply through policies set by the Monetary Board.

- a. Business Trust Corporation
- b. Central Bank of the Philippines
- c. Philippine Trust Company
- d. Allied Bank of the Philippines

101. The concept, which determines the combination of inputs that will produce a given output at the least possible cost, refers to

- a. Inverse price ratio
- b. Isoquant
- c. Least cost combination

d. Substitution principle

102. Scarcity of capital relative to labor will induce producers to use

- a. More capital intensive techniques
- b. More labor intensive techniques
- c. Capital and labor in the same amount
- d. All of the above tax

103. When the government controls the price of basic goods

- a. Interferes with the free market
- b. Motivates producers of these goods to produce more
- c. Discourages consumers to buy more of these goods
- d. All of the above

104. These are individuals, institutions, or organizations that facilitate the flow of goods and services between the producers and its final markets

- a. Assemblers-wholesalers
- b. Processors/manufacturers
- c. Market intermediaries
- d. Retailers

105. It refers to the classification of buyers according to social class, life style or personality characteristics.

- a. Psychographic segmentation
- b. Geographic segmentation
- c. Demographic segmentation
- d. Behavior segmentation

106. A constantly increasing output or income per person per year of development

- a. Economic profit
- b. Economic growth
- c. Economics
- d. Rural development

107. Refers to the exchange of goods and services between one country and other countries.
- Expo-Filipino Trade
 - Domestic Trade
 - International Trade
 - Barter Trade
108. The most important characteristics of monopolistic competition
- Many sellers
 - Product differentiation
 - Existence of non-price competition
 - Easy entry
109. The labor force is
- The working age population
 - Country's population
 - Country's population less the physically handicapped
 - Sum of the employed plus unemployed
110. Which of the following is not a concern of macroeconomics?
- Study of factors affecting changes in the price of oil
 - Study of aggregate supply and demand
 - Study of unemployment
 - Study of inflation
111. These are the various resources of labor, capital and management that a producer or firm used in the marketing process.
- Inputs of marketing
 - Transportation cost
 - Packaging materials
 - Labor cost
112. A time when a company emphasized selling because of increased competition
- Marketing company era
107. Refers to the exchange of goods and services between one country and other countries.
- Production era
 - Sale era
 - Marketing department era
113. _____ cost refers to any resource used in the direct production
- Opportunity
 - Explicit
 - Implicit
 - Marginal
114. The financial arm of the Agrarian Reform Program.
- Metrobank
 - Land Bank of the Philippines
 - Development Bank of the Phil.
 - Bank of the Phil. Islands
115. The cost that a firm incurs in purchasing or hiring any factor of production is referred to as
- Implicit cost
 - Explicit cost
 - Variable cost
 - Fixed cost
116. The building of skills of a farm's employees while they work for the firm is known as
- Practicum
 - Investment in human capital
 - On the job training
 - Investment in human capital
 - Skills formation
117. Payments to international transactions can be carried out through the use of the following instruments except one:
- Personal check

- b. Cable or telegraphic transfers
c. Bank drafts
d. Letter of credit
118. What utility is created when a carpenter constructs a piece of furniture and displays it in his store along the highway?
- a. Place utility
 - b. Time utility
 - c. Form utility
 - d. All of the above
119. A type of middlemen that undertake some action of production to change or alter the form of a product
- a. Processors and manufacturers
 - b. Jobbers
 - c. Financier-wholesaler
 - d. Grain millers
120. The father of economics is
- a. Maynard Keynes
 - b. Adam Smith
 - c. David Ricardo
 - d. Peter Ducker
121. A good that is not purchased for the purpose of producing other goods
- a. Durable good
 - b. Final good
 - c. Intermediate good
 - d. Non-durable
122. Organized the Rochdale Society of Equitable Pioneers and which gain him the title as Father of Cooperatives.
- a. Robert Owen
 - b. Robert Roosevelt
- c. Robert Cruz
d. Robert Lee
123. At a lower price, one can afford more of the good without giving up any alternative good is true for
- a. Substitution effect
 - b. Income effect
 - c. Neither a nor b
 - d. All of the above
124. A deflationary gap can be eliminated by
- a. Decreasing investment
 - b. Decreasing government spending
 - c. Decreasing taxes
 - d. Decreasing autonomous consumption
125. It is a trade barrier by which foreign firms "voluntarily" limit the amount of their exports to a particular country.
- a. Import quota
 - b. Tariff
 - c. Voluntary Export Restriction
 - d. Non-tariff barriers
126. Which of the following do not belong to the group?
- a. Donation
 - b. Barter
 - c. Buying by means of money
 - d. Buying by means of credit
127. Activities that involve handling, movement, and physical change of the actual commodity itself
- a. Physical function
 - b. Processing function

- c. Transportation function
d. Storage function
128. Variation in price which is repetitive in nature
- Annual
 - Random
 - Cyclical
 - Seasonal
129. It is the year from which the quantities of a basket of goods that is used for calculating the price index
- Current
 - Production
 - Base year
 - Fiscal year
130. The use by the taxpayer of illegal or fraudulent means to defeat or reduce the payment of tax.
- Tax exemption
 - Tax evasion
 - Tax avoidance
 - Tax transformation
131. Which form of monopoly regulation is most advantageous for the consumer?
- Per-unit tax
 - Price control
 - Lump-sum tax
 - All of the above
132. Fiscal policy refers to government policies related to
- Wages and prices
 - Money supply, credit and interest rate
 - Government expenditures and taxation
- d. Investments
133. A law that sets a fixed amount of imports. It specifies the maximum amount of commodity that may be imported in any period.
- Import quota
 - Tariff
 - Voluntary Export Restriction
 - Non-tariff barriers
134. Using a good or service which results to satisfaction of human wants
- Utilization
 - Distribution
 - Consumption
 - Utility
135. Marketing function that involves the seeking out of the sources of supply, assembling of products, and the activities associated with purchase
- Selling function
 - Exchange function
 - Wholesaling
 - Buying function
136. The forces influencing price determination
- Demand and supply
 - Demand
 - Supply
 - Neither supply nor demand
137. The analysis of how the individual consumer or producer responds to changes in economic environment is
- Macroeconomics
 - Microeconomics
 - Economic Policy

- d. Economic Theory
138. Form of business organization created by operation of law with not less than 5 and not more than 15 members.
- Cooperative
 - Partnership
 - Sole proprietorship
 - Corporation
139. All productive activities are based on
- Distribution
 - Exchange
 - Consumption
 - Marketing
140. Which of the following is in line with a tight fiscal policy?
- Lower income taxes
 - Lower government spending
 - Low money supply growth
 - Limits on imports
141. The difference between all revenues or receipts of the firm and all the value of all inputs used by the firm, whether paid or not. For those productive services for which a cash payment is not made, the economist estimates their value using the concept of opportunity cost
- Accounting profit
 - Gross profit
 - Economic profit
 - Net profit
142. When two individuals enter into an agreement and bind themselves to this agreement, they are enjoying
- Freedom of fulfillment
- b. Freedom of expression
c. Freedom of unity
d. Freedom of contract
143. The price of a product is placed at P995.95. This is an example of
- Price bundling
 - Odd-centavo pricing
 - Price lining
 - Multiple unit pricing
144. It is an economic system in which all major decisions concerning the level of resource use, the composition and distribution of output and the organization of production are determined by the price system.
- Capitalism
 - Communism
 - Socialism
 - Fascism
145. These are taxes imposed on goods exported from or imported into a country.
- Energy taxes
 - Value added taxes
 - Incomes Taxes
 - Customs Duties
146. Disposable income is comprised of
- Consumption + Government Expenditures
 - Savings + Consumption
 - Savings + Taxes
 - Consumption + Investment
147. The difference between the receipts of a firm & its expenses. The costs that are considered are those for which payment is actually made. It can be misleading because it may omit some very important costs of production.
- Economic profit

- b. Accounting profit
c. Gross profit
d. Net profit
148. Which statement is different from the other statements?
a. Production decisions are done by central planning board
b. There is economic freedom
c. There is private ownership of property
d. Goods and services are distributed through the market system
149. The job of collecting, interpreting and disseminating information that is necessary to the smooth operating of the marketing process.
a. Market research
b. Marketing intelligence function
c. Demand creation
d. Risk-bearing function
e. Facilitating function
150. Pricing three apples at P50.00 OR 2 T-shirts for P180.00 is an example of
a. Multiple unit pricing
b. Odd-centavo pricing
c. Price bundling
d. Price lining
151. The tax on the net income or the entire income realized in one taxable year.
a. Donors tax
b. Income tax
c. Value-added tax
d. Revenue tax
152. Gross private investment includes
a. Changes in inventories
b. All final purchases of machineries, equipment and tools
- c. All construction
d. All of the above
153. It refers to how much of a good or service a buyer is willing to purchase at a single specified price, in a given market, at a given time, *ceteris paribus*.
a. Quantity Supplied
b. Supply
c. Quantity Demand
d. Demand
154. Description of the number and nature of participants in the market
a. Market association
b. Market structure
c. Competitive market
d. Trading center
e. Market monopoly
155. Tupperware company uses the pricing strategy called
a. Price lining
b. Odd-centavo pricing
c. Reference pricing
d. Prestige pricing
156. They are the resource users who receive receipts or revenues as payment for the production and sales of goods and services.
a. Government
b. Household
c. Rest of the world
d. Business Firm
157. This act shall be known as the "High Value Crops Development Act of 1995"
a. RA 8900
b. RA 7900

- c. RA 9700
d. RA 9800
158. A schedule which shows the various amounts household plan to consume at various levels of income is a
a. Demand schedule
b. Consumption level
c. Savings schedule
d. Supply schedule
159. It refers to how much of a good or service a seller is willing to offer at a single, specified price, in a given market, at a given time, ceteris paribus.
a. Supply
b. Quantity Supplied
c. Quantity Demand
d. Demand
160. The surplus value is eliminated under what economic system?
a. Socialism
b. Communism
c. Capitalism
d. Both a and b
161. All activities that relate to the container or wrapper of the product
a. Augmented product
b. Product mix
c. Brand
d. Packaging
162. The initial price of a product is called the
a. Fixed price
b. List price
c. Total price
d. Marginal price
163. An economic resource that is considered as a "free gift of nature"
a. Labor
b. Land ability
c. Capital
d. Entrepreneurial
164. RA 6938 is otherwise known as the
a. Agriculture Code of the Philippines.
b. Forestry Code of the Philippines.
c. Cooperative Code of the Philippines.
d. Taxation Code of the Philippines.
165. Debtors and profit earners benefit from inflation. This statement is
a. False
b. True
c. Ambiguous
d. None of the above
166. An attribute that signal quality which involve the physical composition of the product such as flavor, color and sweetness in an orange drink.
a. Internal cues
b. Quality assurance
c. External cues
d. Standards
167. Business cycles is inherent under
a. Socialism
b. Market system
c. Command economy
d. Barter economy

168. Appraisal of how much the economic resources of the industry's market behavior form the best possible contribution it can make to achieve relevant socio-economic goals.

- a. Market performance
- b. Market conduct
- c. Facilitative organization
- d. Marketing system

169. The price of the camera is P1,000 while a roll of 36 shots film is P105. This is a form of

- a. Price lining
- b. Skimming price
- c. Captive pricing
- d. F.O.B origin pricing

170. It describes how the capitalistic economy works given the interaction between the households, who are the owners of resources and the firms, who are the users of resources.

- a. Transformation curve
- b. Production Possibility Frontier
- c. Circular flow model
- d. None of the above

171. A Latin phrase which means in Economics "all other things held constant"

- a. Ager cultura
- b. Ceteris paribus
- c. Laissez faire
- d. None of the above

172. Inflation brought about by considerable market power is referred to as

- a. Demand pull inflation
- b. Structural inflation

- c. Cost push inflation
- d. None of the above

173. An attribute that signal quality which are product-related but not part of the physical product itself such as brand name, price, warranty, product form, and level of advertising.

- a. Internal cues
- b. Quality assurance
- c. External cues
- d. Standards

174. Monopolistic competition might also be referred to as:

- a. Pure competition
- b. Perfect competition
- c. Market competition
- d. Imperfect competition

175. The cost incurred in selling the products

- a. Marketing cost
- b. Advertising cost
- c. Distribution/transportation cost
- d. Packaging cost

176. The price of the product with different sizes is: Small = P3.50, Medium = P4.00 and Large = P4.50. This is form of

- a. Captive pricing
- b. Price lining
- c. Skimming price
- d. F.O.B origin pricing

177. Movements along a given demand curve are caused by changes in

- a. Income
- b. Price

- c. Related goods
d. Taste and preferences
178. Also known as the law of diminishing marginal productivity
a. Law of Diminishing Utility
b. Law of Diminishing Returns
c. Law of Diminishing Supply
d. Law of Diminishing Demand
179. Because of scarcity, a choice must be made which in turn involves
a. Trade off
b. Exchange
c. Decisions
d. Priorities
180. Pricing a less desirable product with a more desirable product.
a. Extinction pricing
b. Tie-in pricing
c. Pre-emptive pricing
d. Competitive Pricing
181. Monopsony is a term used in economics to describe a situation in which the following condition applies
a. One buyer
b. Many seller
c. Few seller
d. One seller
182. The difference of marketing revenue and marketing cost
a. Marketing margins
b. Total sales
c. Product cost
d. Selling cost
183. Before, a compact disc was valued at P200 now it is P100. This is an example of
a. Price lining
b. Captive pricing
c. F.O.B origin pricing
d. Skimming price
184. It formalizes the relationship between price and quantity consumers are willing to buy at those prices.
a. Law of supply
b. Demand
c. Supply
d. Law of demand
185. A collective term referring to the use of taxation and government spending to influence the level of income
a. Monetary policy
b. Trade policy
c. Fiscal policy
d. Credit policy
186. Consumer behavior can be understood if the following are considered except
a. Producer's preferences
b. Budget constraints
c. Consumer's preferences
d. Consumer's choices
187. Type of pricing usually used by wholesalers. A pricing agreement is negotiated with the buyer.
a. Extinction pricing
b. Penetration pricing
c. Pre-emptive pricing

- d. Formula Pricing
188. Which of the following issues is a normative economics?
- The benefits from an increase in government spending on education
 - The size of the increase in sales of recyclable materials if the government puts up collection
 - The increase in a firm's profit from its introduction of a better mosquito killer
 - All of the above
189. Subdividing markets into distinct subsets of customers/buyers, where any subset may conceivably be selected as a target market
- Market segmentation
 - Geographic segmentation
 - Demographic segmentation
 - Psychological segmentation
190. A pencil case packed for sale with a scissor, ball pen, pencil, eraser, and foot ruler valued at just P50.00. The pricing strategy applied is
- Captive pricing
 - Skimming price
 - Package pricing
 - Price lining
191. It is an economic system characterized by the public ownership of property resources and collective determination of economic decisions through central economic planning.
- Socialism
 - Communism
 - Fascism
 - Capitalism
192. A grant of immunity to particular persons or corporations from a tax which they are obliged to pay.
- a. Tax exemption
b. Tax avoidance
c. Tax amnesty
d. Tax evasion
193. The theory of consumer sovereignty says that in a free market economy will determine which goods and services to produce
- Consumer
 - Producer
 - Buyer
 - Seller
194. Pricing a product on the basis of their variable costs in order to force firms in weak financial positions to discontinue their production.
- Extinction pricing
 - Penetration pricing
 - Pre-emptive pricing
 - Formula Pricing
195. The wild mushrooms that your father brought home for your consumption is considered:
- A free good since he did not buy them
 - An economic good because the mushroom has an opportunity cost
 - An economic good because it is not abundant in nature
 - Both b and c are true
196. A type of middlemen who buy, take title to and resell the products they handle
- Wholesaler
 - Retailer
 - Merchant middlemen
 - Financier-wholesaler
197. The fastest-growing advertising medium is

- a. Television
 - b. Direct mail
 - c. Magazine
 - d. Radio
198. It is said to exist when the prevailing price of commodity is above the equilibrium price.
- a. Shortage
 - b. Consumer surplus
 - c. Producer surplus
 - d. Surplus
199. The extra product or output added for every one extra unit of the factor added, while other factors are held constant.
- a. Average product
 - b. Total Product
 - c. Constant product
 - d. Marginal Product
200. The best way to avoid buying on installment is by
- a. Withholding consumption
 - b. Borrowing
 - c. Credit buying
 - d. Savings
201. Setting the price of a product so low that the market is unattractive to competitors.
- a. Extinction pricing
 - b. Penetration pricing
 - c. Pre-emptive pricing
 - d. Formula Pricing
202. A downward movement along a given demand curve is a result of:
- a. An increase in the price of the good
 - b. An increase in the income of the consumers
 - c. A decrease in the income of consumers
 - d. A decrease in the price of the good
203. The sequence of firms and individuals comprise of all the intermediates involved in the products/goods and the title to them from the producer to the ultimate consumer
- a. Merchant middlemen
 - b. Professors and manufacturers
 - c. Marketing channel
 - d. Facilitative organizations
204. Sales promotion is conducted mainly by producers and
- a. Wholesalers
 - b. Distributors
 - c. Retailers
 - d. Advertising agencies
205. A marketing service that influences the buyers and/or consumers to buy. The objective is to inform consumers what is available for purchase, especially if the product is new in the market
- a. Market intelligence
 - b. Branching
 - c. Advertising
 - d. Market research
206. Refers to the know-hows and the physical means of transforming resources into want satisfying form.
- a. Depreciation
 - b. Techniques of production
 - c. Production

- d. Resources
207. Capital is usually accumulated frozen
- Savings
 - Interest
 - Profit
 - Rent
208. Which of the following is not one of the five ways of which prices for farm products are "discovered"
- Individual negotiations
 - Organized markets
 - Retailing
 - Collective bargaining
209. In drawing a farmer's supply curve for cabbage, the following factors are kept constant except for:
- Technology
 - Price of cabbage
 - The supplies of inputs
 - Environment factors
210. It is to test and decide the classes of products and labeling them as to quality
- Sorting
 - Standardization
 - Grading
 - Processing
211. The sales promotion technique most likely to hold customers over a period of time would be
- Trading stamps
 - Coupons
 - Bonus packs
- d. Pull premium
212. If the price of good X is negatively related with the demand for Good Y, then,
- Goods X and Y are independent
 - Goods X and Y are complements
 - Goods X and Y are substitutes
 - None of the above
213. The difference between total revenue and total costs
- Profit
 - Breakeven price
 - Marginal revenue
 - Variable cost
214. It is the process by which buyers and sellers arrive at a specific price for a given lot of produce in a given location.
- Price determination
 - Price discovery
 - Price exploration
 - Marketing
215. A decrease in demand with supply constant will lead to:
- A decrease in both price of the product and the equilibrium quantity
 - An increase in the price of the product and a decrease in the equilibrium quantity
 - A decrease in the price of the product and an increase in equilibrium quantity
 - A equilibrium in both price of the product and the equilibrium quantity
216. Means buying a quantity of a product and breaking or dividing the bulk items into amounts desired by customers
- Grading
 - Standardization

- c. Sorting
d. Processing
217. The primary goal of promotion is to
- Inform
 - Remind
 - Persuade
 - Create awareness
218. A vertical supply curve can be associated with
- Long run supply curve
 - Short run supply curve
 - Perfectly elastic supply
 - Perfectly inelastic supply
219. Point where profit is zero.
- MC is constant
 - Break even
 - $MR > MC$
 - $MR = P$
220. The amount of goods and services that your wages can buy is called
- Real wage
 - Free wage
 - Money wage
 - Salary
221. Refers to the process by which the broad forces of supply and demand establish a general market clearing or equilibrium price.
- Price determination
 - Price discovery
 - Price exploration
 - Marketing
222. A government-established price floor will result in excess supply if:
- The quantity demanded is greater than the quantity supplied
 - The floor price is above the equilibrium price
 - The floor price is below the equilibrium price
 - The floor price is equal to the equilibrium price
223. It is a method of pricing the product by adding certain percentage to the cost in producing the product
- Cost-oriented pricing
 - Target pricing
 - Price elasticity
 - Mark-up pricing
224. Which form of monopoly regulation is most advantageous for the consumer?
- Price control
 - Specific tax
 - Lump sum tax
 - All of the above are equally advantages
225. Cost of the self-owned, self-employed resources used by a firm in the production process.
- Implicit cost
 - Cash cost
 - Explicit cost
 - Fixed cost
226. The most common cause of depreciation of land value is
- Depletion of fertility
 - Erosion
 - Acid rain
 - Pollution
227. A market for commodities which are difficult to standardize. It is most widely used where actual inspection of the product is desirable to determine its quality.

- a. Black market
 - b. Auction market
 - c. Supermarket
 - d. Shopping malls
228. Which is not true at market equilibrium?
- a. Surplus equals shortage
 - b. Quantity demanded is equal to quantity supplied
 - c. The price that consumers are willing to pay is equal to the price that sellers are willing to accept
 - d. All of the above
229. Cost-plus pricing, where the costs of producing product or completing a project are totaled and a profit amount or percentage is added on. It describes the pricing of job or products that are non-routine and difficult to value or cost in advance.
- a. Mark-up pricing
 - b. Target pricing or rate of return pricing
 - c. Production cost
 - d. Cost-oriented pricing
230. A form of communication management that seeks to influence the image of an organization and its product and service
- a. Advertisement
 - b. Personal selling
 - c. Sales promotion
 - d. Public relation
231. Which of the following industries most closely approximates the perfectly competitive model
- a. Oil
 - b. Rice farming
 - c. Postal service
- d. Movie
232. It refers to the unintended effect (beneficial or harmful) of production or consumption on other individuals not involved in production or consumption.
- a. Pollution
 - b. Externality
 - c. Side effects
 - d. Social cost
233. It refers to the share of the land used in the production of goods and services
- a. Interest
 - b. Profit
 - c. Dividend
 - d. Wage
234. A type of trading which specify the minimum grade or particular grades of a commodity which must be delivered in fulfillment of the contract at some future date.
- a. "Spot" or cash market
 - b. Future contracts
 - c. Reservations
 - d. Product sampling
235. Demand for the product is elastic. To increase total revenue, the seller should
- a. Increase the price of the product
 - b. Not change the price of the product
 - c. Decrease the price of the product
 - d. Increase quantity supplied
236. Price is determined by adding a desired rate of return on investment to total costs
- a. Target pricing or rate of return pricing
 - b. Return on investment (ROI)

- c. Mark-up pricing
d. Cost oriented pricing
237. This is unpaid media exposure about a firm or its product and service
a. Public relation
b. Publicity
c. Sale promotion
d. Advertisement
238. Pollution is an example of
a. Economies of scale
b. Pecuniary externality
c. Negative externality
d. Positive externality
239. In long-run equilibrium, the pure monopolist can make pure profits because of
a. Advertising
b. High selling prices
c. Blocked entry
d. Low production costs
240. It is defined as the price paid for personal service in production
a. Wage
b. Interest
c. Profit
d. Dividend
241. A type of trading which involves trading in actual commodities, normally on the basis of samples.
a. "Spot" or cash market
b. Future contracts
c. Meet-up
d. Product sampling
242. Which of the following would be true if demand for the good is perfectly inelastic?
a. A decrease in price will increase total revenue because consumers will double the quantity they will buy
b. An increase in price will increase total revenue because consumers will not react to the change in price
c. An increase in price will not change the total revenue because consumers will not react to the change in price
d. All of the above
243. The tool of public relation used to announce important scientific breakthrough or to explain the details of corporate expansion
a. Press releases
b. Sponsored events
c. Company newsletter
d. Interviews & press conferences
244. The price that is equal to a firm's average variable costs, wherein the firm will no longer produce any output
a. Shut down price
b. Break-even price
c. Marginal price
d. Market price
245. A basic cause of inflation is excessive
a. Supply
b. Demand
c. Consumption
d. None of the above
246. A simple bargaining between individual buyers and sellers for each transaction.
a. Individual negotiation

- b. Commodity exchanges
c. Barter
d. Auction house
247. Which of the following is the same for all points on an indifference curve?
a. The prices faced by the consumer
b. The level of satisfaction obtained from consumption
c. The consumers income
d. All of the above
248. It is an oral presentation in a conversation with one or more prospective purchase/buyers for the purpose of making sales
a. Advertising
b. Sales promotion
c. Publicity
d. Personal selling
249. The sales promotion can be effective if the buyer is price
a. Unaffected
b. Insensitive
c. Sensitive
d. Unconscious
250. If the firm stops operating, the loss is equal to
a. Marginal cost
b. Opportunity cost
c. Total variable cost
d. Total fixed cost
251. The main source of government revenues are
a. Taxes
b. Fees
c. Fines
- d. Licenses
252. It is the quantitative expression of the power a product has to attract other products in exchange.
a. Price
b. Utility
c. Opportunity cost
d. Value
253. When the price of a commodity changes, the resulting income effect
a. Always supports the law of demand
b. Always supports the law of demand only for inferior goods
c. Always supports the law of demand only for normal goods
d. Supports the law of demand for normal and inferior goods but not for Giffen goods
254. Means of identifiable effort on the part of the seller to persuade buyers to accept the seller's information and store it in retrieval form. Or it is the company's attempt to stimulate sales by directing persuasive communication to the buyers.
a. Personal selling
b. Advertising
c. Publicity
d. All of the above
255. The free samples of shampoo or soap are examples of
a. Coupons
b. Premiums
c. Sampling
d. Rebate
256. Which is a characteristic of an oligopolistic industry?
a. Market situation with only one seller
b. Market situation with only a few competing sellers

- c. Market situation with one buyer
d. Open market
257. A term created to described a situation of simultaneous economic stagnation, high unemployment and inflation is
- a. Deflation
 - b. Inflation
 - c. Stagnation
 - d. Depression
258. A legally imposed price above the equilibrium price
- a. Price control
 - b. Support Price
 - c. Price ceiling
 - d. Subsidy
259. If the income elasticity of the good is negative, we may conclude that
- a. The good is a normal good
 - b. The demand curve for this good must be downward sloping
 - c. The good is an inferior good
 - d. The good is a substitute good
260. Non-personal stimulation of demand for a product, service, or business unit by panting, commercially significant news about it in published medium or obtaining favorable presentation of it in radio, television, or stage that is not paid for by the sponsor
- a. Publicity
 - b. Advertising
 - c. Promotion
 - d. Selling
261. This is a price reduction mechanism designed to induce immediate purchase
- a. Rebate
- b. Coupons
c. Sampling
d. Premiums
262. Non-price competition often takes the form of
- a. Product differentiation
 - b. Collusion
 - c. Homogenous products
 - d. Price wars
263. Among the effects and widespread unemployment is
- a. Supply effect
 - b. Income effect
 - c. Substitution effect
 - d. None of the above
264. A legally set price below the equilibrium price
- a. Price control
 - b. Price floor
 - c. Price ceiling
 - d. Subsidy
265. The main difference between the long run and the short run is that:
- a. In the long run all input are fixed while in the short run all inputs are variable
 - b. In the long run some inputs are fixed while in the short run one or two inputs are fixed
 - c. All inputs in the long run are fixed while in the short run one or more variable
 - d. All inputs in the long run are variable while in the short run one or more inputs are fixed

266. It is marketing activities, other personal selling, advertising, publicity to stimulate consumer purchasing and dealer effectiveness such displays, shows, and exhibition, demonstrations and various non-recurrent selling efforts not in the ordinary routine.

- a. Sales promotion
- b. Consumer promotion
- c. Sales-force promotion
- d. Trade promotion

267. Giving a gift certificate or travel abroad to your retailer is an example of

- a. Contest
- b. Trade shows
- c. Incentives
- d. Allowance

268. A tax imposed upon the monopolist regardless of the output level

- a. Ad valorem tax
- b. Profit tax
- c. Lump sum tax
- d. Specific tax

269. Changes in real wages are calculated by comparing changes in money wages with changes in the

- a. Rate of profits work
- b. Effort of work
- c. Cost of living
- d. Tax rate

270. The marginal product of a variable input is the:

- a. Change in total output divided by the change in total variable input
- b. Added output produced by an added unit of variable input
- c. Output per unit of variable input
- d. Total output divided by total variable input

271. It is the set of significant institutions, individuals and flows that connect the organization or individuals to its markets.

- a. Marketing facilities
- b. Marketing system
- c. Middlemen
- d. Producers

272. Economics is a ____ science

- a. Social
- b. Biological
- c. Physical
- d. All of the above

273. A formal organization of firms in an oligopolistic industry where decisions regarding output, price, sales are made.

- a. Cooperative
- b. Cartel
- c. Corporation
- d. Partnership

274. Which of the following is not a source of aggregate demand?

- a. Exports less imports
- b. Government expenditures
- c. Savings
- d. Consumption expenditures

275. It is a function performed on a product that alters its form, time, place or possession characteristics. It involves costs and adds value to the product (value added) and somebody has to pay for it.

- a. Services
- b. Production
- c. Marketing

- d. Utility
276. With labor as the variable input, when marginal product of labor is zero.
- Total product is minimum
 - Total product is maximum
 - Total product is increasing
 - Total product is decreasing
277. A management orientation that holds that the key task of the organization or producers is to determine the needs, wants, and values of a target market and to adapt the organization to deliver the desired satisfaction more effectively and efficiently than its competitors.
- Marketing management
 - Marketing concept
 - Product concept
 - Societal marketing concept
278. Economic principles can be presented in
- Graphs
 - Mathematical equation
 - Tabular form
 - All of the above
279. The banner program for agricultural development. It is a transitional blueprint for putting AFMA to work.
- Emergency Employment Program
 - Comprehensive Agrarian Reform Program
 - Urban Development Housing Program
 - Ginintuang Masaganang Ani Program
280. An important difference between personal income and personal disposable income consists of
- Personal wages
- b. Dividends
- c. Investment income
- d. Personal taxes
281. It involves contracting with sellers of inputs, maintaining an adequate supply for production and scheduling deliveries to the local plant.
- Inventory
 - Procurement
 - Marketing
 - Product delivery
282. It refers to the relationship between the maximum amount of output that can be produced and the amount of input required to make that output
- Total physical product
 - Marginal product
 - Production function
 - Input productivity
283. A management orientation aimed at generating customers' satisfaction and long run consumer ad public welfare as the key to satisfying organizational goals and responsibilities
- Product concept
 - Marketing concept
 - Societal marketing concept
 - Marketing management
284. The essential characteristics of capitalism are
- Profit motive
 - Economic freedom
 - No private property
 - A & B
285. The using up of commodities to satisfy human wants

- a. Consumption
b. Distribution
c. Rationing
d. Production
286. The phase of the cycle wherein output and employment expand to full employment is
a. Recovery
b. Peak
c. Recession
d. Trough
287. The word market comes from the Latin word _____ which means merchandise or trade or a place where business is conducted.
a. Marcatus
b. Marcitus
c. Marces
d. Marca
288. The cost incurred by firm that varies with output produced
a. Implicit cost
b. Explicit cost
c. Opportunity cost
d. Variable cost
289. An organization/association who aids the various middlemen in performing their tasks, but do not directly participate in the marketing processes
a. Market associations
b. Broker
c. Facilitative organizations
d. Agent middlemen
290. Goods that are produced to satisfy consumption needs directly
a. Competitive goods
b. Market goods
c. Consumption goods
d. Productive goods
291. Reserve held by the bank over the legal reserve is called
a. Required reserve
b. Excess reserve
c. Interest rate
d. Neither a nor b
292. The opposite of solvency and describes how much of the total capital of the cooperative consists of debt payable to creditors and banks.
a. Indebtedness
b. Loans
c. Assets
d. Net worth
293. Stage III of the production function always begin where the
a. Average product is zero
b. Average product starts to decline
c. Total product starts to decline
d. Marginal product starts to be negative
294. This is a pricing strategy to gain more customers while maintaining/holding the present ones (e.g. Odd-centavo pricing, even centavo pricing, price of P0.99 etc.)
a. Psychological pricing
b. Unit pricing
c. Price lining
d. Special pricing
295. Utilization of goods and services for the satisfaction of wants and needs
a. Production

- b. Distribution
c. Utilization
d. Consumption
296. Goods which do not satisfy consumption needs directly but are used to meet the requirements of other industries.
a. Productive goods
b. Competitive goods
c. Consumption goods
d. Market goods
297. Money balances held to meet unforeseen contingencies is referred to as
a. Speculative demand for money
b. Transaction demand for money
c. Real demand for money
d. Precautionary demand for money
298. Refers to both unsold products and unprocessed raw materials or other inputs
a. Inventory
b. Stocks
c. Inputs
d. None of the above
299. When AC is at a minimum
a. TVC is maximum
b. AVC = MC
c. MC = AC
d. AFC is minimum
300. It is also termed as the arena for exchange between the buyer and the seller
a. Assembly centers
b. Stock exchange
c. Market
- d. Public auction
301. Which item does not belong to the group?
a. Descriptive economics
b. Production economics
c. Policy economics
d. Economic theory
302. The law which states that buyers are likely to buy more goods and services as price decreases and buy less goods and services as prices rises.
a. Law of supply
b. Law of diminishing returns
c. Law of demand
d. Law of increasing cost
303. Nominal money supply is
a. Flow of receipts per unit of time
b. The peso value of the nation's money supply
c. Checking accounts at commercial banks
d. Peso value of the money supply over the price level
304. It is essentially a set of guidelines for the group enterprise.
a. Business plan
b. Vision
c. Mission
d. Rules and regulations
305. When MP is maximum
a. TP starts to increase at a decreasing rate
b. It is the point of inflexion of the TP curve
c. AP is increasing and less than MP
d. All of the above

306. Organizations that deals with business enterprise, which is owned, patronized and managed by members, is called
- Corporation
 - Sole proprietorship
 - Cooperative
 - General partnership
307. Which is not a variable input?
- Level of fertilizer
 - Number of laborers
 - Interest
 - Bags of animal feeds
308. A market condition which causes price to increase decreasing, decreasing the amount that each consumer is willing to buy.
- Demand
 - Surplus
 - Shortage
 - Market equilibrium
309. Phase in the business cycle when economic prosperity is experienced is the
- Recession
 - Peak
 - Trough
 - Recovery phase
310. The introduction of new products or activities to the cooperative.
- Product development
 - Diversification
 - Product sampling
 - Intensification
311. The term economies of scale is most closely related to:
- a. Increasing cost
b. Constant cost
c. Decreasing cost
d. Minimum cost
312. The simplest forms of business organization is
- Corporation
 - Cooperative
 - General partnership
 - Sole proprietorship
313. It shows the physical relationship between the level of inputs and the resulting output of goods and services
- Production possibility
 - Production function
 - Indifference curve
 - Demand curve
314. The demand for "necessities" tend to be
- Elastic
 - Perfectly elastic
 - Inelastic
 - Unitary elastic
315. Commodities that have been processed but require further processing before they are made available to the final consumer are called
- Crude materials
 - Finished goods
 - Durable goods
 - Intermediate goods
316. A method of cost covering with a fixed percentage of the sale's price deducted from the total sales proceeds.
- Kick-back

- b. Tax
c. Commission
d. Share
317. Total product divided by total cost is:
a. Average product
b. Marginal cost
c. Average cost
d. None of the above
318. The process of organizing resources to put an enterprise into existence, to run and manage it on a long term
a. Entrepreneurship
b. Business planning
c. Farm management
d. Enterprise management
319. Which item does not belong to the group
a. Pure profit
b. Rent
c. Wage
d. Interest
320. Meeting the needs of present generations without compromising the ability of future generations to meet their own needs.
a. Sustainable development
b. Economic growth
c. Economic freedom
d. Economic development
321. Keynes' fundamental law states that
a. The change in consumption is greater than the change in income
b. The change in income is greater than the change in consumption
c. People stop consuming when they become affluent
- d. None of the above
322. A union of two or more organizations which creates a new association and terminates the original organizations involved.
a. Merger
b. Subsidiary
c. Consolidation
d. Bankruptcy
323. The cost incurred by a firm in buying inputs is called:
a. Implicit cost
b. Explicit cost
c. Variable cost
d. Opportunity cost
324. A firm based in one country but carries on production research or sales in other countries is referred to as
a. International company
b. National company
c. Multi-national company
d. Local company
325. This is a cost of production
a. Normal profit
b. Pure profit
c. Economic profit
d. Maximum profit
326. Enterprise that utilizes a high ratio of labor or capital relative to a particular land resource
a. Extensive
b. Subsistent
c. Intensive

- d. Sustainable
327. Which of the following statements is incorrect?
- A household's average holding of money for transactions is unrelated to its pattern of expenditure
 - A household's average holding on money for transactions increases as the level of disposable income increase's
 - A household's average holding of money for transactions increases as the number of days in a pay period increases
 - None of the above
328. The absorption of one association by another with only the acquiring cooperative retaining its corporate identity.
- Merger
 - Subsidiary
 - Consolidation
 - Bankruptcy
329. In the short run period all cost are
- Changing as output varies
 - Variable
 - Fixed
 - None of the above
330. Industries that are concerned with manufacturing of industrial services engaged in production with total assets of more than 5M but not exceeding 51 and an employment size of 5-99 workers is a
- Barangay-based microenterprise
 - Large scale industry
 - Small-scale industry
 - Medium-scale industry
331. Maximum profit is the same as maximum total output. This statement is
- True
- b. False
c. Neither true nor false
d. May be true and may be false
332. The economic principle that seek or helps to explain specialization of production or specialization of doing a particular activity.
- Principle of Diminishing Marginal Utility
 - Principle of Comparative Advantage
 - Principle of Diminishing Returns
 - Principle of Increasing Cost
333. Disposable income can either be spent on which two items?
- Consumption and savings
 - Savings and investment
 - Consumption and investments
 - None of the above
334. A measure of the ability to repay long-term debt. One measure is the ratio net worth divided by total assets.
- Viability
 - Liquidity
 - Durability
 - Solvency
335. Which of the following cost declines as output increases
- Average variable cost
 - Average total cost
 - Average fixed cost
 - Total fixed cost
336. A frequently used provisions of labor contracts that grants wage increases based on changes in the consumer price is
- Amelioration fund

- b. Cost of living allowance (COLA)
c. 13th month pay
d. Cash gifts
337. Profit is ____ when the marginal revenue is equal to marginal cost.
a. Positive
b. Maximum
c. Minimum
d. Zero
338. The principal determinant of supply elasticity is
a. Time
b. Demand
c. Price
d. Supply
339. The ability to repay short-term debt (current liabilities). One measure is the current ratio.
a. Viability
b. Liquidity
c. Durability
d. Solvency
340. Which of the following criteria is used in classifying markets based on structure?
a. Types of sellers or buyers
b. Location of market
c. Homogeneity of products
d. Taste and preferences of consumers
341. The law which promotes high value crops, is
a. RA3438
b. RA 7900
c. RA 6455
- d. RA 6436
342. One rule in the production of product particularly in the short run period, if total revenue is greater than variable cost, the business must
a. Shutdown
b. Operate
c. Indifferent
d. A & b
343. A development strategy which is designed to promote domestic industry to replace imports.
a. Outward-looking development
b. Inward-looking development
c. Balanced development
d. "Basic needs" Strategy
344. A cooperative's proceeds, usually called net savings, are returned to members in proportion to their use of the cooperative—that is, according to the amount they bought or sold to the cooperative.
a. Patronage refund
b. Shares
c. Dividend
d. Stocks
345. Homogenous product means that:
a. The product of one seller is a perfect complement for another seller's product
b. The product of one seller is a perfect substitute for another seller's product
c. The product of each seller is different
d. The product of each seller is unique
346. A measure of determining which resource a country to use abundantly in order to be competitive in the export market is

- a. Record Company of America
- b. Rice and Corn Administration
- c. Revealed Comparative Advantage
- d. Resonance Competitive Advantage

347. In the long-run period of production process, all costs are

- a. Fixed
- b. Constant
- c. Variable
- d. None of the above

348. A development strategy which is designed to promote industry to replace imports.

- a. Inward-looking development
- b. Balanced development
- c. Outward-looking development
- d. "Basic needs" Strategy

349. Macroeconomics maybe divided into four sectors except

- a. GNP sector
- b. Public sector
- c. Money sector
- d. Unemployment and inflation sector

350. An association of local cooperatives in which the local associations elect a board of directors to govern the central association, with the locals retaining their autonomous character.

- a. Credit union
- b. Corporation
- c. Cartel
- d. Federation

351. Any price lower ATC but higher than AVC is

- a. Loss minimization
- b. Shut down condition
- c. Profit maximization
- d. None of the above

352. The main recipients of redistributed lands by virtue of CARP are

- a. Agricultural Resource Committee
- b. Association of Reformed Communities
- c. Agricultural Rehabilitation Centers
- d. Agrarian Reform Communities

353. A price index of 125% means that the current price is ____higher than the price in the base year.

- a. 125%
- b. 100%
- c. 25%
- d. 1.25%

354. Which among the following is NOT a source of monopoly power?

- a. Ownership of a patent
- b. Control over supply of raw material
- c. Free entry to the industry
- d. Product being produced has no close substitute

355. Specialization and division of labor will likely to result in:

- a. Diseconomies of scale
- b. Economies of scale
- c. Law of diminishing marginal returns
- d. Any of the above

356. Which of the following will be determined in the product market?

- a. The price of a new pair of leather shoes
- b. Manager's salary
- c. The price of equipment used In a manufacturing firm

- d. The price of a 30 – hectare farmland
357. The interest rate that Central Bank charges to commercial banks is called
- Reserve requirement
 - Market interest rate
 - Flat money
 - Rediscount rate
358. It refers to any activity that uses resources today allowing for greater production in the future, and hence greater consumption
- Inventory
 - Saving
 - Investment
 - Deposit
359. A cooperative's proceeds, usually called net savings, are returned to members in proportion to their use of the cooperative—that is, according to the amount they bought or sold to the cooperative.
- Patronage refund
 - Shares
 - Dividend
 - Stocks
360. Using marginal approach the firm will maximize profit or minimize losses by producing at the point where:
- Total revenue = total cost
 - Marginal cost = marginal product
 - Marginal revenue = marginal cost
 - Marginal cost = marginal utility
 - Marginal revenue = price of the output
361. The agency which is mainly responsible to promote the welfare of fishery sector is
- a. Bureau of Freshwater and Aquaculture Resources
- b. Bureau of Freshwater and Agricultural Resources
- c. Bureau of Fisheries and Aquatic Resources
- d. All of the above
362. Which item does not belong to the group?
- Adjusted GNP
 - Nominal GNP
 - GNP at current price
 - Unadjusted GNP
363. The strawberries of Benguet can be bought in the supermarkets of Manila. What utility was created in this situation?
- Form utility
 - Time utility
 - Possession utility
 - Place utility
364. This marketing function involves the establishment and maintenance of uniform measurement. This function also simplifies buying and selling, since it makes possible the sale by sample and description.
- Financing function
 - Risk – bearing
 - Market intelligence function
 - Standardization function
365. Interest, the payment for the use of capital is commonly expressed
- In absolute amount
 - As a combination of percentage and absolute amount
 - In percent
 - None of the above

366. An association of local cooperatives in which the local associations elect a board of directors to govern the central association, with the locals retaining their autonomous character.
- Credit union
 - Corporation
 - Cartel
 - Federation
367. Marginal revenue = Average product = Price of output is true for:
- Monopolistic competition
 - Imperfect competition
 - Oligopoly
 - Perfect competition
368. The program which is only focused to redistribute lands to eligible farmers is known as
- Comprehensive Reform Program
 - Land Reform Program
 - Cooperative Development Administration
 - Cooperative and Development Agency
369. Which item does not belong to the group?
- Real GNP
 - GNP at constant price
 - Adjusted GNP
 - Unadjusted GNP
370. This marketing function addresses the problem of product seasonality. The primary aim of which is to help balance the period of plenty to the period of scarcity
- Pooling
 - Processing
371. A minimum wage rate higher than the market wage rate results in
- Labor
 - An equilibrium in the labor market
 - Labor surplus
 - None of the above
372. The ownership interest of a company's members or stockholders as distinguished from that of bond holders or lenders; total assets less total liabilities
- Dividend
 - Equity
 - Share
 - Interest
373. A situation in which the absolute value of the price elasticity coefficient is less than one
- Elastic demand
 - Inelastic demand
 - Kinked demand curve
 - Perfectly elastic demand
374. The main subject of GATT-WTO organization is the reduction of
- Levies
 - Tariffs
 - Quantitative restrictions
 - Subsidies imposed on agricultural products
375. It is a better indicator of the performance of an economy among different time periods.
- Money GNP
 - Real GNP

- c. Nominal GNP
d. Unadjusted GNP
376. It is one type of middleman in agricultural marketing whose function, in modern times, have increased from challenging product forms to buying raw materials to wholesaling the finished product to retailers
- Assembler-wholesaler
 - Processors and manufacturers
 - Wholesalers
 - Facilitative organization
377. The change in equilibrium income as a result of a one-peso change in the autonomous component of aggregate expenditure is called
- Multiplier
 - Marginal propensity to consume
 - Marginal propensity to save
 - None of the above
378. Which of the following groups is not penalized by inflation?
- Savers
 - Creditors
 - Debtors
 - Fixed money income groups
379. A sum of money taken out of a corporation's net profits and paid to shareholders based on their equity investment
- Dividend
 - Equity
 - Share
 - Interest
380. The satisfaction obtained from the goods and services that consumer consumes
- Utility
- b. Consumption
c. Demand
d. Superior goods
381. It measures the degree given to value added of agricultural sector
- Effective Prevention Ration
 - Effective protection Reconnaissance
 - Effective Protection Rate
 - None of the above
382. The variation (up and down) in national income is affected by
- Savings
 - Population
 - Investment
 - All of the above
383. The change in consumption spending that arises from a one-peso change in disposable income is called
- Marginal propensity to save
 - Marginal propensity to consume
 - Multiplier
 - None of the above
384. A point outside the production possibility frontier indicates that given the technology and resources available, this combination is
- Unattainable
 - Attainable but inefficient
 - Unattainable but best for society
 - Attainable and is best for society
385. A cooperative organized to create a source of loanable funds for useful purposes and to educate its member in financial matters.
- Exclusive cooperative

- b. Bargaining cooperative
- c. Consumer cooperative
- d. Credit union

386. Savings is an increasing function of

- a. Income
- b. Investment
- c. Interest
- d. Consumption

387. The ___ reflects the current and capital accounts of a country vis-à-vis other countries

- a. Balance of trades
- b. Balance of payments
- c. Balance of tariffs
- d. Balance sheet

388. Using the income approach in calculating the national income, which one is not included

- a. Wage
- b. Profits
- c. Interest
- d. Depreciation

389. It is a marketing activity which involves the sorting of products into lots or units according to one or more of their quality attributes

- a. Standardization
- b. Packaging
- c. Grading
- d. Branding

390. Asset demand for money is also known as

- a. Speculative demand

- b. Transaction demand
- c. Precautionary demand
- d. None of the above

391. Marginal utility

- a. Is the extra satisfaction from the consumption of one more of he some good or service
- b. Is the extra output a firm obtains when it adds another units of labor
- c. Explains why product supply curves are upsloping
- d. Typically rises as successive units of a good are consumed

392. A statement showing the assets, liabilities, and net worth (or owner equity) of a business on a specified date, usually the end of the year.

- a. Ledger
- b. Balance sheet
- c. Record notebook
- d. Record keeping

393. A schedule which shows the various amounts households plan to save at various levels of income is referred to as

- a. Consumption function
- b. Investment function
- c. Savings function
- d. Demand function

394. It provides climate for enhancing competitiveness and food security of the country

- a. High Valued Commodity Crops Act
- b. High Value Commercial Crops Act
- c. High Valued Corn and Crops
- d. All of the above

395. Using the product or expenditure approach in calculating the GNP, which one is not included

- a. Household consumption expenditures
- b. Net exports
- c. Government purchase of goods and services
- d. Indirect business taxes

396. A marketing function which does not only encourage consumers to buy, but also to encourage them to buy more than what they need.

- a. Advertising
- b. Packaging
- c. Selling
- d. Promotion

397. This represents the liabilities of the Central Bank to the public sector in the form of currency in circulation and to the banking sector in the form of cash reserves.

- a. Interest rate
- b. Rediscount rate
- c. Reserve money
- d. Time deposit

398. Every time the government is in a deficit, it must borrow from the following except from the

- a. Religious sector
- b. Private sector
- c. Public sector
- d. Foreign sector

399. A cooperative whose sole or principal function is to bargain for terms of sale. It does not handle the actual products as an operating cooperative does.

- a. Bargaining cooperative
- b. Consumer cooperative

- c. Farm supply cooperative
- d. Exclusive cooperative

400. Strengthened the implementation of CARP

- a. RA 7905
- b. RA 7906
- c. RA 7907
- d. RA 7908

401. Most pricing policies adopted by the government are

- a. Favoring urban consumers
- b. Distortionary
- c. Support farmers
- d. All of the above

402. Consumption is influenced by several factors except the

- a. Technology
- b. Rate of interest
- c. Price level
- d. Taxes

403. They are those individuals or business concerns that specialize in performing the various marketing functions involved in the purchase and sale of goods as they are moved from producers to consumers

- a. Processors
- b. Middlemen
- c. Farmers
- d. Consumers

404. The proportion by which the public hold money in the form of cash or deposits is called

- a. Reserve-deposit ratio
- b. High-powered money

- c. Rediscount rate
d. Currency-deposit ratio
405. The legal method to reduce taxes owed to the government is called a tax
a. Loophole
b. Rebate
c. Evasion
d. Incentive
406. Is similar to a function: flow describes the movement created by the performance of function in the channel of distribution.
a. Market flow
b. Market distribution
c. Market link
d. Market line
407. The most common indicator of changes in the general price level is
a. Inflation rate
b. Interest rate
c. Consumer price index
d. Deflation rate
408. Land reform is intended to place the ownership of land in the hands of the
a. Landlord
b. Tiller
c. Tenants
d. Lease
409. Investment is determined by the following factors
a. Interest rate
b. Marginal efficiency of investment(MEI)
c. Price level
d. Both a & b
410. The simplest product flow is
- a. F-WR-C
b. F-CB-R-C
c. F-AW-WR-C
d. F-WR-R-C
411. The monetary base of an economy is called
a. Reserve-deposit ratio
b. Currency-deposit ratio
c. High-powered money
d. Rediscount rate
412. Evident where there are variations in price in different parts of the world. For example rarity value, or where shipping costs increase price.
a. Promotional Pricing
b. Geographical Pricing
c. Product bundle pricing
d. Value Pricing
413. GDP represents the:
a. Market value of all goods and services produced by the economy at a given year
b. Market value of intermediate goods and services produced by the economy at a given year
c. Market value of all final goods and services produced by the economy at a given year
d. Market value of all consumer goods and services produced by the economy at a given year
414. All these agencies are involved in improving agricultural production except the
a. Court of Agrarian Relation
b. Department of Environment and Natural Resources
c. Department of Agrarian Reform
d. Department of Trade and Industry

415. Real income includes
- Legal services
 - Television
 - Foods
 - All of the above
416. The volume handled by the farmers represents their
- Marketable surplus
 - Total production
 - Production + consumption
 - Production + imports
417. Money-serves as a
- Store of value and standard for deferred payment
 - Unit of account
 - Medium of exchange
 - All of the above
418. It is a tax based on a percentage of income that varies inversely with the level of income
- Progressive tax
 - Proportional tax
 - Regressive tax
 - All of the above
419. Pricing to promote a product is a very common application. There are many examples of promotional pricing including approaches such as BOGOF (Buy One Get One Free).
- Promotional Pricing
 - Geographical Pricing
 - Product bundle pricing
 - Value Pricing
420. The nominal GDP and the real GDP in a given year, except the base year, differs because:
- Of the exclusion of intermediate goods
 - Of changes in the price level
 - Of improvement in technology
 - Of changes in the stock of capital
421. For the country to be industrialized, the strategy should be
- Export-based
 - Import-based
 - Business-based
 - Agri-based
 - All of the above
422. It refers to the exchange of goods and services between one country and other countries
- Selling
 - International trade
 - Exchange rate
 - Barter system
423. It is a type of middleman who takes title to and therefore, owns the products he handles. He also buys and sells for his gain.
- Middleman
 - Commission agent
 - Broker
 - Merchant middleman
424. Proportion of deposits that banks are mandated by the Central Bank (CB) to keep either as vault cash or as a deposit with the CB for safekeeping is called
- Excess reserves
 - Currency-deposit ratio
 - Reserve-deposit ratio

d. Required reserve

425. When a government wishes to create excess demand for foreign exchange, it basically adopts of exchange rate

- a. Overvaluation
- b. Devaluation
- c. Depreciation
- d. Deterioration

426. Here sellers combine several products in the same package. This also serves to move old stock. Videos and cds are often sold using the bundle approach.

- a. Promotional Pricing
- b. Geographical Pricing
- c. Product bundle pricing
- d. Value Pricing

427. An example of non-current production is

- a. Purely financial transaction
- b. Underground economy
- c. Second hand goods
- d. All of the above
- e. Both a and b

428. If a country has a positive balance of trade

- a. Its imports exceeds exports in value
- b. Its exports exceeds imports in value
- c. Its debts have been paid
- d. It has no deficit

429. It concerns with the allocation of economic resources among countries

- a. International trade
- b. International economics
- c. Economic nationalism

d. Production

430. Fred is able to help negotiate the purchase process, while uniting buyers and sellers. They greatly value his expertise, and he doesn't have to buy the products in order to resell them. Fred is a .

- a. Broker
- b. Commission merchant
- c. Truck wholesaler
- d. Drop shipper

431. The "Paradox of Thrift" states that

- a. Higher savings cause equilibrium income to increase
- b. Higher savings cause a reduction in equilibrium income
- c. Higher savings does not affect equilibrium income
- d. None of the above

432. The regulatory agency responsible to register and monitor cooperative is called

- a. Cooperation and Development Agency
- b. Cooperative Development Authority
- c. Cooperative Development Administration
- d. All of the above

433. This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis. For example 'price point perspective' 99 cents not one peso.

- a. Psychological Pricing
- b. Product Line Pricing
- c. Optional product pricing
- d. Captive product pricing

434. An example of illegal transaction

- a. Sale of illegal drugs
- b. Gambling

- c. Prostitution
d. All of the above
435. The performance of the foreign trade is not determined by
- Foreign policies
 - Demand for goods
 - Restrictions
 - Trade laws
436. It refers to the control of resources of the country by its own people to ensure its own utilization primarily for their own interest and enjoyment
- Economic Liberalism
 - International trade
 - Patriotism
 - Economic nationalism
437. Which among the following transactions should be included in the computation of GNP?
- Sale of second-hand automobile
 - Sale of agricultural products like vegetables and cereals
 - Sale of marketable securities like bonds and stocks
 - None of the above
438. The extent of protection of agricultural outputs is measured by
- National Power Corporation
 - National Performance Coefficient
 - National Protection Cofactor
 - Nominal Protection Coefficient
439. Charge a high price because you have a substantial competitive advantage. However, the advantage is not sustainable. The high price tends to attract new competitors into the market, and the price inevitably falls due to increased supply.
- Penetration Pricing
- b. Premium Pricing
c. Economy Pricing
d. Price Skimming
440. The curve that plots the relationship between the quantity of a good consumed and income.
- Income consumption curve
 - Engel curve
 - Production curve
 - Product possibility frontier
441. Which do not belong to the group?
- Imports
 - Exports
 - Taxes
 - Savings
442. The arm of the government that oversees trade, industry, and investment activities is the
- Philippine Trade Training Center
 - Philippine International Trading Corporation
 - Department of Tourism
 - Department of Trade and Industry
443. The process of transferring the output of a production process to the different sectors of the economy.
- Marketing
 - Distribution
 - Transportation
 - Selling
444. The phase of the business cycle wherein output is at its highest and employment expands to full employment.

- a. Peak
b. Trough
c. Recovery
d. Recession
445. A demand for wage increase can cause
a. Demand-pull inflation
b. Both Demand-pull inflation and cost-push inflation
c. Cost-push inflation
d. None of the above
446. The trading block where the Philippines belongs is
a. ASEAN Free Trade Area
b. ASEAN for Trade Association
c. Atlantic Free Trade Association
d. Association of Food and Trade Asia
447. This is a no frills low price. The cost of marketing and manufacture are kept at a minimum. Supermarkets often have economy brands for soups, spaghetti, etc.
a. Penetration Pricing
b. Premium Pricing
c. Price Skimming
d. Economy Pricing
448. When an economy undergoes basic structural changes like trends towards traditional agriculture to modern industry, transformation of rural sectors into urban units, replacement of small scale & cottage industries by large scale manufacturing units, and introduction electricity or others.
a. Seasonal Unemployment
b. Cyclical Unemployment
c. Disguised Unemployment
d. Structural unemployment
449. Which of the following expresses how changing prices affect households?
a. CPI
b. GDP deflator
c. PPI
d. All of the above
450. An investment is not acceptable if Benefit Cost Ratio is
a. One
b. Greater than one
c. Positive
d. Less than one
451. It is the utilization of goods and services
a. Consumerism
b. Satisfaction
c. Distribution
d. Consumption
452. The reserve held by the bank over and above the legal reserve
a. Required reserve
b. Excess reserve
c. Interest rates
d. None of the above
453. It measures the degree given to value added of agricultural sector
a. Effective Prevention Ration
b. Effective Protection Rate
c. Effective Protection Reconnaissance
d. None of the above
454. The price charged for products and services is set artificially low in order to gain market share. Once this is achieved, the price is increased. This approach was used by France Telecom and Sky TV.
a. Penetration Pricing

- b. Premium Pricing
c. Price Skimming
d. Economy Pricing
455. A situation where the productivity of the working force is very low because the number of workers is more than what is optimally desirable
- Seasonal Unemployment
 - Cyclical Unemployment
 - Disguised Unemployment
 - Structural unemployment
456. If changes in business inventory is negative
- It adds to GDP
 - It had no impact on GDP
 - Net investment declines
 - It reduces GDP
457. Cooperation among APEC members based on the following except
- Common funding
 - Equal partnership
 - Shared responsibility
 - Mutual respect
458. The process of creating surplus
- Production
 - Wealth-getting
 - Utilization
 - Consumption
459. The problem of unemployment exists when people who are willing and able to work could not find jobs. What type of unemployment is caused by a deficiency of aggregate or total demand?
- Frictional unemployment
- b. Structural unemployment
c. Cyclical unemployment
d. Underemployment
460. It is a money wage expressed in terms of the goods and services it can purchase.
- Money wage
 - Real wage
 - Nominal wage
 - Minimum wage
461. The _____ reflects the current and capital accounts of a country vis-a-vis other countries.
- Balance of Trade
 - Balance of Payment
 - Balance of Tariffs
 - Balance Sheet
462. Use a high price where there is uniqueness about the product or service. This approach is used where a substantial competitive advantage exists. Such high prices are charge for luxuries such as Executive/business flights.
- Penetration Pricing
 - Premium Pricing
 - Price Skimming
 - Economy Pricing
463. A condition that will exist in such productive activities which can be undertaken only during a specific season.
- Seasonal Unemployment
 - Cyclical Unemployment
 - Disguised Unemployment
 - Structural unemployment

464. If volume of actual economic activity stays the same during the consecutive years but inflation of 10% occurs,
- Real GDP increases
 - Nominal GDP increases
 - Nominal GDP is constant
 - Real GDP is constant
 - Any of the above
465. The important liberalization program of the Philippines is a result of the country joining the
- GATT
 - APEC
 - ASEAN
 - OPEC
 - All of the above
466. The income arising from entrepreneurship is
- Profit
 - Rent
 - Salary
 - Wage
467. This is a group of policies where public budget, government spending and tax collections are manipulated to achieve full employment
- Agricultural policy
 - Fiscal policy
 - Business policy
 - Monetary policy
468. Accelerated the acquisition and distribution of agricultural lands, pasture lands, fishponds, agro-forestry lands and other lands of the public domain suitable for agriculture.
- EO No. 407, June 14, 1990
469. Most pricing policies adopted by the government are
- Favoring urban consumers
 - Distortionary
 - Support farmers
 - None of the above
470. Is the provision of resources by one party to another party where that second party does not reimburse the first party immediately, thereby generating a debt and instead arranges either to repay or return those resources (or material(s) of equal value) at a later date. It is any form of deferred payment.
- Credit
 - Market Output
 - Market chain
 - Raw resources
471. Adding indirect business taxes to national income equals
- Domestic income
 - Net national product (NNP)
 - Personal disposable income (PDI)
 - Personal income
472. It seek to modernize the Philippine Agriculture for the country to compete in the global market
- GATT
 - Geneva round
 - AFMA
 - APEC
473. The basic foundation economics is
- Scarcity of resources

- b. Unlimited wants
c. Society
d. Both a & b
474. It measures the change in the equivalent level of income due to a change in the aggregate expenditures
a. Balance budget multiplier
b. Marginal propensity to consume
c. Multiplier
d. Marginal propensity to save
475. It is the value of money a peso compared to its full value in a given base year.
a. WPI
b. PPP
c. CPI
d. RPI
476. It is an assurance by the seller of the quality of performance of a product.
a. Product liability
b. Product warranty
c. Product life
d. Product license
477. A decrease in the general price level or a rise in the purchasing power of money.
a. Inflation
b. Depression
c. Deflation
d. Economic growth
478. Study of the causal relationships that exist in economics, no value judgments are involved.
a. Positive economics
b. Normative economics
c. Objective functions
d. All of the above
479. The provisions of the WTO came from the results of negotiations under the
a. Geneva round
b. Morocco round
c. Uruguay round
d. None of the above
480. Crude oil is one of the primary inputs to production for it runs factory machines and equipment. An increase in its price in the world market will result to what type of inflation?
a. Cost push inflation
b. Demand pull or excess demand inflation
c. Demand shift inflation
d. None of the above
481. Vested in the Land bank of the Philippines the responsibility to determine land valuation and compensation for all lands covered by CARP
a. EO No. 407, June 14, 1990
b. EO No. 406, June 14, 1990
c. EO No. 405, June 14, 1990
d. EO No. 404, June 14, 1990
482. It is the management's legal responsibility for defective products that cause injury to consumers.
a. Product liability
b. Product warranty

- c. Product life
d. Product license
483. The ratio of the tax to a payer's income
a. Tax burden
b. Taxable income
c. Lost income
d. Government money
484. A technique for solving maximization and minimization problems where the function operated upon is linear and is subjected to linear constraints
a. Linearly homogenous production function
b. Limit pricing
c. Linear programming
d. All of the above
485. The declared policy in the promotion and development of organic agriculture in the Philippines
a. Executive order No. 581
b. Executive order No. 481
c. Executive order No. 477
d. Executive order No. 488
486. Under _____ public ownership is stressed more than private ownership
a. Capitalism
b. Socialism
c. Communism
d. All of the above
487. These are goods purchased and resold with or without further processing
a. Formal goods
b. Services
- c. Economic goods
d. Intermediate goods
488. It is a process in which a firm tries to create perception in a consumer's mind as to where a given product or brand fits in relation to competing products or brand.
a. Product imitation
b. Product deletion
c. Product positioning
d. Product cannibalization
489. A decrease in the general price level or a rise in the purchasing power of money.
a. Inflation
b. Depression
c. Deflation
d. Economic growth
490. The difference between a firm's total receipts and its total cost when total receipts exceed total costs, including as costs the alternative costs of all resources used.
a. Total revenue
b. Marginal revenue
c. Fixed cost
d. Profits
491. An act providing for the development and promotion of the organic agriculture in the Philippines and for other purposes
a. RA 8435
b. RA 10068
c. RA 1947
d. RA 10000

492. Ability of a country to produce a commodity at a lower cost compare to another country

- a. Comparative disadvantage
- b. Absolute advantage
- c. Absolute disadvantage
- d. Comparative advantage

493. Which of the following relationship between Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) is true?

- a. $MPC - MPS = 0$
- b. $MPC - MPS = 1$
- c. $MPC + MPS = 1$
- d. None of the above

494. It represents the net income of the various unincorporated business enterprises.

- a. Depreciation
- b. Net income
- c. Proprietor's income
- d. Rental income of persons

495. It is the process in which a company introduces a new product whose sales are partially derived from the sales of the company's existing products.

- a. Product imitation
- b. Product deletion
- c. Product positioning
- d. Product cannibalization

496. The ratio of the tax to a payer's income

- a. Tax burden
- b. Taxable income
- c. Lost income

d. Government money

497. Financial analysis can be done for:

- a. Quantitative data
- b. Qualitative data
- c. Both a and b
- d. Financial statements

498. The powerful bicameral body that will oversee and monitor the strict and successful implementation of AFMA

- a. Congressional Commission on Agricultural Modernization (AGRICOM)
- b. National Agriculture and Fisheries Council (NAFC)
- c. Congressional Oversight Committee on Agricultural and Fisheries Modernization (COCAFAM)
- d. Congress

499. The republic act created the Agricultural Credit Cooperative Financing Administration

- a. RA 821
- b. RA 822
- c. RA 823
- d. RA 824

500. States simply that the rate of growth of GNP is determined by the national savings ratio and capital-output ratio

- a. Lewis Model
- b. Harrod-Domar growth model
- c. Rostow's model
- d. Dualistic model

501. Interest bearing certificates of indebtedness

- a. Bonds
- b. Notes receivable

- c. Notes payable
d. Borrowings
502. Fine-tuning of the marketing mix by marketing it in a limited geographic area.
a. Sampling
b. Market testing
c. Freebies
d. Exclusive distribution
503. The following term refers to the value of all inputs used in production
a. Cash and non-cash cost
b. Production cost
c. Variable cost and fixed cost
d. All of the above
504. These are zones identified based on the network of protected areas for agricultural and agroindustrial development
a. Network of Areas for Agricultural and Agro-industrial Development (NAAAD)
b. Strategic Agricultural and Fisheries Development Zones (SAFDZ)
c. Model Farms
d. Agro-Industry Modernization Credit and Financing Program (AMCFP)
505. Type of goods that the consumers use together, _____ when the price of one changes, the demand for the other good changes in the opposite direction
a. Complements
b. Independent goods
c. Supplementary goods
d. Normal goods
506. This theory viewed the process of development as a series of successive stages through which all countries must pass
a. International dependent theory
b. Linear stages theory
- c. Neoclassical model
d. Structural change model
507. It is a means by which a government provides financial resources to cover a budget deficit or allocated financial resources arising from a budget surplus
a. Insurance premiums
b. Financing
c. Investment
d. None of the above
508. Indicates the product quality. Ex. Meat may be graded as choice or prime. Canned fruits are grade labeled A, B, C.
a. Brand label
b. Grade label
c. Descriptive label
d. Informative label
509. Money without intrinsic value that is used as money because of government decree
a. Commercial money
b. Commodity money
c. Fiat money
d. Coins
510. These costs are specific to a particular crop or livestock activity and vary more or less on the size of the production activity or output level
a. Cash costs
b. Fixed costs
c. Variable costs
d. Non-cash costs

511. An agency whose function is to safeguard consumer safety in the use of agriculture and fisheries products
- Bureau of Agriculture and Fisheries Product Standards (BAFPS)
 - Hazard Analysis Criteria Control System (HACCP)
 - Organic Certification Center of the Philippines (OCCP)
 - Bureau of Food and Drugs (BFAD)
512. A demand in the general price level caused by a decrease in the level of aggregate supply
- Demand-pull inflation
 - Cost-push inflation
 - Depreciation
 - None of the above
513. It is a concept which represents the existence and persistence increasing divergence between rich and poor nations and rich and poor people in various levels.
- Neoclassical
 - Dualism
 - Equity
 - Say's Law
514. It is the difference between gross final output and intermediate output
- Gross domestic product
 - Gross national product
 - Gross domestic capital function
 - Gross value added
515. A part of the package which carries information about the product to communicate with those who purchase or might purchase the product.
- Packaging
 - Label
516. It consists of savings banks, private development banks, stock savings and loans associations, and microfinance.
- Commercial banks
 - Thrift banks
 - Specialized banks
 - Rural banks
517. The value of the total output or total production including the value of products/by-products consumed or used in the farm (e.g. Sold, used for consumption, used on farm for seed or livestock feed, used for payments in kind, given to others, or stored)
- Cash income
 - Net income
 - Total sales
 - Gross income
518. The most ambitious round to date hoping to expand the competence of the GATT to important new areas such as services, capital, intellectual property, textiles and agriculture
- Uruguay round
 - Annecy round
 - Torquay round
 - Dillon round
519. The cost of purchasing a fixed input is called
- Variable cost
 - Fixed
 - Overhead cost
 - All of the above

520. The country had entered into this group in 1994 as an accession to global trade development

- a. World Tariff Organization
- b. Welfare and Trade
- c. World Trade and Organization
- d. World Trade Organization

521. They are export of imported goods which do not undergo physical and/or chemical transformation in the Philippines.

- a. Non-traditional export
- b. Re-exports
- c. Traditional export
- d. None of the above

522. Also known as no-name, no frills, or plain wraps that consequently met an importance for a low-cost alternative to nationally branded products.

- a. Cheap goods
- b. Imitations
- c. Unbranded goods
- d. Generic goods

523. It is essentially a technique by which one can "reduce" the future benefit and cost streams to their present worth

- a. Price ceiling
- b. Price flooring
- c. Discounting
- d. Sale

524. What constitute the value of farm output that are sold?

- a. Net income
- b. Cash income
- c. Gross income

- d. Non-cash costs

525. A market

- a. Necessarily refers to a meeting place between buyers and sellers
- b. Extends over the entire nation
- c. Does not necessarily refer to a meeting place between buyers and sellers
- d. Extends over a city

526. It is a measure of determining which resource a country should use abundantly in order to be competitive in the export markets

- a. Record Company of America
- b. Rice and Corn Administration
- c. Revealed Comparative Advantage
- d. Resonance Competitive Advantage

527. A multilateral contract among member countries to gradually remove trade protection thus allowing free trade is known as:

- a. General Agreement on Tariffs and Trade
- b. General Agreement on Trade and Taxes
- c. General Agriculture on Tariffs and Trade
- d. None of the above

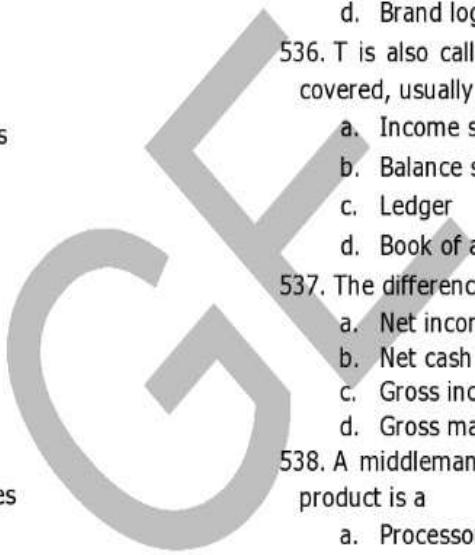
528. It is the amount of money or other resources measured in terms of money placed on activities or other forms of assets for the purpose of earning profit.

- a. Capital investments
- b. Stocks
- c. Subscription capital
- d. Investments

529. It is also called as private brands. A brand developed by the wholesaler or retailer who assumes the major responsibility for them. They are also called private brands.

- a. Manufacture brand

- b. Trademark
 - c. Distributor brand
 - d. Brand logo
530. It refers to the length of time required to recover the capital cost of the project
- a. Payback period
 - b. Income years
 - c. Investment return
 - d. None of the above
531. The difference between total cash income and total cash costs
- a. Net income
 - b. Gross income
 - c. Net cash income
 - d. Non-cash costs
532. The function that adds place utility to a commodity
- a. Storage
 - b. Processing
 - c. Selling
 - d. Transportation
533. It refers to the cost of a self-owned or self-employed resources
- a. Opportunity cost
 - b. Implicit cost
 - c. Fixed cost
 - d. Variable cost
534. Utility is a measure of:
- a. Output
 - b. Usefulness
 - c. Satisfaction
- d. Indifference
535. It is also known as national brands. The producer assumes the responsibility for the naming, pricing, promotion and product- quality decisions.
- a. Manufacture brand
 - b. Trademark
 - c. Distributor brand
 - d. Brand logo
536. T is also called profit-loss statement. It shows firm's earnings for the period covered, usually half yearly or yearly.
- a. Income statement
 - b. Balance sheet
 - c. Ledger
 - d. Book of accounts
537. The difference between total income and total variable costs
- a. Net income
 - b. Net cash income
 - c. Gross income
 - d. Gross margin
538. A middleman who transform the raw agricultural products into different final product is a
- a. Processor
 - b. Merchant
 - c. Agent
 - d. Speculative
539. A good for which demand increases when consumer's increases
- a. Renewal good
 - b. Inferior good
 - c. Convenience good



- d. Luxury good

540. Opportunity cost is:

- a. The variable cost a firm incurs by increasing output one unit
- b. The output opportunities a firm gains when average fixed cost decline
- c. The value of the best alternative use of a firm's resources
- d. Another name for explicit costs.

541. The meaning of the word "economic" is most closely associated w/this word.

- a. Free
- b. Unlimited
- c. Scarce
- d. Unrestricted

542. Otherwise known as Tenant's Emancipation Decree

- a. PD 87
- b. PD 47
- c. PD 27
- d. PD 97

543. A brand or part of a brand that is given legal protection because it is assigned exclusively.

- a. Brand mark
- b. Brand label
- c. Trademark
- d. Brand Packaging

544. It is the sum total of all operations involved in the manufacture and distribution of farm supplies, production activities on the farm, storage, processing and distribution of farm commodities and items made from them.

- a. Agricultural economics
- b. Agricultural marketing
- c. Agri-business

- d. Agricultural Entrepreneurship

545. The difference between gross income and total production cost. It is the reward to the entrepreneur's labor and management together with the return on all capital invested in the business (whether borrowed or not).

- a. Net cash income
- b. Net income
- c. Gross margin
- d. Gross income

546. A middleman who takes ownership of and holds commodities and attempts to make profit form uncertain price movement

- a. Merchant
- b. Agent
- c. Processor
- d. Speculative

547. The law of ____ states that at certain point, the resulting activities to output decreases when the use of the input is increased the real of all other inputs constant

- a. Comparative advantage
- b. One price
- c. Diminishing return
- d. Demand and supply

548. Economics is of Greek origin derived for the Greek word "oikonomia" which means

- a. Household management
- b. Business management
- c. Classroom management
- d. Crop management

549. Refers to the part of a brand that cannot be vocalized such as its symbol, design or distinctive packaging.

- a. Brand mark
- b. Brand label
- c. Trademark
- d. Brand Packaging

550. It is the absence of inflation or absence of wide fluctuations in prices.

- a. Price equilibrium
- b. Price stability
- c. Price certainty
- d. Price control

551. It is a measure of profitability relative to the capital invested in the business. It is also called return to capital and is the most popular indicator of profitability.

- a. Net present value
- b. Return of investment
- c. Gross margin
- d. All of the above

552. The difference between the price that consumers pay for the final good and the price received by the producers as payment of their products

- a. Profit
- b. Loss
- c. Marketing
- d. Income

553. An income level below a certain minimum amount determined by the government, that will not adequately satisfy the basic needs for the food and shelter

- a. Poverty
- b. Middle

- c. High
- d. Low

554. Consists of short-term incentives to encourage purchase or sales of a product or service

- a. Advertisement
- b. Publicity
- c. Selling
- d. Sales promotion

555. A distinct unit within a product line that is distinguishable by size, price, appearance, or some other characteristics. The item is sometimes called a stock keeping unit, product variant or sub variant.

- a. Product Series
- b. Supplementary Goods
- c. Product Line
- d. Product Item

556. Producing any given level of output at minimum opportunity cost of the inputs used in production; achieving the maximum fulfillment of wants using the available productive resources

- a. Efficiency
- b. Comparative advantage
- c. Relative advantage
- d. Productivity

557. The best technique in analyzing the productivity of a component technological intervention is by using:

- a. Enterprise final analysis
- b. Partial budget analysis
- c. Cost and return analysis

d. Enterprise business analysis

558. The consumer demand for a product is called

- a. Derived demand
- b. Primary supply
- c. Primary demand
- d. Derived supply

559. The absence of government interferences in the free flow of international trade

- a. Free trade theory
- b. Protectionism
- c. Open economy
- d. Laissez faire

560. It is a set of interdependent organizations involved in the process of making a product or service for use or consumption by the consumer or industrial user.

- a. Middlemen
- b. Wholesalers
- c. Agents
- d. Distribution channel

561. The bulk of Philippine government expenditures is accounted for by:

- a. Maintenance and other operating expenses
- b. Debt services
- c. Capital outlay
- d. Personal services

562. A hypothetical or imaginary unit of utility

- a. Gram
- b. Util
- c. Liter
- d. B & c are correct

563. He emphasized that price and output of a good are determined by supply and demand.

- a. Alfred Marshall
- b. Karl Marx
- c. David Ricardo
- d. John Maynard Keynes

564. Group of products within a production mix that are closely related either because they function in similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within the given price ranges.

- a. Product Series
- b. Supplementary Goods
- c. Product Line
- d. Product Item

565. It is the basic building block in the logic of the economist. It is a conceptualization, based on assumptions of how economic activity occurs

- a. Economic theories
- b. Economic models
- c. Supply and demand
- d. None of the above

566. Break-even point is a condition when a project is:

- a. Returns above variable cost of a traditional technology equates with the returns above costs of new technology
- b. Not gaining nor losing
- c. Total revenue is equal to total cost
- d. All of the above

567. Buyers who intend to directly consume a product or service constitute

- a. Reseller market

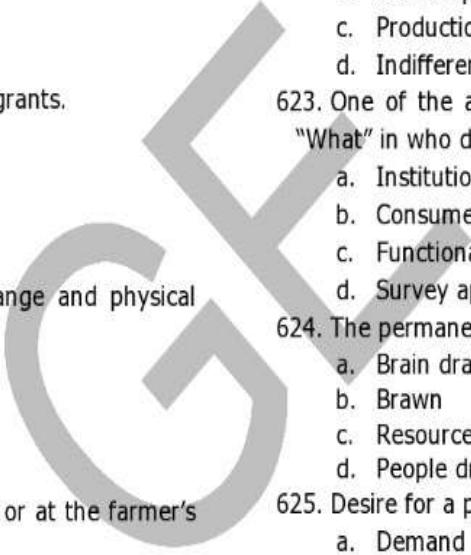
- b. Industrial market
 - c. Consumer market
 - d. Government market
568. An indirect tax expressed as a fixed amount per unit of the good or resource being taxed rather than varying with price
- a. Ad valorem tax
 - b. Specific tax
 - c. Tariff
 - d. Lump sum tax
569. It is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need.
- a. Product
 - b. Assets
 - c. Resources
 - d. Promotion
570. A devaluation refers to
- a. A decrease in the value of foreign currency in terms of domestic currency
 - b. An increase in the value of foreign currency in terms of domestic currency
 - c. An increase in the value of domestic currency in terms of foreign currency
 - d. None of the above
571. The lowest point of real GDP at the end of recession is known as
- a. Peak
 - b. Recession
 - c. Trough
 - d. Recovery
572. Products for which consumers are unwilling or unable to accept substitutes. Consumers may become very loyal to a particular brand of a product ex. expensive stereo, antiques. Other types might include medicinal supplies (food supplements) for which no reasonable substitute exists.
- a. Convenience goods
 - b. Specialty Goods
 - c. Staple goods
 - d. Shopping goods
573. It means a condition in which the value of the nation's import is greater than the value of its exports or dipping into currency reserves
- a. Trade deficit
 - b. Trade imbalance
 - c. Trade equilibrium
 - d. Trade inequality
574. The best tool in comparing the potential benefits that would be derived from two separate technologies
- a. Benefit cost ratio
 - b. Return on investment
 - c. Marginal cost ratio
 - d. Partial budget analysis
575. These are product handlers who serve as the last link in the marketing channel
- a. Retailers
 - b. Wholesalers
 - c. Commission agents
 - d. Assembler wholesalers
576. A tax that is fixed in amount, not depending on the quantity of the good or resource that is being taxed
- a. Lump sum tax
 - b. Specific tax
 - c. Ad valorem tax
 - d. Tariff
577. A price reduction to reward customers for paying bills on time.

- a. Volume discount
 - b. Functional discount
 - c. Seasonal discount
 - d. Cash discount
578. Known as the magna carta of small farmers
- a. RA 7607
 - b. RA 7608
 - c. RA 7609
 - d. RA 7610
579. Products for which the consumer expends considerable effort comparing suitability, price, quality and style ex. Women's suit, furniture, and bicycle.
- a. Convenience goods
 - b. Specialty Goods
 - c. Staple goods
 - d. Shopping goods
580. These are foreign assets held by the Central Bank as a cushion against national economic misfortunes. Reserves consist largely of gold, but today the CB's reserves include substantial foreign financial assets, specifically the US dollar assets such as Treasury Bills.
- a. International reserves
 - b. Reserve money
 - c. Foreign deposits
 - d. Banks reserves
581. A function performed on a product that changes its form, time, place, or possession characteristics
- a. Facilitating function
 - b. Physical function
 - c. Functional approach
- d. Marketing services
582. The value placed on goods and services offered to the public is
- a. Price
 - b. Money
 - c. Cost
 - d. Profit
583. A planning period when all inputs are variable
- a. Short run
 - b. Long run
 - c. Very short run
 - d. All season
584. It is a name, design or symbol (or a combination of these) that identifies the products of a seller or group of sellers.
- a. Design
 - b. Trademark
 - c. Advertisement
 - d. Brand
585. The capacity of an economy to generate and sustain an annual increase in its GNP at rates Of perhaps 5 to 70/6 or more known as
- a. Harrod-Domar growth model
 - b. Lewis model
 - c. Development
 - d. Dualism
586. Which of the following is consistent with a tight monetary policy?
- a. Low interest rates
 - b. An increase in money supply
 - c. High reserve requirement
 - d. Subsidized interest rates to borrowers

587. A type of consumer goods which are goods purchased on minimum of shopping efforts usually available in retail outlets
- Shopping goods
 - Convenience goods
 - Specialty goods
 - Local goods
588. These are simply checks drawn by one bank to another, sometimes used instead of telegraphic transfers.
- Personal Checks
 - Bank drafts
 - Promissory notes
 - Bank orders
589. An approach in the analysis of marketing problem that deals with the various agencies, organizations and business structures in the marketing process
- Community approach
 - Market-structure
 - Marketing approach
 - Institutional approach
590. The refers to the consumers and customers for the goods and services produced by as enterprise
- Market
 - Buyers
 - Users
 - All of the above
591. It refers to the ease with assets can be converted into cash or other assets
- Solvency
 - Profitability
 - Liquidity
592. A pricing approach where the seller sets price in accordance with competitors.
- Target profit pricing
 - Competition-based pricing
 - Demand- based pricing
 - Cost-based pricing
593. It is a concept which represents the existence and persistence increasing divergence between rich and poor nations and rich and poor on various levels
- Neoclassical
 - Dualism
 - Equity
 - Say's law
594. The narrowest measure of money supply is called M1. It consists of currency plus:
- Time deposits
 - Checking deposits
 - Savings deposits
 - The amount of outstanding government
595. Goods that are products that are be sold primarily for use in producing other goods or rendering services, as contrasted with goods destined to be sold primarily to the ultimate consumer.
- Industrial goods
 - Consumer goods
 - Incomplete goods
 - Shopping goods
596. It is the price in domestic currency of a unit of foreign exchange example the Peso per dollar (Php/\$). It measures how many pesos are required to buy a dollar worth of goods.

- a. Peso value
 - b. Foreign exchange
 - c. Export
 - d. Exchange rate
597. A major specialized activity performed in accomplishing the marketing process,
- a. Buying and selling function
 - b. Processing function
 - c. Facilitating function
 - d. Marketing function
598. When total revenue is equal to total cost, this is the point of
- a. Break-even point
 - b. Shutdown point
 - c. Loss minimization point
 - d. Profit maximization point
599. The goods that have similar function or use so that when price of one changes, the demand for the other good changes in the same direction
- a. Complements
 - b. Substitutes
 - c. Supplements
 - d. Independent goods
600. A pricing strategy where the firm charges the same price to all customers who seek to purchase a good or service under similar conditions. A pricing strategy where the producer purposely limit the number of middlemen handling the products.
- a. Flexible pricing
 - b. One-price policy
 - c. Customary pricing
 - d. Variable pricing
601. States simply that the rate of GNP is determined by the national savings ratio and the capital-output ratio
- a. Lewis model
 - b. Rostow's model
 - c. Harrod-Domar growth model
 - d. Dualistic model
602. It is the entire set of benefit of the product provides to the customer.
- a. Satisfaction
 - b. Product warranty
 - c. Total Product Concept
 - d. Product use
603. It refers to the currency of countries other than one's own used to make international payments.
- a. Foreign market
 - b. Foreign exchange
 - c. Export
 - d. Exchange rate
604. A series of services involved in moving the product from the point of production to the point of consumption
- a. Marketing operations
 - b. Marketing
 - c. Marketing channels
 - d. Marketing functions
605. The form of market organization in which there is a single firm producing a commodity which there is no substitutes
- a. Purely monopoly
 - b. Monopolistic competition
 - c. Oligopoly

- d. Perfectly competitive
606. The excess of the labor over total employment
- Over employment
 - Under employment
 - Unemployment
 - Surplus labor
607. A distribution strategy where the producer purposely limit the number of middlemen handling the products.
- Intensive distribution
 - Selective distribution
 - Exclusive distribution
 - Extensive distribution
608. The _____ is the major contributor to the country's gross national income
- Agriculture and fishery sector
 - Forest factor
 - Service factor
 - Service factor
609. A dimension of market conduct
- Degree of product differentiation
 - Firm's product policy
 - Degree of market knowledge
 - Goals of the society
610. It refers to how fast money is turned over in the economy
- Velocity
 - Quantity theory of money
 - Monetary base
 - Currency to deposit ration
611. It refers to the amount expenditure of the company over extended times. Considerations fall on spends of company's funds.
- a. Cost of transactions
- b. Long term expenditure
- c. Company cost
- d. Budget determination
612. Measures the differences between sales of assets to foreigners and purchases of assets located abroad.
- Exports
 - Capital account
 - Transfer payments
 - Investment income
613. One who buys commodities from the market
- Consumer
 - Customer
 - Mother
 - Decision maker
614. If the government imposed price ceiling, who are benefited
- Government
 - Producers
 - Consumers
 - Producers and consumers
615. The average number of times that the peso is spent each year to purchase goods and resources in the economy
- Turn-over of money
 - Frequency of money
 - Velocity of money
 - Money ratio
616. The marketing services performed alter the product characteristics which include

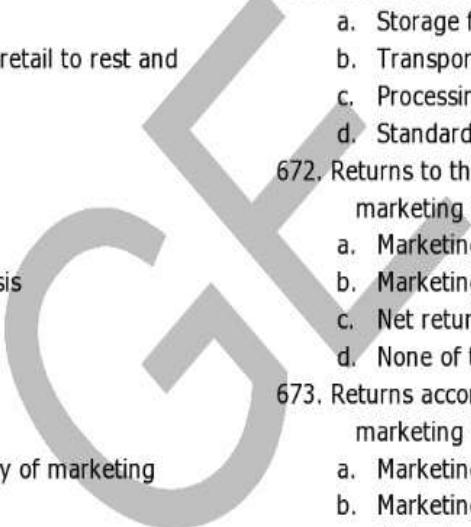
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- a. Form, time, place, and possession characteristics
 - b. Form, time, odor, and weight characteristics
 - c. Form, time, weight, and shape characteristics
 - d. Shape, size, weight, and odor characteristics
617. The strongest factor that attracts OFWs to leave the Philippines
- a. Higher pay
 - b. Better working conditions
 - c. Chances of advancement
 - d. Social factors
618. Remittances of domestic residents working abroad, gifts and grants.
- a. Exports
 - b. Imports
 - c. Transfer payments
 - d. Investment income
619. Makes possible the smooth performance of both the exchange and physical functions
- a. Buying
 - b. Selling
 - c. Market Intelligence
 - d. Transportation
620. The point of usual first sale by farmers, typically at the farm or at the farmer's home is called
- a. Point of consumption
 - b. Point of production
 - c. Point of equilibrium
 - d. Point of marginalism
621. When the government imposed price support or floor price the result will be
- a. Surplus
- b. Shortage
 - c. Equilibrium
 - d. Surplus or shortage
622. It describes the physical relationship between the inputs of a firm and the output of goods and services at a given point of time
- a. Production function
 - b. Consumption function
 - c. Production possibility function
 - d. Indifference curve
623. One of the approaches to the study of marketing that answers the question "What" in who does what is
- a. Institutional approach
 - b. Consumer approach
 - c. Functional approach
 - d. Survey approach
624. The permanent loss of professional workers in a country's labor force is called
- a. Brain drain
 - b. Brawn
 - c. Resource drain
 - d. People drain
625. Desire for a product together with the capacity to buy that product
- a. Demand
 - b. Income effect
 - c. Effective demand
 - d. Income elasticity of demand
626. Market share. It is seen as a viable objective of the product. It refers to the company's penetration on the market in the hands of several major competitors.
- a. Market function

- b. Market cost
c. Market share
d. Market margin
627. It consists of international interest and dividend payments and the earnings of domestically owned firms operating abroad
- a. Exports
 - b. Imports
 - c. Transfer payments
 - d. Investment income
628. Which one does not belong to the 4P's of marketing?
- a. Product
 - b. Price
 - c. Place
 - d. Purchase
629. Agricultural products have ___ supply
- a. Inelastic
 - b. Elastic
 - c. Unitary
 - d. Perfectly elastic
630. It is called the devotion of all resources for the production of the product where one has relative efficiency
- a. Specialization
 - b. Mono cropping
 - c. Diversification
 - d. Integration
631. Another approach to the study of marketing that deals with the organization of the market as it influence the nature of competition and pricing including the pattern of behavior of firms.
- a. Functional approach
b. Structure conduct performance approach
c. Market study approach
d. All of the above
632. Zero government interference in the flow of imports and exports
- a. Free trade
 - b. Duty-free
 - c. Free flow
 - d. Barter
633. He is the leading exponent of the linear stage theory
- a. Walt Rostow
 - b. Adam Smith
 - c. Milton Friedman
 - d. Paul Samuelson
634. It is the absolute difference in price, the absolute margin divided by the selling price.
- a. Absolute constant margin
 - b. Percentage margin
 - c. Marketing function
 - d. Market share
635. It refers to the domestic expenditures on foreign goods.
- a. Exports
 - b. Imports
 - c. Transfer payments
 - d. Investments
636. The point where marketing ends or it is the point of last purchase or sale refers to
- a. Point of consumption

- b. Point of equilibrium
 - c. Point of break even
 - d. Point of marginalism
637. It is the combination of inflation and stagnation characterized high rates of unemployment
- a. Inflation
 - b. Stagflation
 - c. Deflation
 - d. Recession
638. Characteristics of the product is one of the problem areas in agricultural marketing. One of the characteristics named below is not
- a. Bulkiness
 - b. Perishability
 - c. Quality
 - d. Seasonability of production
639. This theory states that a nation's resources are nonrenewable and can contribute to economic development only up to a certain point. Such viewed phenomenon is related to the law of diminishing returns.
- a. Adam Smith's theory
 - b. Ricardian theory
 - c. Charles Darwin theory
 - d. None of the above
640. It refers to the difference between prices and risk capital in the entrepreneurship at the different level of the marketing system.
- a. Marketing function
 - b. Marketing Margin
 - c. Profit
 - d. Market cost
641. A dynamic theory usually describing demand and supply movements of agricultural products
- a. Eagle's law
 - b. Cobweb theorem
 - c. Law of one price
 - d. Law of demand and supply
642. The ratio of the price of goods exported to the price of the goods imported
- a. Price ratio
 - b. Export ratio
 - c. Import ratio
 - d. Terms of trade
643. The effect of a price change is always negative as consumers tend to substitute other goods resulting to a decrease in quantity demanded
- a. Substitution effect
 - b. Income effect
 - c. Giffen paradox
 - d. Inferior good
644. It refers to the expenditures of the foreigners on domestically produced goods
- a. Exports
 - b. Imports
 - c. Transfer payments
 - d. Investments
645. A type of marketing margin expressed in terms of pesos and are constant overall quantity ranges. In other words, regardless of the value marketed, the absolute peso difference between prices at various levels remains constant.
- a. Absolute constant margin
 - b. Percentage margin
 - c. Combination of fixed/constant and percentage margin

- d. Mark-up
646. A type of marketing efficiency concerned with improving the buying, selling and pricing aspects of marketing process so that it will remain responsive to the customer direction.
- a. Operational efficiency
 - b. Pricing efficiency
 - c. Technological efficiency
 - d. A and B
647. Which of the following is NOT true about Agent middlemen?
- a. They act as representative of clients
 - b. They do not take title to and therefore do not handle the products
 - c. Their income is in the form of fees and commission
 - d. They process raw materials and market the finished products
648. Done either to change the form or to aid the preservation of the product to make it available for longer periods of time.
- a. Carrying
 - b. Freezing
 - c. Drying
 - d. All of the above
649. The most important resource in cooperative
- a. Land
 - b. Capital
 - c. Human
 - d. None of the above
650. Set of practices and means used to make members aware of the cooperative principles and advantages
- a. Cooperative preparation
- b. Cooperative education
- c. Cooperative session
- d. Cooperative ground work
651. Natural person or corporate body that takes calculated risks in mobilizing human, material and financial resources, bringing them together and organizing them with a view to achieve a pre-determined objective.
- a. Entrepreneur
 - b. Middlemen
 - c. Retailer
 - d. Producer
652. Process of acquisition and management of human and material resources with the aim of creating, developing and carrying out measures that allow the needs of individuals or groups to be met
- a. Procurement
 - b. Planning
 - c. Resource management
 - d. Entrepreneurship
653. Represents the hierarchical organization of the cooperative movement notably through the Unions, Federation and Confederations of cooperatives
- a. Horizontal integration
 - b. Diagonal integration
 - c. Linear integration
 - d. Vertical integration
654. The collaboration of cooperatives operating at the same level.
- a. Horizontal integration

- b. Diagonal integration
 - c. Linear integration
 - d. Vertical integration
655. The main purpose of a cooperative
- a. Economic gain
 - b. Advancement of members
 - c. Education
 - d. Financial freedom
656. Known as national brands
- a. Manufacturers' brands
 - b. Distributors' brands
 - c. Retailers' brands
 - d. None of the above
657. Known as private brands
- a. Manufacturers' brands
 - b. Distributors' brands
 - c. Retailers' brands
 - d. None of the above
658. Process in which a firm tries to create perception in consumer's mind as to where a given product or brand fits in relation to competing products or brand
- a. Product and brand positioning
 - b. Product and brand cannibalization
 - c. Product and brand deletion
 - d. Evaluation of product and brand performance
659. Process in which a company introduces a new product whose sales are partially derived from the sales of the company's existing products.
- a. Product and brand positioning
 - b. Product cannibalization
 - c. Product and brand deletion
 - d. Evaluation of product and brand performance
660. Which of the following does not belong to the theories of liability?
- a. Negligence
 - b. Determine cost
 - c. Analyse competitor's price
 - d. None of the above
661. Which of the following does not belong to the group?
- a. Seasonal Price Variations
 - b. Annual Price Fluctuations
 - c. Regular Price Movement
 - d. None of the above
662. Which pf the following is not a manufacturer's strategy?
- a. Skimming the market
 - b. Moving down the demand curve
 - c. Unit pricing
 - d. Formula pricing
663. They are active in buying and selling of goods and often have far reaching influence on the nature of marketing.
- a. Merchant middlemen
 - b. Agent middlemen
 - c. Processors and manufacturers
 - d. Market Organizations
664. Type of intermediaries most prevalent in fruits and vegetables.
- a. Contract buyers

- 
- b. Wholesalers
 - c. Commission agent
 - d. Wholesaler-retailer
665. They do not sell significant amounts to ultimate consumers
- a. Contract buyers
 - b. Wholesalers
 - c. Commission agent
 - d. Wholesaler-retailer
666. They sell mainly to retailers on wholesale bases but they also retail to rest and maintain permanent stalls in the market
- a. Contract buyers
 - b. Wholesalers
 - c. Commission agent
 - d. Wholesaler-retailer
667. Locally known as viajeros¹ that sell products on wholesale basis
- a. Commission agent
 - b. Assembler-wholesaler
 - c. Butcher-retailers
 - d. Retailers
668. Product oriented rather than marketing function oriented study of marketing
- a. Commodity approach
 - b. Institutional approach
 - c. Production approach
 - d. None of the above
669. Covers activities that involves transfer of title of goods
- a. Exchange function
 - b. Buying function
 - c. Selling function
- d. None of the above
670. Covers activities which sometimes called merchandising
- a. Exchange function
 - b. Buying function
 - c. Selling function
 - d. None of the above
671. Concerned with marketing goods available at the desired time
- a. Storage function
 - b. Transportation function
 - c. Processing function
 - d. Standardization function
672. Returns to the factors of production used in providing the processing and marketing services rendered between the farmers and consumers
- a. Marketing cost
 - b. Marketing charges
 - c. Net return
 - d. None of the above
673. Returns according to the various agencies or institutions involved in the marketing of products
- a. Marketing cost
 - b. Marketing charges
 - c. Net return
 - d. None of the above
674. Series of figures representing the absolute margins of different types of middlemen or assignable to different marketing functions, divided by the retail price
- a. Breakdown of consumers' peso
 - b. Absolute margin

- c. Marketing margins of all middlemen
d. None of the above
675. Goods purchased on minimum of shopping efforts usually available in retail outlets
- a. Convenience goods
 - b. Staple goods
 - c. Impulse goods
 - d. Emergency goods
676. Goods purchased routinely with some re-planning to minimize the time and effort to make the purchase
- a. Convenience goods
 - b. Staple goods
 - c. Impulse goods
 - d. Emergency goods
677. Goods purchased without planning prior to entering the store
- a. Convenience goods
 - b. Staple goods
 - c. Impulse goods
 - d. Emergency goods
678. Goods purchase to meet unexpected need
- a. Convenience goods
 - b. Staple goods
 - c. Impulse goods
 - d. Emergency goods
679. Goods where consumers spends considerable effort comparing suitability, price, quality an style
- a. Shopping goods
 - b. Specialty goods
- c. Durable goods
d. None of the above
680. An explicit statement in writing or conversation or in advertising, labelling, or any other form of promotion.
- a. Express warranty
 - b. Implied warranty
 - c. Strict warranty
 - d. None of the above
681. Which of the following is NOT true about promotion?
- a. Make buyers aware of the alternative goods and services that exist
 - b. Shorten the distance between the market and the manufacturers by keeping buyers well-informed about the different products.
 - c. Help regulate the level and timing of the demand
 - d. None of the above
682. Which of the following can be a method to promote a product?
- a. Advertising
 - b. Sales promotion
 - c. Publicity
 - d. All of the above
683. The demand for real money balances increases if the interest rate
- a. Goes up
 - b. Goes down
 - c. Balances
 - d. None of the above
684. The BSP ____ the reserve requirement if it wants to raise money supply
- a. Change
 - b. Lowers
 - c. Increases

- d. None of the above
685. Which of the following is NOT true about money creation?
- Refers to the few expansion of deposits
 - Banks have no desire to hold excess reserves
 - Depository institutions issue only transaction accounts
 - B and C
686. Represents liabilities of BSP to the public sector in the form of currency in circulation and to the bank sector in the form of cash reserves
- Currency
 - Savings
 - Reserve money
 - Money supply
687. Arises from the need of household and firms to have money for the regular payment of goods and services
- Transactions demand for money
 - Precautionary demand for money
 - Speculative or portfolio allocation motive
 - All of the above
688. Involves the promise to pay a debt which is evidence by a piece of paper backed by specie
- Cheque
 - Bank note
 - Promissory note
 - All of the above
689. Refers to family or tribal group, which in the absence of trade, produces the level of goods and service equal to their consumption.
- Autarky
 - Barter system
- c. Autarky
- d. None of the above
690. Money serves as a unit of
- Credit
 - Account
 - Savings
 - Deposit
691. Represent changes in the assets of the monetary authorities that can be used for balance of payments purposes.
- Reserve assets
 - Related assets
 - Financial assets
 - Capital assets
692. Represents transactions inequity capital, reinvested earnings, etc.
- Current investment
 - Outflow investment
 - Portfolio investment
 - Direct investment
693. Summary of the transactions between residents and non-residents of a country over a given period
- Balance of payments
 - Record of payments
 - Tracking of payments
 - Economic payments
694. Which is not true about deflationary gap?
- Exist when $AE < Y$ at Y_f
 - There is pressure for a decrease in output
 - Implies unemployment

d. None of the above

695. A collective term that refers to the use of taxation and government to influence the level of income

- a. Budget policy
- b. Income policy
- c. Taxation policy
- d. Fiscal policy

696. Income that household are free to spend and save

- a. Disposable income
- b. Free income
- c. Household income
- d. All of the above

697. Which of the following is not true according to paradox of thrift?

- a. Higher savings leads to higher income
- b. Equilibrium income falls when people want to save more
- c. Higher savings may reduce equilibrium income
- d. B and C

698. Measures the change in income for a unit change in an autonomous component of aggregate expenditure

- a. Marginal propensity to save
- b. Inflation rate
- c. Multiplier
- d. None of the above

699. Measures changes in the cost of purchasing a given bundle of goods that are bought by the average household.

- a. Consumer price index
- b. Producer price index
- c. Manufacturer price index

d. None of the above

700. Which of the following is not true about GDP?

- a. High values of GDP do not always correspond to high standards of living
- b. GDP does not capture income distribution
- c. Does not include transactions that do not go through organized markets
- d. None of the above

701. Measures how much output or income was produced or received, on the average, by an individual in an economy

- a. Nominal GDP
- b. Real GDP
- c. GDP per capita
- d. GDP deflator

702. Known as GDP at current prices

- a. Nominal GDP
- b. Real GDP
- c. GDP per capita
- d. GDP deflator

703. Known as GDP at constant prices

- a. Nominal GDP
- b. Real GDP
- c. GDP per capita
- d. GDP deflator

704. The following are approaches to measure GDP except

- a. Expenditure
- b. Income
- c. Value-added
- d. None of the above

705. Involves a set price imposed by the government to enhance the welfare of the consumers.

- a. Price regulation
- b. Specific price
- c. Marginal price
- d. Minimum price

706. Which of the following is NOT true about monopoly?

- a. Being a monopolist does not ensure the firm instant profit
- b. The firm can impose any price it wants
- c. The firm cannot maximize profit at the inelastic portion of the market demand curve
- d. None of the above

707. Which of the following happens in fixed and variable inputs over time?

- a. Fixed input will be more costly than variable inputs
- b. Fixed input will be less costly than variable inputs
- c. All inputs will be variable over time
- d. All inputs will be fixed over time

708. The physical relationship between the inputs of a firm and their output of goods and services at given period of time

- a. Production function
- b. Production analysis
- c. Production cost
- d. All of the above

709. Which of the following is NOT true about price ceiling?

- a. The maximum price policy
- b. The upper limit of price
- c. Effective above equilibrium price
- d. None of the above

710. The following are determinants of price elasticity except

- a. Availability of substitutes
- b. Time frame
- c. Location along demand curve
- d. None of the above

711. Which of the following does not affect supply?

- a. Prices of resources
- b. Technology
- c. Number of producers
- d. None of the above

712. A shift in the entire supply curve as a result of changes in other factors affecting supply

- a. Change in quantity supplied
- b. Change in supply
- c. Both a and b
- d. None of the above

713. Which of the following is NOT true about consumer expectations?

- a. Expectations about future prices and income affect current demand for goods and services
- b. Expectations of higher prices increases current demand
- c. Expectations of lower prices reduces current demand
- d. None of the above

714. Higher income lowers demand of these goods

- a. Normal goods
- b. Inferior goods
- c. Substitute goods
- d. Complement goods

715. A shift in the entire demand curve as a result of changes in other factors affecting demand

- a. Change in quantity demanded
- b. Change in demanded
- c. Both a and b
- d. None of the above

716. Which of the following statements is true?

- a. When price of a good increases, the consumer substitutes the lower priced good for the more expensive ones
- b. When price decreases, the consumers real income increases, so he tends to buy more
- c. Both a and b
- d. None of the above

717. Which of the following causes outward shift in the PPF

- a. Better production techniques
- b. More workers
- c. More capital
- d. All of the above

718. Economics that answers the question "what should be?"

- a. Macroeconomics
- b. Microeconomics
- c. Positive economics
- d. Normative economics

719. Economics came from the Greek word

- a. Eikonomis
- b. Ekonomia
- c. Oikonomia
- d. Oikonomiks

720. The rate of interest in which BSP lends to banks

- a. Rediscount rate
- b. Reserve rate
- c. Interest rate
- d. Bank rate

721. Demand for money is primarily determined by

- a. Level of real output
- b. Income
- c. Interest rate
- d. All of the above

722. This solves the problem of adulteration and short weighing of money, however other problems came up

- a. Bank note
- b. Coinage
- c. Electronic fund
- d. Banking

723. Deflationary gap can be eliminated by

- a. Expansionary fiscal policy
- b. Contractionary fiscal policy
- c. Both a and b
- d. None of the above

724. Inflationary gap can be eliminated by

- a. Expansionary fiscal policy
- b. Contractionary fiscal policy
- c. Both a and b
- d. None of the above

725. Which of the following statements is true?

- a. Budget surplus: revenues > expenditures

- b. Budget deficit: revenues < expenditures
c. Both a and b
d. None of the above
726. Locus of points depicting the relationship between savings and income
a. Savings schedule
b. Income schedule
c. Both a and b
d. None of the above
727. Aggregate expenditure is the total amount that all economic agents want to spend on domestic goods or services
a. True
b. False
c. It depends
d. Not all the time
728. Indicates the change in the cost of purchasing a given bundle of goods in one year relative to another
a. Price update
b. Price index
c. Equilibrium price
d. None of the above
729. GDP deflator is a price index that converts
a. Nominal o real GDP
b. Real GDP to nominal
c. Both a and b
d. None of the above
730. GNP =
a. GDP + Net factor income from abroad
b. GDP - Net factor income from abroad
- c. GDP x Net factor income from abroad
d. GDP / Net factor income from abroad
731. GDP =
a. Wages + rent + interest + profit
b. Wages – rent – interest – profit
c. Wages + rent- interest + profit
d. All of the above
732. Fixed amount of tax levied on a producer
a. Fixed tax
b. Lump sum tax
c. Specific tax
d. None of the above
733. Largest vertical difference between total revenue and total cost
a. Maximum profit
b. Minimum profit
c. Both a and b
d. None of the above
734. The following are types of industries except
a. Constant cost industry
b. Increasing cost industry
c. Decreasing cost industry
d. Increasing-decreasing cost industry
735. The following are characteristics of perfectly competitive market except
a. Smallness of buyers and seller relative to the market
b. Homogenous product
c. Presence of artificial restraints or controls
d. Perfect mobility of goods and resources
736. Average variable cost =

- a. TVC / Q
 - b. TVC + Q
 - c. TVC – Q
 - d. TVC x Q
737. Average fixed cost
- a. TFC / Q
 - b. TFC + Q
 - c. TFC – Q
 - d. TFC x Q
738. Total cost
- a. TFC + TVC
 - b. TFC - TVC
 - c. TFC x TVC
 - d. TFC / TVC
739. The Philippine Clean Air Act of 1999
- a. RA 8749
 - b. RA 8794
 - c. RA 9874
 - d. RA 8974
740. The president initiated the enactment of EO No. 151 of 1999 (Farmer's Trust Fund)
- a. Joseph Estrada
 - b. Corazon Aquino
 - c. Diosdado Macapagal
 - d. Elpidio Quirino
741. The Agrarian Reform Fund Bill
- a. RA 8432
 - b. RA 8532
- c. RA 8632
 - d. RA 8732
742. The Agriculture and Fisheries Modernization Act
- a. RA 8235
 - b. RA 8335
 - c. RA 8435
 - d. RA 8535
743. This EO limits the type of lands that may be converted by setting conditions under which specific categories of agricultural land
- a. EO No. 363 of 2000
 - b. EO No. 363 of 1999
 - c. EO No. 363 of 1998
 - d. EO No. 363 of 1997
744. Amended certain provisions of RA 6657 and exempted fishponds and prawns from the coverage of CARP
- a. RA 7881
 - b. RA 7882
 - c. RA 7782
 - d. RA 7883
745. Known as the Land Reform Act of 1955
- a. RA 1400
 - b. RA 1300
 - c. RA 1200
 - d. RA 1100
746. Known as Agricultural Tenancy Act of 1954
- a. RA 1190
 - b. RA 1199
 - c. RA 1198

d. RA 1197

747. Which of the following is not one of the seven principles of cooperative?

- a. Voluntary and Open Membership
- b. Democratic Member Control
- c. Member Economic Participation
- d. Cooperative Dependence

748. The cooperative's sole purpose is to provide and distribute benefits to users on the basis of their use

- a. The User-Owner Principle
- b. The User-Control Principle
- c. The User-Benefit Principle
- d. None of the above

749. Which of the following is not one of the three core function of a cooperative?

- a. Marketing
- b. Purchasing
- c. Service
- d. Production

750. A corporation organized, owned, and controlled either totally, or partially by a parent cooperative

- a. Subsidiary
- b. Joint Venture
- c. Holding Company
- d. Contract Agent



Answer Key: Agricultural Economics and Marketing

1	B	26	C	51	A	76	C	101	C	126	A	151	B	176	B
2	B	27	D	52	D	77	D	102	B	127	A	152	D	177	B
3	A	28	B	53	D	78	B	103	A	128	C	153	C	178	B
4	A	29	D	54	A	79	C	104	D	129	C	154	B	179	A
5	C	30	B	55	D	80	B	105	A	130	B	155	D	180	B
6	B	31	C	56	B	81	B	106	B	131	B	156	D	181	A
7	D	32	A	57	C	82	B	107	C	132	C	157	B	182	A
8	B	33	A	58	B	83	A	108	B	133	A	158	B	183	D
9	D	34	B	59	B	84	C	109	D	134	C	159	B	184	D
10	C	35	D	60	C	85	B	110	A	135	D	160	D	185	C
11	D	36	C	61	B	86	D	111	A	136	A	161	D	186	A
12	C	37	C	62	D	87	B	112	A	137	D	162	B	187	D
13	B	38	A	63	C	88	B	113	B	138	D	163	B	188	A
14	C	39	C	64	C	89	B	114	B	139	C	164	C	189	A
15	D	40	C	65	D	90	A	115	B	140	B	165	B	190	C
16	C	41	C	66	B	91	D	116	C	141	C	166	A	191	B
17	B	42	C	67	B	92	C	117	A	142	D	167	B	192	A
18	C	43	C	68	C	93	C	118	C	143	B	168	A	193	A
19	A	44	C	69	B	94	C	119	A	144	A	169	C	194	A
20	B	45	C	70	C	95	B	120	C	145	D	170	C	195	D
21	C	46	D	71	A	96	B	121	B	146	B	171	B	196	C
22	A	47	D	72	D	97	D	122	A	147	B	172	C	197	A
23	D	48	A	73	A	98	B	123	B	148	A	173	C	198	D
24	B	49	C	74	A	99	B	124	C	149	B	174	D	199	D

25	A	50	D	75	A	100	B	125	C	150	A	175	A	200	A
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201	C	226	B	251	A	276	B	301	B	326	C	351	A	376	B
202	D	227	B	252	D	277	A	302	C	327	A	352	D	377	A
203	C	228	A	253	C	278	D	303	B	328	A	353	C	378	C
204	C	229	D	254	A	279	D	304	A	329	D	354	C	379	A
205	C	230	D	255	C	280	D	305	D	330	C	355	B	380	A
206	B	231	B	256	B	281	B	306	C	331	B	356	A	381	C
207	A	232	B	257	D	282	C	307	C	332	B	357	D	382	D
208	C	233	C	258	B	283	B	308	C	333	A	358	C	383	B
209	B	234	C	259	C	284	D	309	B	334	D	359	A	384	A
210	C	235	C	260	B	285	D	310	B	335	C	360	C	385	D
211	A	236	A	261	A	286	A	311	C	336	B	361	C	386	A
212	B	237	B	262	A	287	A	312	D	337	B	362	A	387	B
213	A	238	C	263	A	288	D	313	B	338	A	363	D	388	D
214	B	239	C	264	C	289	C	314	C	339	B	364	D	389	C
215	A	240	A	265	D	290	C	315	D	340	C	365	C	390	A
216	C	241	A	266	D	291	B	316	C	341	C	366	D	391	A
217	C	242	B	267	C	292	A	317	D	342	B	367	D	392	B
218	D	243	D	268	C	293	D	318	A	343	B	368	B	393	C
219	B	244	A	269	C	294	A	319	A	344	A	369	D	394	A
220	A	245	B	270	A	295	D	320	A	345	B	370	C	395	D
221	A	246	A	271	B	296	A	321	B	346	C	371	C	396	D
222	B	247	B	272	A	297	D	322	C	347	C	372	B	397	C
223	D	248	B	273	B	298	A	323	B	348	C	373	B	398	A

224	D	249	A	274	C	299	C	324	C	349	B	374	B	399	A
225	A	250	D	275	A	300	C	325	A	350	D	375	B	400	A

401	B	426	C	451	D	476	B	501	B	526	C	551	B	576	A
402	A	427	C	452	C	477	C	502	B	527	A	552	C	577	D
403	B	428	B	453	B	478	A	503	B	528	D	553	A	578	A
404	D	429	B	454	A	479	C	504	B	529	C	554	D	579	D
405	D	430	A	455	C	480	B	505	A	530	A	555	D	580	A
406	A	431	B	456	D	481	C	506	B	531	C	556	A	581	B
407	C	432	B	457	A	482	A	507	B	532	D	557	B	582	A
408	C	433	A	458	B	483	A	508	B	533	B	558	C	583	B
409	D	434	D	459	C	484	C	509	C	534	C	559	D	584	D
410	A	435	C	460	B	485	B	510	C	535	A	560	D	585	B
411	C	436	D	461	B	486	B	511	A	536	A	561	D	586	C
412	B	437	C	462	B	487	D	512	B	537	D	562	B	587	B
413	C	438	D	463	A	488	C	513	B	538	A	563	A	588	B
414	A	439	D	464	B	489	C	514	D	539	B	564	C	589	B
415	D	440	B	465	C	490	D	515	B	540	C	565	B	590	D
416	B	441	B	466	A	491	B	516	B	541	C	566	D	591	C
417	D	442	D	467	D	492	B	517	D	542	C	567	C	592	C
418	C	443	B	468	A	493	C	518	A	543	C	568	B	593	B
419	A	444	D	469	B	494	D	519	D	544	C	569	A	594	B
420	B	445	C	470	A	495	D	520	D	545	B	570	B	595	A
421	A	446	B	471	B	496	A	521	B	546	D	571	C	596	D
422	B	447	D	472	C	497	D	522	C	547	C	572	B	597	D

423	D	448	D	473	D	498	C	523	C	548	A	573	A	598	A
424	D	449	A	474	B	499	A	524	B	549	A	574	C	599	B
425	A	450	D	475	B	500	C	525	C	550	B	575	A	600	B

601	C	626	C	651	A	676	B	701	C	726	A				
602	C	627	D	652	D	677	C	702	A	727	A				
603	B	628	D	653	D	678	D	703	B	728	B				
604	B	629	A	654	A	679	A	704	D	729	A				
605	A	630	A	655	B	680	A	705	A	730	A				
606	B	631	B	656	A	681	D	706	B	731	A				
607	C	632	A	657	B	682	D	707	C	732	B				
608	B	633	A	658	A	683	B	708	A	733	A				
609	B	634	B	659	B	684	B	709	C	734	D				
610	A	635	B	660	D	685	A	710	D	735	C				
611	D	636	A	661	C	686	C	711	D	736	A				
612	B	637	B	662	C	687	A	712	B	737	A				
613	B	638	C	663	D	688	B	713	D	738	A				
614	C	639	A	664	A	689	A	714	B	739	A				
615	C	640	B	665	B	690	B	715	B	740	A				
616	A	641	B	666	D	691	A	716	B	741	B				
617	A	642	D	667	B	692	D	717	D	742	C				
618	C	643	A	668	A	693	A	718	D	743	D				
619	C	644	A	669	A	694	D	719	C	744	A				
620	B	645	A	670	C	695	D	720	A	745	A				
621	A	646	B	671	A	696	A	721	D	746	B				

622	A	647	D	672	A	697	A	722	B	747	D
623	C	648	D	673	B	698	C	723	A	748	C
624	A	649	C	674	A	699	A	724	B	749	D
625	C	650	B	675	A	700	D	725	C	750	A

