Fundamentals of Sports Economics

Economics · Answer Key · 18 Questions

1. What is the primary source of income for most major professional sports leagues?

A) Ticket sales
B) Broadcasting rights
C) Merchandise sales
D) Parking fees

2. In economics, what term describes the money a sports team earns before paying any expenses?

A) Profit
B) Revenue
C) Tax
D) Debt

3. Which of these is considered a 'variable cost' for a sports stadium hosting a game?

A) Stadium construction
B) Staff wages for security
C) Annual insurance premiums
D) The stadium's land value

4. What is a 'salary cap' in professional sports?

A) A minimum amount a player must earn
B) The total amount a team can spend on player salaries
C) A tax paid by the league to the government
D) A limit on how many goals a team can score

5. Which professional sports league model often uses a 'draft' system to distribute talent among teams?

A) Open leagues
B) Closed franchise leagues
C) Amateur clubs
D) School sports

6. What is an example of a tangible good sold by a professional sports team?

A) A ticket to a game
B) A team jersey
C) Watching a game on TV
D) A coach's advice

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7. What is the 'opportunity cost' if a city builds a new stadium instead of a new school?

A) The cost of the stadium grass
B) The educational benefits of the school
C) The electricity used by the stadium
D) The color of the stadium seats

8. What term describes the increase in local spending in a city when it hosts a major sporting event?

A) Economic impact
B) Deflation
C) Stock market crash
D) Foreign aid

9. Which of these is a form of 'human capital' in the sports industry?

A) The stadium lights
B) The players' athletic skills
C) The team mascot's costume
D) The scoreboard

10. What is the main goal of a professional sports franchise operating as a business?

A) To play for free
B) To maximize profit
C) To lose money
D) To support local schools

11. What does 'scarcity' mean in the context of professional sports tickets?

A) There are too many tickets for everyone
B) The number of seats is limited
C) Tickets are always free
D) Tickets are only sold in winter

12. What is a 'sponsorship' in sports economics?

A) A donation to a charity
B) Payment from a company to display their brand in exchange for marketing
C) A type of government tax
D) A salary paid to the coach

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13. Which of these is a public good often provided by local governments to support sports?

A) Team jerseys
B) Public parks and recreation fields
C) Professional athlete salaries
D) Sports trading cards

14. What happens to the price of tickets for a game if the supply of seats is fixed and demand increases?

A) Prices go down
B) Prices stay the same
C) Prices increase
D) Tickets become free

15. What is a 'transfer fee' in soccer economics?

A) A tax on food at the stadium
B) Money paid by one club to another to sign a player under contract
C) The cost of a player's flight
D) A fine for getting a red card

16. What is an 'asset' owned by a professional sports club?

A) The team's stadium
B) The stadium electricity bill
C) The team's lunch costs
D) The travel expenses

17. Why do teams engage in 'branding' and selling team merchandise?

A) To increase revenue streams
B) To decrease fan loyalty
C) To reduce player salaries
D) To lower ticket prices

18. What is a 'free agent' in the context of sports labor markets?

A) A player who plays for no money
B) A player who is not currently under contract with any team
C) A player who only plays in the playoffs
D) A player who does not have to train

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