



Assessment Guide

**Economics/
Business/
Free Enterprise**

Georgia Department of Education
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ASSESSMENT GUIDE

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Georgia Milestones Economics/Business/Free Enterprise EOC Assessment Guide

THE GEORGIA MILESTONES ASSESSMENT SYSTEM

The purpose of the Georgia Student Assessment Program is to measure student achievement of the state-adopted content standards and inform efforts to improve teaching and learning. Results of the assessment program are utilized to identify students failing to achieve mastery of content, to provide educators with feedback about instructional practice, and to assist school districts in identifying strengths and weaknesses in order to establish priorities in planning educational programs.

The State Board of Education is required by Georgia law (O.C.G.A. §20-2-281) to adopt assessments designed to measure student achievement relative to the knowledge and skills set forth in the state-adopted content standards. The Georgia Milestones Assessment System (Georgia Milestones) fulfills this requirement and, as a key component of Georgia's Student Assessment Program, is a comprehensive summative assessment program spanning grade 3 through high school. Georgia Milestones measures how well students have learned the knowledge and skills outlined in the state-adopted content standards in Language Arts, Mathematics, Science, and Social Studies. Students in grades 3–8 take an end-of-grade assessment in each content area, while high school students take an end-of-course assessment for each of the eight courses designated by the State Board of Education. In accordance with State Board Rule, Georgia Milestones end-of-course measures serve as the final exams for the specified high school courses.

The main purpose of Georgia Milestones is to inform efforts to improve student achievement by assessing student performance on the standards specific to each course or subject/grade tested. Specifically, Georgia Milestones is designed to provide students and their parents with critical information about the students' achievement and, importantly, their preparedness for the next educational level. The assessment system is a critical informant of the state's accountability measure, the College and Career Ready Performance Index (CCRPI), providing an important gauge about the quality of the educational services and opportunities provided throughout the state. The ultimate goal of Georgia's assessment and accountability system is to ensure that all students are provided the opportunity to engage with high-quality content standards, receive high-quality instruction predicated upon those standards, and are positioned to meet high academic expectations.

Features of the Georgia Milestones Assessment System include:

- open-ended (constructed-response) items in Language Arts and Mathematics (all grades and courses);
- a writing component (in response to passages read by students) at every grade level and course within the Language Arts assessment;
- norm-referenced items in all content areas and courses to complement the criterion-referenced information and to provide a national comparison; and
- a transition to online administration over time, with online administration considered the primary mode of administration and paper/pencil as a back-up until the transition is complete.

The primary mode of administration for the Georgia Milestones program is online, with the goal of completing the transition from paper/pencil within five years after the inaugural administration (i.e., the

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2014–2015 school year). Paper/pencil test materials (such as Braille) will remain available for students with disabilities who may require them in order to access the assessment.

Georgia Milestones follows guiding principles to help ensure that the assessment system:

- is sufficiently challenging to ensure Georgia students are well positioned to compete with other students across the United States and internationally;
- is intentionally designed across grade levels to send a clear signal of student academic progress and preparedness for the next level, be it the next grade level, course, or college or career;
- is accessible to all students, including those with disabilities or limited English proficiency, at all achievement levels;
- supports and informs the state’s educator effectiveness initiatives, ensuring items and forms are appropriately sensitive to quality instructional practices; and
- accelerates the transition to online administration, allowing—over time—for the inclusion of innovative technology-enhanced items.

Georgia Milestones End-of-Course (EOC) Assessments

As previously mentioned, Georgia law (§20-2-281) mandates that the State Board of Education adopt EOC assessments for core courses to be determined by the Board. These assessments serve as a student’s final exam in the associated course. With educator input, and State Board approval, the Georgia Milestones EOC assessments measure student achievement in the following courses: Ninth Grade Literature and Composition, American Literature and Composition, Coordinate Algebra, Analytic Geometry, Physical Science, Biology, United States History, and Economics/Business/Free Enterprise.

Any student enrolled in and/or receiving credit for one of the abovementioned courses, regardless of grade level, is required to take the Georgia Milestones assessment upon completion of that course. This includes middle school students completing a course associated with a Georgia Milestones EOC assessment, regardless of whether they are receiving high school credit. Students enrolling from non-accredited programs are required to take and pass the Georgia Milestones EOC assessment prior to receiving credit for the course.

A student’s final grade in the course will be calculated using the Georgia Milestones EOC assessment as follows (State Board Rule 160-4-2-.13):

- For students enrolled in grade 9 for the first time before July 1, 2011, the EOC assessment counts as 15% of the final grade.
- For students enrolled in grade 9 for the first time on or after July 1, 2011, the EOC assessment counts as 20% of the final grade.

Results of the EOC assessments, according to the legislated and identified purposes, must:

- provide a valid measure of student achievement of the state content standards across the full achievement continuum;
- serve as the final exam for each course, contributing 20% to the student’s final course grade;

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- provide a clear signal of each student’s preparedness for the next course and ultimately post-secondary endeavors (college and career);
- allow for the detection of the academic progress made by each student from one assessed course to the next;
- support and inform educator effectiveness measures; and
- inform state and federal accountability measures at the school, district, and state levels.

Additional uses of the EOC assessments include: (1) certifying student proficiency prior to the awarding of credit for students enrolling from non-accredited private schools, home study programs, or other non-traditional educational centers and (2) allowing eligible students to demonstrate competency without taking the course and earn course credit (e.g., “test out”). In both cases, students are allotted *one* administration.

Assessment Guide

The Georgia Milestones Economics/Business/Free Enterprise EOC Assessment Guide is provided to acquaint Georgia educators and other stakeholders with the structure and content assessed by the test. Importantly, this guide is not intended to inform instructional planning. It is essential to note that there are a small number of content standards that are better suited for classroom or individual assessment rather than large-scale summative assessment. While those standards are not included in the tests, and therefore are not included in this Assessment Guide, the knowledge, concepts, and skills inherent in those standards are often required for the mastery of the standards that are assessed. Failure to attend to all content standards within a course can limit a student’s opportunity to learn and show what he or she knows and can do on the assessment.

The Georgia Milestones Economics/Business/Free Enterprise EOC Assessment Guide is in *no way* intended to substitute for the state-mandated content standards; it is provided to help educators better understand the structure and content of the assessment, *but it is not all-encompassing of the knowledge, concepts, and skills covered in the course or assessed on the test*. The state-adopted content standards and associated standards-based instructional resources, such as the Content Frameworks, should be used to plan instruction. This Assessment Guide can serve as a *supplement* to those resources, in addition to any locally developed resources, **but should not be used in isolation**. In principle, the Assessment Guide is intended to be descriptive of the assessment program and should not be considered all-inclusive. The state-adopted content standards are located at www.georgiastandards.org.

TESTING SCHEDULE

The Georgia Milestones Economics/Business/Free Enterprise EOC assessment is offered during three Main Administrations. Main Administrations are primarily intended to provide an opportunity to assess student achievement at the completion of a course and to serve as the final exam for the associated course as required by State Board Rule. As a result, the EOC assessment should occur as close to the conclusion of the course as possible. Main Administrations can also be utilized to verify credit from a non-accredited school or home schooling. In addition to the Main Administrations, Mid-Month

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Administrations are provided in order to allow students additional testing opportunities for the various reasons noted below.

Purpose for EOC Assessment	Winter & Spring Main Administrations	Mid-Month Administrations	Summer Main Administration
Completion of Course	Yes	Yes	Yes
Makeup from Previous Administration	Yes	Yes	Yes
Retest	No*	Yes	Yes
Test Out	No	Yes, but only during specified windows	Yes
Validation of Credit	Yes	Yes	Yes

*Winter and Spring Main Administrations cannot be used for the purpose of a retest. There will be no retest administrations during the 2014–2015 school year.

Note: Each district determines a local testing window within the state-designated testing window.

TEST STRUCTURE

Description of Test Format and Organization

The Georgia Milestones Economics/Business/Free Enterprise EOC assessment is primarily a criterion-referenced test designed to provide information about how well a student has mastered the state-adopted content standards that comprise the course. Each student will receive one of four proficiency levels, depending on how well the student has mastered the course content standards. In addition to criterion-referenced information, the Georgia Milestones measures will also include a limited sample of nationally norm-referenced items to provide a signal of how Georgia students are achieving relative to their peers nationally. The norm-referenced information provided is supplementary to the criterion-referenced proficiency designation and will not be utilized in any manner other than to serve as a barometer of national comparison. Only the criterion-referenced scores and proficiency designations will be utilized in the accountability metrics associated with the assessment program (such as student course grades, student growth measures, educator effectiveness measures, and the CCRPI).

The Economics/Business/Free Enterprise EOC assessment consists of a total of 75 selected-response items, 68 of which are operational items (and contribute to a student’s criterion-referenced and/or norm-referenced score) and 7 of which are field test items (newly written items that are being tried out and do not contribute to the student’s scores). The criterion-referenced score, and proficiency designation, is comprised of 55 items, for a total of 55 points. Of the 68 operational items, 20 will be norm-referenced and will provide a national comparison in the form of a national percentile rank. Seven

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of the items have been verified as aligned to the course content standards by Georgia educators and will therefore contribute to the criterion-referenced proficiency designation. The other 13 items will contribute only to the national percentile rank and be provided as supplemental information. Only items that are aligned to the state-adopted content standards will be utilized to inform the criterion-referenced score.

With the inclusion of the norm-referenced items, students may encounter items for which they have not received direct instruction. These items will not contribute to the student’s criterion-referenced proficiency designation; only items that align to the course content standards will contribute to the criterion-referenced score. Students should be instructed to try their best should they ask about an item that is not aligned to the content they have learned as part of the course.

Economics/Business/Free Enterprise EOC Assessment Design

Description	Number of Items	Points for CR ¹ Score	Points for NRT ² Feedback
CR Selected-Response Items	48	48	0
NRT Selected-Response Items	20 ³	7 ⁴	20
CR Field Test Items	7	0	0
Total Items/Points⁵	75	55	20

¹CR—Criterion-Referenced: items aligned to state-adopted content standards

²NRT—Norm-Referenced Test: items that will yield a national comparison; may or may not be aligned to state-adopted content standards

³Of these items, 7 will contribute to both the CR scores and NRT feedback. The other 13 of these items will contribute to NRT feedback only and will not impact the student’s proficiency designation, scale score, or grade conversion.

⁴Alignment of national NRT items to course content standards was verified by a committee of Georgia educators. Only approved, aligned NRT items will contribute to a student’s CRT proficiency designation, scale score, and grade conversion score.

⁵Total number of items contributing to CR score: 55; total points: 55; total number of items contributing to NRT feedback: 20; total points: 20

The test will be given in two sections. Students may have up to 70 minutes, per section, to complete Sections 1 and 2. The total estimated testing time for the Economics/Business/Free Enterprise EOC ranges from approximately 100 to 140 minutes. Total testing time describes the amount of time students have to complete the assessment. It does not take into account the time required for the test examiner to complete pre-administration and post-administration activities (such as reading the standardized directions to students). Sections 1 and 2 may be administered on the same day or across two consecutive days based on the district’s testing protocols for the EOC measures (in keeping with state guidance).

During the Economics/Business/Free Enterprise assessment, students may use a scientific calculator throughout all sections of the test.

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Content Measured

The Economics/Business/Free Enterprise EOC assessment will assess the standards that are enumerated for the Economics/Business/Free Enterprise course as described on www.georgiastandards.org.

The content of the assessment is organized into five groupings, or domains, of standards for the purposes of providing feedback on student performance. A content domain is a reporting category that *broadly* describes and defines the content of the course, as measured by the EOC assessment. The standards for Economics/Business/Free Enterprise are grouped into five domains: Fundamental Economic Concepts, Microeconomic Concepts, Macroeconomic Concepts, International Economics, and Personal Finance Economics. Each domain was created by organizing standards that share similar content characteristics. The content standards describe the level of expertise that Economics/Business/Free Enterprise educators should strive to develop in their students. Educators should refer to the content standards for a full understanding of the knowledge, concepts, and skills subject to be assessed on the EOC assessment.

The approximate proportional number of points associated with each domain is shown in the following table. A range of cognitive levels will be represented on the Economics/Business/Free Enterprise EOC assessment. Educators should always use the content standards when planning instruction.

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Economics/Business/Free Enterprise: Domain Structures and Content Weights

Domain	Standard	Approximate Weight
Fundamental Economic Concepts	SSEF1 (1a, 1b, 1c, 1d) SSEF2 (2a, 2b) SSEF3 (3a, 3b) SSEF4 (4a, 4b) SSEF5 (5a, 5b) SSEF6 (6a, 6b, 6c)	20%
Microeconomic Concepts	SSEMI1 (1a, 1b) SSEMI2 (2a, 2b, 2c, 2d) SSEMI3 (3a, 3b, 3c) SSEMI4 (4a, 4b, 4c)	20%
Macroeconomic Concepts	SSEMA1 (1a, 1b, 1c, 1d, 1e, 1f) SSEMA2 (2a, 2b, 2c) SSEMA3 (3a, 3b)	20%
International Economics	SSEIN1 (1a, 1b, 1c) SSEIN2 (2a, 2b, 2c, 2d, 2e) SSEIN3 (3a, 3b, 3c, 3d)	20%

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Economics/Business/Free Enterprise: Domain Structures and Content Weights – continued

Domain	Standard	Approximate Weight
Personal Finance Economics	SSEPF1 (1a, 1b, 1c) SSEPF2 (2a, 2b, 2c, 2d) SSEPF3 (3a, 3b, 3c) SSEPF4 (4a, 4b, 4c) SSEPF5 (5a, 5b) SSEPF6 (6a, 6b)	20%

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Item Types

The Economics/Business/Free Enterprise EOC assessment consists of selected-response items only.

A selected-response item, sometimes called a multiple-choice item, is defined as a question, problem, or statement that appears on a test followed by several answer choices, sometimes called options or response choices. The incorrect choices, called distractors, usually reflect common errors. The student's task is to choose, from the alternatives provided, the best answer to the question posed in the stem (the question). The Economics/Business/Free Enterprise selected-response items will have four answer choices.

Depth of Knowledge Descriptors

Items found on the Georgia Milestones assessments, including the Economics/Business/Free Enterprise EOC assessment, are developed with a particular emphasis on cognitive complexity or Depth of Knowledge (DOK). DOK is measured on a scale of 1 to 4 and refers to the level of cognitive demand required to complete a task (or in this case, an assessment item). The higher the level, the more *complex* the item; however, higher levels do not necessarily mean *more difficult* items. For instance, a question can have a low DOK but a medium or even high difficulty level. Conversely, a DOK 4 question may have a low difficulty level but still require a great deal of cognitive thinking (e.g., analyzing and synthesizing information instead of just recalling it). The following descriptions and table show the expectations of the four DOK levels in greater detail.

Level 1 (Recall of Information) generally requires students to identify, list, or define, often asking them to recall who, what, when, and where. Consequently, this level usually asks students to recall facts, terms, concepts, and trends and may ask them to identify specific information contained in documents, excerpts, quotations, maps, charts, tables, graphs, or illustrations. Items that require students to “describe” and/or “explain” could be classified at Level 1 or Level 2 depending on what is to be described and/or explained. A Level 1 “describe” and/or “explain” would require students to recall, recite, or reproduce information.

Level 2 (Basic Reasoning) includes the engagement of some mental processing beyond recalling or reproducing a response. A Level 2 “describe” and/or “explain” would require students to go beyond a description or explanation of recalled information to describe and/or explain a result or “how” or “why.”

Level 3 (Complex Reasoning) requires reasoning, using evidence, and thinking on a higher and more abstract level than Level 1 and Level 2. Students will go beyond explaining or describing “how and why” to justifying the “how and why” through application and evidence. Level 3 questions often involve making connections across time and place to explain a concept or “big idea.”

Level 4 (Extended Reasoning) requires the complex reasoning of Level 3 with the addition of planning, investigating, applying significant conceptual understanding, and/or developing that will most likely require an extended period of time. Students should be required to connect and relate ideas and concepts *within* the content area or *among* content areas in order to be at this highest level. The

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distinguishing factor for Level 4 would be a show of evidence, through a task, a product, or an extended response, that the cognitive demands have been met.

Many on-demand assessment instruments will not include assessment activities that could be classified as Level 4. However, standards, goals, and objectives can be stated so as to expect students to perform at this thinking level. The items on the Economics/Business/Free Enterprise test will be written to DOK levels 1, 2, and 3.

The following table identifies skills that students will need to demonstrate at each DOK level, along with question cues appropriate for each level.

Level	Skills Demonstrated	Question Cues
Level 1 Recall of Information	<ul style="list-style-type: none"> • Make observations • Recall information • Recognize formulas, properties, patterns, processes • Know vocabulary, definitions • Know basic concepts • Perform one-step processes • Translate from one representation to another • Identify relationships 	<ul style="list-style-type: none"> • Tell what, when, or where • Find • List • Define • Identify; label; name • Choose; select • Compute; estimate • Express • Read from data displays • Order
Level 2 Basic Reasoning	<ul style="list-style-type: none"> • Apply learned information to abstract and real life situations • Use methods, concepts, theories in abstract and real-life situations • Perform multi-step processes • Solve problems using required skills or knowledge (requires more than habitual response) • Make a decision about how to proceed • Identify and organize components of a whole • Extend patterns • Identify/describe cause and effect • Recognize unstated assumptions, make inferences • Interpret facts • Compare or contrast simple concepts/ideas 	<ul style="list-style-type: none"> • Apply • Calculate; solve • Complete • Describe • Explain how; demonstrate • Construct data displays • Construct; draw • Analyze • Extend • Connect • Classify • Arrange • Compare; contrast

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Level	Skills Demonstrated	Question Cues
Level 3 Complex Reasoning	<ul style="list-style-type: none"> • Solve an open-ended problem with more than one correct answer • Create a pattern • Generalize from given facts • Relate knowledge from several sources • Draw conclusions • Make predictions • Translate knowledge into new contexts • Compare and discriminate between ideas • Assess value of methods, concepts, theories, processes, formulas • Make choices based on a reasoned argument • Verify the value of evidence, information, numbers, data 	<ul style="list-style-type: none"> • Plan; prepare • Predict • Create; design • Ask “what if?” questions • Generalize • Justify; explain why; support; convince • Assess • Rank; grade • Test; judge • Recommend • Select • Conclude
Level 4 Extended Reasoning	<ul style="list-style-type: none"> • Analyze and synthesize information from multiple sources • Examine and explain alternative perspectives across a variety of sources • Apply mathematical models to illuminate a problem or situation • Design a mathematical model to inform and solve a practical or abstract situation • Combine and synthesize ideas into new concepts 	<ul style="list-style-type: none"> • Design • Connect • Synthesize • Apply concepts • Critique • Analyze • Create • Prove

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SCORES

Selected-response items are machine scored. The Economics/Business/Free Enterprise EOC assessment consists of only selected-response items.

Students will receive an EOC scale score, an achievement level, a number correct out of the number possible, and a grade conversion score based on the items aligned to the state content standards. From the 20 embedded norm-referenced items, students will also receive scores that allow comparison to a national group of students.

EXAMPLE ITEMS

Example items, which are representative of the DOK levels across various Economics/Business/Free Enterprise content domains, are provided on the following pages. **All example and sample items contained in this guide are the property of the Georgia Department of Education.**

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Example Item 1

DOK Level: 1

Economics/Business/Free Enterprise Content Domain: Personal Finance Economics

Standard: SSEPF4. The student will evaluate the costs and benefits of using credit. b. Compare interest rates on loans and credit cards from different institutions.

Which factor MOST directly affects the amount of money borrowers must repay to lenders?

- A the inflation rate
- B the employment rate
- C the annual percentage rate
- D the currency exchange rate

Correct Answer: C

Explanation of Correct Answer: The correct answer is choice (C) the annual percentage rate. Banks generally link the loans they offer to the annual percentage rate. The loans may have fixed APRs or flexible APRs. Choices (A), (B), and (D) are incorrect because these are issues that may affect the annual percentage rate, they are not generally listed in the loan agreement.

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Example Item 2

DOK Level: 2

Economics/Business/Free Enterprise Content Domain: Microeconomic Concepts

Standard: SSEMI2. The student will explain how the Law of Demand, the Law of Supply, prices, and profits work to determine production and distribution in a market economy. a. Define the Law of Supply and the Law of Demand.

In a market economy, if the price of a good increases, the quantity demanded by consumers and the quantity supplied by producers will change in which of the following ways?

Quantity Demanded by Consumers	Quantity Supplied by Producers
A increase	increase
B increase	decrease
C decrease	increase
D decrease	decrease

Correct Answer: C

Explanation of Correct Answer: The correct answer is choice (C). Fewer consumers will want to buy the good as the price increases, and producers will provide more of the good in anticipation of making increased profits. Choices (A) and (B) are incorrect because consumer demand will decrease. Choice (B) is also incorrect because suppliers will increase the quantity provided with the hope of making more money. Choice (D) is incorrect because suppliers will increase the supply to make more money.

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Example Item 3

DOK Level: 2

Economics/Business/Free Enterprise Content Domain: Fundamental Economic Concepts

Standard: SSEF1. The student will explain why limited productive resources and unlimited wants result in scarcity, opportunity costs, and tradeoffs for individuals, businesses and government. b. Define and give examples of productive resources (factors of production) (e.g., land (natural), labor (human), capital (capital goods), entrepreneurship).

Use the information to answer the following question.

Mary decides to produce and sell apple juice. She leases an apple orchard and renovates her kitchen to produce and bottle the apple juice. Mary hires three employees. Two employees will maintain the apple orchard and bottle the juice, and one will market the apple juice using the Internet.

In the manufacture and sale of the apple juice, what factor of production does Mary represent?

- A land
- B labor
- C capital
- D entrepreneurship

Correct Answer: D

Explanation of Correct Answer: The correct answer is choice (D) entrepreneurship. Mary is the entrepreneur who takes steps to start and maintain a business. Choices (A) and (B) are incorrect because they relate to the apple orchard, or land, and to Mary's employees, or labor. Choice (C) is incorrect because although raising capital is an important step in entrepreneurship, Mary herself does not represent capital.

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Example Item 4

DOK Level: 3

Economics/Business/Free Enterprise Content Domain: International Economics

Standard: SSEIN3. The student will explain how changes in exchange rates can have an impact on the purchasing power of individuals in the United States and in other countries. d. Explain why, when exchange rates change, some groups benefit and others lose.

Use this table to answer the question.

**Average Annual Exchange Rate of
\$1 U.S. to the European Euro**

Year	Exchange Rate
2000	1.87
2001	1.63
2002	1.47
2003	1.34

Based on the table, which development **MOST LIKELY** occurred between 2000 and 2003?

- A The United States increased tariffs on European nations that used the euro in international trade.
- B The United States increased its money supply to encourage the export of goods to nations that used the European euro.
- C U.S. exporters found it increasingly difficult to find markets in nations that used the European euro.
- D European consumers who used the euro purchased U.S. exports at increasingly lower prices.

Correct Answer: D

Explanation of Correct Answer: The correct answer is choice (D) European consumers who used the euro purchased U.S. exports at increasingly lower prices. As the value of the euro increased against the U.S. dollar, it cost Europeans less to buy goods exported from the United States. Choice (A) is incorrect because as American goods became cheaper to export, the U.S. government would not increase tariffs against European nations to retaliate against the declining relative value of the U.S. dollar. Choice (B) is incorrect because while it is possible, that the government would increase the money supply to boost exports, this would also cause inflation in the United States, which would hurt domestic consumers. Choice (C) is incorrect because declining value of the U.S. dollar against the euro would make American products more attractive.

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Example Item 5

DOK Level: 3

Economics/Business/Free Enterprise Content Domain: Macroeconomic Concepts

Standard: SSEMA3. The student will explain how the government uses fiscal policy to promote price stability, full employment, and economic growth. b. Explain the government's taxing and spending decisions.

When the government increases spending, the price level and employment are MOST LIKELY to change in which of the following ways?

	<u>Price Level</u>	<u>Employment</u>
A	Increase	Increase
B	Increase	Decrease
C	Decrease	Increase
D	Decrease	Decrease

Correct Answer: A

Explanation of Correct Answer: The correct answer is choice (A) Price Level Increase, Employment Increase. When the government increases public spending by buying services from the market, such as the building of new schools or roads, it also creates jobs. However, with more money in circulation due to more people having jobs, prices may increase. Thus, it is important for the government to find a balance. Choices (B), (C), and (D) are incorrect because although they are related to fiscal policy, they do not represent the situation described. For instance, an increase in government spending would not result in a decrease in both prices and employment.

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ADDITIONAL SAMPLE ITEMS

This section has two parts. The first part is a set of 10 sample items for Economics/Business/Free Enterprise. The second part contains a table that shows for each item the standard assessed, the DOK level, the correct answer (key), and a rationale/explanation about the key and distractors. The sample items can be utilized as a mini-test to familiarize students with the item formats found on the assessment. **All example and sample items contained in this guide are the property of the Georgia Department of Education.**

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Item 1

The economic term “scarcity” relates **MOST** directly to a situation in which

- A individuals lack money needed to purchase goods
- B businesses lack customers needed to make a profit
- C employees lack experience needed to earn a promotion
- D manufacturers lack raw materials needed to satisfy demand

Item 2

Use the scenario to answer the question that follows.

Marta and Shanika open their own computer repair shop and agree to share the decision-making, the profits, and the risks. Marta will manage their parts inventory and all the accounting duties. Shanika will work out front to meet customers when they drop off and pick up their computers. Marta will work on desktop computers while Shanika will repair the laptops.

Marta and Shanika’s arrangement is an example of

- A competition
- B specialization
- C incorporation
- D consumption

Item 3

Which role does money have in economic systems?

- A a good to consume
- B a medium of exchange
- C a measure of satisfaction
- D a resource for production

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Item 4

What MOST often happens when demand for a product is highly elastic?

- A Substitution occurs when its price rises.
- B Demand for the product increases even when its price rises.
- C Higher productivity does not always reduce the product's price.
- D Supply of the product increases to establish its equilibrium price.

Item 5

A recent high school graduate has never searched for a job before. He does not know what he is qualified to do. He turns down a job at a factory, hoping for better-paying work. What kind of unemployment is he experiencing?

- A cyclical
- B frictional
- C structural
- D institutional

Item 6

Which monetary policy decision is meant to increase the U.S. money supply?

- A Congress passes a bill to reduce personal income taxes.
- B The Federal Reserve buys treasury bonds in the open market.
- C Congress passes a bill to reduce regulations on business monopolies.
- D The Federal Reserve borrows money from a foreign bank to cover a budget deficit.

Item 7

The calculation of a country's balance of trade involves the value of its

- A exports and imports
- B net exports and gross domestic product
- C foreign exchange rate and discount rate
- D foreign investments and investments by foreigners

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Item 8

Which statement BEST supports the argument that countries should engage in free trade?

- A Free trade encourages less wealthy countries to develop mixed market economies.
- B Free trade eliminates the need for exporters to pursue greater comparative advantages.
- C Free trade eliminates the need for importers to rely on absolute advantages.
- D Free trade encourages countries to allocate their resources more efficiently.

Item 9

A woman recently took time off from work while recovering from a car accident. Which insurance provided her with financial support while she recovered?

- A life
- B health
- C disability
- D property

Item 10

To maximize profits, a bank would charge

- A a rate of interest that is the same for deposits and loans
- B a higher rate of interest for large corporations than for small businesses
- C a lower rate of interest on loans and pay higher interest rates on deposits
- D a higher rate of interest on loans and pay lower interest rates on deposits

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Additional Sample Item Keys

Item	Standard/ Element	DOK Level	Correct Answer	Explanation
1	SSEF1a	2	D	The correct answer is choice (D) manufacturers lack raw materials needed to satisfy demand. Scarcity is an economic problem having to do with raw materials that are limited by nature. Although people may have unlimited wants, raw materials can be limited, or scarce. Choices (A), (B), and (C) are incorrect because although they represent a lack, or perceived scarcity, of something, they are not related to raw materials. Scarcity, in economics, is directly related to raw materials.
2	SSEF3a	2	B	The correct answer is choice (B) specialization. Choice (A) is incorrect because Marta and Shanika are working together. Choice (C) is incorrect because there is no indication that the company has been incorporation. Choice (D) is incorrect because Marta and Shanika are considered suppliers of a service, not producers.
3	SSEMI1b	1	B	The correct answer is choice (B) a medium of exchange. Money, or currency, is a medium that is exchanged with an individual or an entity for goods and services. Choice (A) is incorrect because it refers to money as the good rather than the method for obtaining the good. Choice (C) is incorrect because it essentially defines money as a market survey instead of a resource, a medium for exchange. Choice (D) is incorrect because it defines money as a resource for production. Money can be used to purchase any good or service, not just production.
4	SSEMI3c	3	A	The correct answer is choice (A) Substitution occurs when its price rises. Other suppliers will enter the market with new products to compete with the product that has high demand elasticity. Choice (B) is incorrect because demand will decrease not increase. Choice (C) is incorrect because higher productivity will create cost savings allowing the producer to lower prices. Choice (D) is incorrect because the reason the price is affected is from the elastic demand, which may not respond to changes in supply.

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5	SSEMA1d	2	B	The correct answer is choice (B) frictional. Frictional unemployment is the result of job skills of unemployed workers not matching the requirements of jobs that are available. The high school graduate's skills may not match what is available in the market. Choice (A) is incorrect because cyclical unemployment refers to the unemployment caused by the business cycle during periods of economic recession. Choice (C) is incorrect because structural unemployment refers to old sectors of the economy no longer being necessary and as a result, eliminating jobs. There is no indication in the scenario that there has been a shift in the economy resulting in old technology and skills becoming unwanted. Choice (D) is incorrect because there is no indication in the scenario that external institutional agencies, such as labor unions or government agencies, are affecting employment at the factory.
6	SSEMA2c	3	B	The correct answer is choice (B) the Federal Reserve buys treasury bonds in the open market. The purchase of treasury bonds results in the Federal Reserve giving money to banks and financial institutions, which increases the money supply. Choice (A) is incorrect because this is an example of fiscal policy and would not increase the money supply. Choice (C) is a regulatory policy and would not increase the money supply. Choice (D) would not increase the money supply because the Federal Reserve usually does not borrow money from foreign banks to cover a budget deficit.
7	SSEIN1c	1	A	The correct answer is choice (A) exports and imports. A country's balance of trade is the difference between the value of its imports and the value of its exports. If a country imports more than it exports, it has a trade deficit, and if it exports more than it imports, it has a trade surplus. Choices (B), (C), and (D) are incorrect because although they relate to international economics, they do not factor in both imports and exports. They describe aspects of international economics that are not directly tied to the calculation of a balance of trade.

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8	SSEIN2e	3	D	The correct answer is choice (D) Free trade encourages countries to allocate their resources more efficiently. In a free trade system, countries can specialize in producing goods or services in industries in which they have an advantage. Specialization leads to increased production efficiencies, which lead to higher productivity and increased output. Choice (A) is incorrect because the ability to trade internationally, without government interventions and taxes, would not logically result in the recommendation of a mixed market system, which features some government regulation. Choice (B) is incorrect because free trade is typically what makes specialization so advantageous, and any increases would make production even more efficient. Choice (C) is incorrect because it confuses the issue: exporters, not importers, benefit from absolute advantages in a given industry, and free trade makes this possible.
9	SSEPF5a	1	C	The correct answer is choice (C) disability. The woman's accident left her temporarily disabled, so her disability insurance provided her some support while she recovered. Choice (A) is incorrect because life insurance would not come into play for an injury. Choice (B) is incorrect because health insurance would be relevant only for her treatment and time spent in the hospital. Choice (D) is incorrect because property insurance is meant to cover the cost of property repair, not recovery from an injury.

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10	SSEPF2B	2	D	The correct answer is choice (D). The profits that banks earn are the difference between the interest rates received for loans against the interests rates paid on deposits. Choice (A) is incorrect because a bank will not earn a profit if it made interest rates the same for loans and deposits. Choice (B) is incorrect because banks will typically charge the same rate for loans to businesses regardless of their size. Their creditworthiness and ability to repay the loan has a larger impact on determining the interest rate on the loan than their size. Choice (C) is incorrect because paying a lower interest rate on loans than on deposits will result in the bank losing money.