Chapter 01

Taking Risks and Making Profits within the Dynamic Business Environment

**True / False Questions**

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| 1. | Businesses provide goods, jobs, and services to others.  True    False |

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| 2. | Businesses seek to earn a profit by providing goods and services to others.  True    False |

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| 3. | Revenue is the amount a business earns above and beyond what it spends for expenses and costs.  True    False |

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| 4. | Profit is the amount of money a business earns above and beyond what it spends for salaries and other expenses.  True    False |

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| 5. | Since all businesses make a profit, starting a business is not risky.  True    False |

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| 6. | An entrepreneur risks time and money to start and manage a business.  True    False |

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| 7. | If a business's costs and expenses are greater than its revenue, it will suffer a loss.  True    False |

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| 8. | Profits of a business include the salaries paid to its employees.  True    False |

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| 9. | Revenue is the total amount of money a business takes in during a given period by selling goods and services.  True    False |

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| 10. | Risk is the chance an entrepreneur takes of losing time and money on a business that may not prove profitable.  True    False |

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| 11. | The United States has one of the highest standards of living in the world.  True    False |

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| 12. | The term "standard of living" refers to the amount of debt people can incur on a given income.  True    False |

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| 13. | Health care availability, a clean environment, and good schools all contribute to a high quality of life.  True    False |

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| 14. | Maintaining a high quality of life requires the combined efforts of businesses, nonprofit organizations, and government agencies.  True    False |

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| 15. | Stakeholders are all the people who stand to gain or lose by the policies and activities of a business.  True    False |

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| 16. | Stakeholders include customers, employees, stockholders, suppliers, dealers, bankers, government officials and environmentalists.  True    False |

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| 17. | Outsourcing means selling goods and services to people in other countries.  True    False |

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| 18. | Outsourcing has caused many complications in many states where jobs have been lost to overseas companies.  True    False |

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| 19. | Insourcing refers to the practice of global companies setting up design and production facilities in the United States.  True    False |

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| 20. | The knowledge and skills learned in business courses are seldom relevant to students who work for nonprofit organizations or volunteer groups.  True    False |

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| 21. | Businesses and nonprofit organizations often strive to accomplish the same objectives.  True    False |

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| 22. | Nonprofit organizations use financial gains to meet stated social or educational goals of the organization rather than personal profit.  True    False |

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| 23. | Social entrepreneurs are people who start and manage organizations that are not-for-profit. Their mission is to help others improve their quality of life.  True    False |

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| 24. | The only real purpose of a business is to make money for entrepreneurs.  True    False |

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| 25. | The only way a firm can increase its profits is to increase its sales revenue.  True    False |

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| 26. | The amount of profit or loss earned by a business can be found by subtracting the firm's expenses from its revenues.  True    False |

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| 27. | Nonprofit organizations are similar to businesses in that they often provide goods and services that satisfy the needs of society.  True    False |

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| 28. | Unlike businesses, employees of nonprofit organizations are not required to learn the business skills of information management, marketing, or financial management.  True    False |

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| 29. | Business decisions should consider the interests of customers, employees, suppliers, government leaders, and stockholders.  True    False |

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| 30. | By balancing the demands of customers and stockholders, businesses satisfy the demands of all stakeholders.  True    False |

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| 31. | An effort to please one group of stakeholders eventually pleases all stakeholders.  True    False |

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| 32. | Insourcing creates new jobs, and helps offset the number of jobs being outsourced.  True    False |

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| 33. | Robin has started her own online consulting firm. While she recognizes the risks involved in operating a business, she is still willing to invest her time, effort, and money in hopes of earning a profit. Robin is an example of an entrepreneur.  True    False |

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| 34. | Backstreet Books, an eclectic bookstore on a large college campus, generated total revenues of $15 million while incurring expenses of $12 million. During the year Backstreet Books earned a profit of $3 million.  True    False |

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| 35. | Since businesses strive to earn a profit, their owners benefit at the expense of the rest of society.  True    False |

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| 36. | John earned the same amount of money this year as he did last year. Thus, his standard of living must be the same as it was last year.  True    False |

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| 37. | Susan quit her job in a big city to take a less stressful position in a small town located in a scenic area. She earns less money at her new job and has had to cut back on her purchases of material goods, but she has more leisure time and really enjoys the clean air and scenic beauty of her new home. Susan has accepted a lower standard of living in order to enjoy a higher quality of life.  True    False |

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| 38. | Political freedom, quality education, access to health care, and a clean environment are all factors that contribute to an improved quality of life.  True    False |

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| 39. | People living in San Jose, CA, on average earn more money than people living in St. Louis, MO. The citizens of San Jose enjoy a higher standard of living than the citizens of St. Louis.  True    False |

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| 40. | The major difference between businesses and nonprofit organizations is that only businesses can increase the standard of living, while only nonprofit organizations can improve the quality of life.  True    False |

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| 41. | A charitable organization, such as the American Red Cross or Salvation Army, is classified as a for-profit organization.  True    False |

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| 42. | It was reported by a Beijing newspaper that China succeeded in improving its people's standard of living and establishing a relatively affluent society recently. This report clearly indicates that both income levels and the price of goods and services rose significantly during that time period.  True    False |

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| 43. | Starting a business is a riskier path toward business success than working your way up the ranks of a large business.  True    False |

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| 44. | Working as an entrepreneur is the only way to succeed in business.  True    False |

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| 45. | Paid vacations and health care insurance are among the benefits provided by the government to entrepreneurs.  True    False |

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| 46. | Women currently own less than 10 percent of all businesses.  True    False |

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| 47. | The number of businesses owned by Asian Americans Hispanic Americans, and Native Americans has grown dramatically.  True    False |

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| 48. | Land, sometimes called natural resources, is the most critical factor of production in explaining why some countries are poor while others are rich.  True    False |

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| 49. | Money is one of the five factors of production that contribute to the creation of wealth.  True    False |

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| 50. | Tools, machinery, and buildings are examples of capital resources.  True    False |

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| 51. | The major advantage rich nations have over poor nations is an abundance of land and labor.  True    False |

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| 52. | Entrepreneurship is one of the five factors of production that contribute to the creation of wealth.  True    False |

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| 53. | Business consultant Peter Drucker said that the most important factor of production is knowledge.  True    False |

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| 54. | Most business experts agree that entrepreneurship and the effective use of knowledge are the most important contributors to the creation of wealth.  True    False |

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| 55. | The business environment refers to the surrounding factors that either help or hinder the development of businesses.  True    False |

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| 56. | Sarah is a recent U.S. college graduate who is interested in starting an import tea business. If she follows through with her plans, she will be a pioneer, because only a handful of women choose to start businesses in the U.S.  True    False |

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| 57. | Countries with an inadequately trained work force and few entrepreneurs often achieve the highest levels of income by relying on a large number of workers.  True    False |

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| 58. | If they wish to create more wealth, poor nations should focus on policies that increase entrepreneurship and the effective use of knowledge.  True    False |

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| 59. | To realize his passion, Alex recently opened Original Tunes, Inc., a small state-of-the-art recording studio in Nashville, TN. He probably could have set up shop in several major cities, but Nashville offered him the two most important factors that he learned in business school would enhance the creation of wealth: labor and political freedom.  True    False |

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| 60. | Greg recently completed his degree in construction management and is planning to start a business developing apartment buildings. After researching several potential areas, he chose Mexico City due to its high population. Greg felt that this factor would create a large labor pool, the most important of the five factors of production.  True    False |

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| 61. | Jarett is supposed to be cramming for finals but his mind keeps wandering to the Colorado slopes. Several years ago, his Uncle Mike made it big and now owns a ski lodge just north of Aspen. He promised Jarett a management trainee position and the opportunity to buy into the company by contributing a portion of his paycheck each month back into the business. As he dreams about the opportunity to be his own boss, reality bites as Jarett scans his business book and reads, "freedom to succeed also means freedom to fail."  True    False |

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| 62. | Taxes and government regulations are part of the economic and legal environment in which businesses operate.  True    False |

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| 63. | High taxes and government restrictions help to encourage entrepreneurs by providing greater incentives for people to work hard and create profit.  True    False |

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| 64. | One of the best things the governments of developing countries can do to increase wealth is to minimize interference with the free exchange of goods and services.  True    False |

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| 65. | In countries where businesses cannot enter into binding contracts, business owners assume additional risk.  True    False |

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| 66. | In an effort to increase wealth and their country's standard of living, many governments are taking over major industries and operating them as nonprofit organizations.  True    False |

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| 67. | Corruption and illegal activities are expected in a capitalist system and can be beneficial.  True    False |

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| 68. | One way for a government to actively promote entrepreneurship is to establish a currency that's tradable in world markets so that you can buy and sell goods anywhere in the world using that currency.  True    False |

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| 69. | Honesty, integrity, and high ethical standards are essential to a capitalist economic system like the one that operates in the United States.  True    False |

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| 70. | Laws that allow companies to write enforceable contracts decrease the risk of doing business.  True    False |

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| 71. | In rich countries such as the United States, changes in the level of taxation have little impact on the incentives of entrepreneurs.  True    False |

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| 72. | The failure to uphold high ethical business standards by a few companies can negatively impact the entire U.S. business community.  True    False |

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| 73. | Several years ago, the government of the small nation of Allegro owned the nation's telephone company and landlines. This relatively poor government relied on taxes to develop this industry and provide service to its citizens. If the government desired to rapidly improve people's access to phone service, its best course of action would involve selling the telephone company to private investors.  True    False |

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| 74. | The government of the nation of Winstone is trying to achieve a high quality of life by imposing strict regulations to protect the environment and ensure safe working conditions in factories and mines. The government also has established ambitious programs to help the poor, financing them by setting high tax rates. These efforts by Winstone's government should create an atmosphere that encourages entrepreneurship.  True    False |

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| 75. | Though it has received a lot of attention, the development of the Internet has had less of an impact on the way businesses operate than many other technological changes.  True    False |

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| 76. | An increase in productivity indicates that more can be produced in a given time period with the same amount of resources.  True    False |

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| 77. | Technology can help businesses become more efficient and productive.  True    False |

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| 78. | Productivity is the amount of output you generate given the amount of input such as hours worked.  True    False |

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| 79. | Effectiveness means producing goods and services using the least amount of resources.  True    False |

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| 80. | Effectiveness means producing the desired result.  True    False |

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| 81. | Technology refers to everything that makes business operations more effective, efficient, and productive.  True    False |

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| 82. | E-commerce is the buying and selling of goods over the Internet.  True    False |

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| 83. | The B2B Internet market consists of selling goods and services to consumers.  True    False |

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| 84. | The rise of Internet marketing has become particularly important in doing business in the B2B markets.  True    False |

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| 85. | The business-to-business segment of e-commerce is of less importance than the business-to-consumer segment of e-commerce.  True    False |

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| 86. | Technology allows firms to be more responsive to their customers' wants and needs.  True    False |

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| 87. | Bar codes are a form of technology that has enhanced a company's ability to be responsive to consumer needs.  True    False |

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| 88. | An electronic storage file where information is kept is called a CPU.  True    False |

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| 89. | The databases of a business often include a great deal of information about the firm's customers.  True    False |

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| 90. | Information in a database allows firms to carry only the products that the local population wants.  True    False |

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| 91. | Identity theft is when individuals or firms access people's personal information and then use it for illegal purposes and activities.  True    False |

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| 92. | The main difference between B2C and B2B e-commerce is that B2C uses only the Internet, while B2B combines e-commerce with traditional (bricks-and-mortar) outlets.  True    False |

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| 93. | There is less risk involved in starting an e-commerce-only business than there is in trying to add e-commerce to a traditional (bricks-and-mortar) store.  True    False |

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| 94. | One of the major advantages to firms involved in e-commerce is that the technology is still so new that the Internet-based firms face very little competition.  True    False |

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| 95. | Nicki has joined with several other investors to form a new company that sells foot-care products to consumers over the Internet. Nicki has invested in a B2C e-commerce company.  True    False |

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| 96. | Over the past several years, workers in the small nation of Rainland have enjoyed an increase in the number of holidays and a reduction in the average length of the workday that have reduced the total number of hours they work each year. However, the output per worker in Rainland is higher now than it was before the reduction in hours. These facts suggest that productivity in Rainland has increased.  True    False |

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| 97. | SleekWrap is a company that produces industrial coatings for the steel industry. Until recently it relied on wholesalers to distribute its products to other businesses, but now it also sells directly to its business customers through its website. This is an example of the largest and most important type of e-commerce transaction.  True    False |

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| 98. | As emerging technologies become widespread, businesses tend to find better uses for them. However, in the case of the Internet, businesses that sell B2B have not benefited from directly selling to their business customers in the same way that B2C companies have done.  True    False |

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| 99. | With the emergence of the Internet, Jasmine finds it easy to do all her gift buying online. She takes comfort in the fact that new technologies if installed properly are seldom used in unethical ways.  True    False |

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| 100. | Technological innovation has a ripple effect. With the advent of the Internet, Tyler, a certified tech-nerd, is being courted by companies to write the next generation of antivirus software. He tells us its big business!  True    False |

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| 101. | To remain competitive in today's market, firms must produce a quality product and offer outstanding service at a reasonable price.  True    False |

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| 102. | Producing a high-quality product will ensure success in the competitive environment.  True    False |

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| 103. | Successful firms follow a customer-driven strategy, as opposed to the management-driven strategy used in the past.  True    False |

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| 104. | Zero defects means that there is a company goal of no mistakes in making products.  True    False |

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| 105. | Traditional businesses have a managerial focus rather than a customer focus.  True    False |

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| 106. | Competition is fierce! One way to respond quickly to customer needs is to develop a strategy of empowering employees.  True    False |

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| 107. | A policy of empowerment encourages managers to make decisions quickly for their frontline employees.  True    False |

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| 108. | Empowerment means giving frontline workers the responsibility, authority, and freedom to respond quickly to customer requests.  True    False |

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| 109. | The goal of empowerment in the workplace is to prevent mistakes. Therefore, giving management more control over the actions of lower-level workers will prevent mistakes.  True    False |

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| 110. | The primary focus of successful firms is designing and producing high-quality goods. Advertising is then used to convince consumers to buy their superior products.  True    False |

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| 111. | It's important that firms are as efficient as possible. This is done by becoming management-driven for efficiency.  True    False |

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| 112. | Customer-driven organizations require managers to closely direct and control their employees.  True    False |

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| 113. | Bruno and Gino are worthy competitors in the bakery business in a small upscale resort town. Gino recently negotiated a contract with a supplier for really cheap cooking oil. He knows that bakery customers want cheap products. In this competitive environment, keeping the price down is all that matters.  True    False |

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| 114. | Brett runs a lawn-care service. Although he and his employees could service eight households in one day, he averages six yards per crew member, per day. Brett recently restructured his work crew and provided each cutter with an incentive to acquire two new customers each month through customer referrals. As a recent business graduate, you tell him he's probably on the right track.  True    False |

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| 115. | The statistical study of the human population to describe its size, age, gender, and income is known as diversity recognition.  True    False |

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| 116. | The U.S. population tends to buy the same things and spend time in roughly the same way as people did a decade ago.  True    False |

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| 117. | Demographic changes create new business opportunities.  True    False |

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| 118. | Diversity groups identified in the market today can include extroverts, introverts, atheists, and the devout.  True    False |

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| 119. | Companies have responded to a diverse customer base by hiring a more diverse workforce.  True    False |

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| 120. | Currently people between the ages of 45 and 54 are the richest group in the United States.  True    False |

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| 121. | New welfare rules have made it easier for single parents to remain at home with their young children without being required to seek employment.  True    False |

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| 122. | In some cities the number of legal and illegal immigrants has caused governments to adapt by changing signs to other languages.  True    False |

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| 123. | The federal government requires companies to take diversity very seriously, even recommending establishing a chief diversity officer in the executive suite.  True    False |

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| 124. | One factor that has had a major effect on businesses is the growth of single-parent families.  True    False |

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| 125. | Businesses that cater to older consumers in the future will likely not be successful.  True    False |

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| 126. | Businesses use demographic studies to understand where people live, their lifestyles, and what they are likely to buy.  True    False |

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| 127. | Diversity management would not be an issue if firms would treat all of their employees the same.  True    False |

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| 128. | Demographic trends suggest that businesses will benefit from offering flexible work schedules, elder care, and child care to help employees balance the demands of job and family.  True    False |

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| 129. | The current Social Security system will ensure that the young people of today will have Social Security benefits in the future when they retire.  True    False |

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| 130. | Xavier, a recent college graduate, is thinking of investing in a home health care business. He believes this will be a profitable venture because of the increasing number of people in the U.S. that will be over 60 in the near future and more likely to need this type of service. This accurately describes a demographic trend that will affect his business choice.  True    False |

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| 131. | Sue is a single mother with two small children. Her employer is considering providing family leave. Since Sue is a single mom with small children, she is unlikely to benefit from this program.  True    False |

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| 132. | Rob is an emergency room nurse at a local hospital in Texas. On a weekly basis, he will serve a number of patients who are not legally U.S. citizens. Many of them are giving birth to babies. Fortunately, Rob speaks enough Spanish to communicate with the patients. Rob is experiencing the realities of the social environment in some states.  True    False |

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| 133. | Globalization has increased among nations.  True    False |

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| 134. | An important environmental change in the global environment is the growth of international competition.  True    False |

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| 135. | Improved distribution systems have led to more global trade.  True    False |

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| 136. | Global trade has suffered because of increased problems with the Internet.  True    False |

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| 137. | Globalization has greatly increased living standards around the world.  True    False |

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| 138. | China and India have become major U.S. competitors.  True    False |

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| 139. | The threat of terrorism increases the costs of operating most businesses.  True    False |

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| 140. | Wars are costly to all companies.  True    False |

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| 141. | War and terrorism have had a significant effect in drawing many resources away from the U.S. economy and led to many additional costs for businesses.  True    False |

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| 142. | In most industries, the only producers that pose a serious threat to U.S. manufacturers are those in Japan and Western Europe.  True    False |

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| 143. | Companies that participate in the defense industry by making weapons and other companies that make armored vehicles and even food companies do well when the U.S. is at war.  True    False |

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| 144. | According to the box "Gourmet Airport Eateries Take Flight," safety regulations have made it difficult for airport restaurants to operate. Because of this, all airport food is limited to cold sandwiches and reheated entrees. This makes an airport restaurant an unprofitable business venture.  True    False |

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| 145. | One of the problems with globalization is that distribution systems and communication systems lack efficiency.  True    False |

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| 146. | The evidence for climate change is questionable. Well-known U.S. companies are taking a wait-and-see approach toward addressing climate change.  True    False |

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| 147. | Carlos Gonzalez owns a small manufacturing company that makes ventilation systems used in the construction of office buildings. As the U.S. continues to be involved in wars around the globe, Carlos may notice that his business will be growing more slowly in the future as more money continues to be put into the war effort.  True    False |

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| 148. | Lucy owns a restaurant in Los Angeles. She heard on the radio that the homeland security threat level has been increased due to anticipated terrorist activities, especially in large cities in the U.S. She will likely not be able to get insurance to cover any losses her business may suffer should an attack occur in L.A.  True    False |

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| 149. | After several years of study as a part-time student, Alex recently earned a degree in marketing at a local college. The growth in global markets may increase Alex's job opportunities, but it will also require him to continually update his skills or seek further education.  True    False |

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| 150. | Maya is an engineer for Windy Ridge, Inc., a maker of wind turbines. Recently, a large company has shown interest in investing in this small operation. This is not surprising since firms that are creating products for alternative sources of energy are attracting the attention of governments and other businesses.  True    False |

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| 151. | Over many years the nature of U.S. business has changed very little from century to century.  True    False |

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| 152. | The number of U.S. jobs in manufacturing has increased in the past five years.  True    False |

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| 153. | Technology helped the manufacturing industry to become more productive.  True    False |

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| 154. | While the proportion of workers employed in agriculture has remained relatively constant, the average size of farms has steadily decreased over the past century.  True    False |

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| 155. | Increases in productivity have allowed fewer farmers to feed more and more people.  True    False |

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| 156. | The advice provided by a marriage counselor is an example of the service industry.  True    False |

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| 157. | Almost all of the growth in employment opportunities since the mid-1980s has been generated by the service sector.  True    False |

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| 158. | Although employment in the service sector has increased rapidly in recent years, the vast majority of workers are still employed in the goods producing sector.  True    False |

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| 159. | There are more high-paying jobs in the service sector than in the goods-producing sector.  True    False |

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| 160. | The best employment strategy for today's college graduates is to search for jobs that are closely related to their college major.  True    False |

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| 161. | The growth in the service sector in the United States appears to be giving way to an information-based global era.  True    False |

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| --- | --- |
| 162. | The transition from an agricultural economy to a manufacturing economy to a service-based economy has resulted in a serious increase in long-term unemployment.  True    False |

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| 163. | One reason given for the decline in the number of U.S. workers employed in manufacturing is that manufacturing firms in the U.S. have become more efficient.  True    False |

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| 164. | The continuing increase in the number of U.S. workers in the service sector means that more and more workers are employed in low-wage positions.  True    False |

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| 165. | Historically jobs lost in one sector of the economy have been replaced by increased employment opportunities in other sectors.  True    False |

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| 166. | Dee Duction is a financial planner who helps people find ways to save for retirement and lower their taxes. Dee is employed in the service sector of the economy.  True    False |

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| --- | --- |
| 167. | After losing her manufacturing job in the U.S. automobile industry, Juanita has found that well-paid service-sector jobs require retraining and further education.  True    False |

**Multiple Choice Questions**

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| 168. | An activity which seeks to earn a profit by providing a good or service is known as a(n):

|  |  |
| --- | --- |
| A.  | industry. |

|  |  |
| --- | --- |
| B.  | corporation. |

|  |  |
| --- | --- |
| C.  | business. |

|  |  |
| --- | --- |
| D.  | service. |

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| 169. | \_\_\_\_\_\_\_\_\_\_ is the amount a business earns after deducting what it spends for salaries and other expenses.

|  |  |
| --- | --- |
| A.  | Profit |

|  |  |
| --- | --- |
| B.  | Revenue |

|  |  |
| --- | --- |
| C.  | Interest |

|  |  |
| --- | --- |
| D.  | Dividends |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 170. | A business incurs a \_\_\_\_\_\_\_\_\_\_\_ if its costs and expenses exceed its revenues.

|  |  |
| --- | --- |
| A.  | loss |

|  |  |
| --- | --- |
| B.  | liability |

|  |  |
| --- | --- |
| C.  | debit |

|  |  |
| --- | --- |
| D.  | dividend |

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| 171. | \_\_\_\_\_\_\_\_\_\_ is the chance a business owner will lose the time and money invested in a business that proves to be unprofitable.

|  |  |
| --- | --- |
| A.  | Depreciation |

|  |  |
| --- | --- |
| B.  | Risk |

|  |  |
| --- | --- |
| C.  | Fallibility |

|  |  |
| --- | --- |
| D.  | Redundancy |

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| 172. | The total amount of money that businesses take in by selling goods and services is called \_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | profit |

|  |  |
| --- | --- |
| B.  | revenue |

|  |  |
| --- | --- |
| C.  | loss |

|  |  |
| --- | --- |
| D.  | retained earnings |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 173. | A(n) \_\_\_\_\_\_\_\_\_\_\_\_ is a person who assumes the risk of starting a business.

|  |  |
| --- | --- |
| A.  | manager |

|  |  |
| --- | --- |
| B.  | entrepreneur |

|  |  |
| --- | --- |
| C.  | private investor |

|  |  |
| --- | --- |
| D.  | stakeholder |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 174. | Starting a business always involves \_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | profit |

|  |  |
| --- | --- |
| B.  | loss |

|  |  |
| --- | --- |
| C.  | revenue |

|  |  |
| --- | --- |
| D.  | risk |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 175. | Often in business the greater the risk, the \_\_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | greater the potential reward |

|  |  |
| --- | --- |
| B.  | lower the expected revenues |

|  |  |
| --- | --- |
| C.  | lower the value provided to society |

|  |  |
| --- | --- |
| D.  | greater the number of stakeholders |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 176. | \_\_\_\_\_\_\_\_\_\_\_ is a measure of the general well-being and satisfaction derived from a variety of factors including political freedom, safety, education, and a clean environment.

|  |  |
| --- | --- |
| A.  | Standard of living |

|  |  |
| --- | --- |
| B.  | Quality of life |

|  |  |
| --- | --- |
| C.  | Gross national income |

|  |  |
| --- | --- |
| D.  | Social satisfaction index |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 177. | The amount of goods and services people can buy with the money they have is called their:

|  |  |
| --- | --- |
| A.  | nominal income. |

|  |  |
| --- | --- |
| B.  | consumer price index. |

|  |  |
| --- | --- |
| C.  | profit margin. |

|  |  |
| --- | --- |
| D.  | standard of living. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 178. | The customers, employees, stockholders, suppliers, creditors, and others who stand to gain or lose by the policies and activities of a business represent the firm's:

|  |  |
| --- | --- |
| A.  | market makers. |

|  |  |
| --- | --- |
| B.  | economic environment. |

|  |  |
| --- | --- |
| C.  | stakeholders. |

|  |  |
| --- | --- |
| D.  | social mentors. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 179. | The most important difference between for-profit businesses and nonprofit organizations is that:

|  |  |
| --- | --- |
| A.  | businesses do not benefit society. |

|  |  |
| --- | --- |
| B.  | nonprofit organizations seek to make a profit for their owners and organizers. |

|  |  |
| --- | --- |
| C.  | nonprofit organizations do not seek a profit for their owners or organizers. |

|  |  |
| --- | --- |
| D.  | nonprofit organizations do not file tax returns. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 180. | Last year, Adventure Enterprises reported revenues of $24 million while its total expenses were $10 million. Based on this information, Adventure reported:

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| --- | --- |
| A.  | profits of $14 million. |

|  |  |
| --- | --- |
| B.  | profits of $34 million. |

|  |  |
| --- | --- |
| C.  | losses of $14 million. |

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| --- | --- |
| D.  | losses off $34 million. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 181. | A common characteristic of most entrepreneurs is that they:

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| --- | --- |
| A.  | accept the risks involved in starting and managing a business. |

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| --- | --- |
| B.  | have a high level of scientific and technical expertise. |

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| --- | --- |
| C.  | possess a great deal of personal wealth. |

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| --- | --- |
| D.  | have experience in running large, complex organizations. |

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| 182. | Which of the following is the best example of a business whose goal is to earn a profit?

|  |  |
| --- | --- |
| A.  | A community college |

|  |  |
| --- | --- |
| B.  | The Salvation Army |

|  |  |
| --- | --- |
| C.  | Boy Scouts of America |

|  |  |
| --- | --- |
| D.  | Best Buy, Inc. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 183. | In order to make an intelligent investment decision, entrepreneurs should:

|  |  |
| --- | --- |
| A.  | limit their options to those business investments that are backed by the U.S. government. |

|  |  |
| --- | --- |
| B.  | invest in businesses that have generated a stable rate of profit for at least the past 10 years. |

|  |  |
| --- | --- |
| C.  | invest only in business opportunities where it is possible to take an active role in management. |

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| --- | --- |
| D.  | compare the risks of potential investments to their expected profits and find the right balance between profit and risk. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 184. | Companies that outsource research and development and design jobs:

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| --- | --- |
| A.  | have always made a wise decision. |

|  |  |
| --- | --- |
| B.  | will be more profitable in the long run. |

|  |  |
| --- | --- |
| C.  | run the risk of overseas companies using the information to produce competitive products. |

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| --- | --- |
| D.  | always invest in the overseas companies that take on these jobs. |

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| 185. | Honda and Toyota have used *insourcing* for years to produce cars in the United States. Insourcing:

|  |  |
| --- | --- |
| A.  | helps offset the number of jobs being outsourced. |

|  |  |
| --- | --- |
| B.  | increases the number of jobs being outsourced. |

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| --- | --- |
| C.  | damages the United States economy. |

|  |  |
| --- | --- |
| D.  | causes jobs to be lost to overseas competitors. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 186. | Public schools, charities and government agencies generally \_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | are incorporated |

|  |  |
| --- | --- |
| B.  | do not seek to earn a profit |

|  |  |
| --- | --- |
| C.  | provide goods rather than services |

|  |  |
| --- | --- |
| D.  | do not have any stakeholders |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 187. | For-profit businesses and nonprofit organizations are similar in that they both:

|  |  |
| --- | --- |
| A.  | contribute to the welfare of society. |

|  |  |
| --- | --- |
| B.  | seek to earn a profit. |

|  |  |
| --- | --- |
| C.  | have a limited life. |

|  |  |
| --- | --- |
| D.  | must be controlled by a board of directors. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 188. | The standard of living for a nation's people depends mainly on:

|  |  |
| --- | --- |
| A.  | the quality of the natural environment. |

|  |  |
| --- | --- |
| B.  | how much political freedom they have. |

|  |  |
| --- | --- |
| C.  | their income and the prices of the goods and services they buy. |

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| --- | --- |
| D.  | the amount of labor and capital available employed in the manufacturing sector. |

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| 189. | World-class businesses attempt to meet the needs of:

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| --- | --- |
| A.  | their customers, even if it comes at the expense of employees and other stakeholders in the business. |

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| --- | --- |
| B.  | their employees, even if it means shortchanging customers by charging higher prices. |

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| --- | --- |
| C.  | all of their stakeholders. |

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| --- | --- |
| D.  | exclusively their owners, since they are ultimately the ones who pay the bills. |

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| 190. | Shelby recently started selling her invention: a bed that looks like it floats in mid-air. The bed is actually suspended by magnetic forces. Shelby is a(n):

|  |  |
| --- | --- |
| A.  | arbitrageur. |

|  |  |
| --- | --- |
| B.  | entrepreneur. |

|  |  |
| --- | --- |
| C.  | speculator. |

|  |  |
| --- | --- |
| D.  | account manager. |

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| 191. | Ross wants to invest some money that he just inherited. He found that his bank offers a savings account paying a guaranteed .5% rate of return. However, he would like to earn a higher return. Ross should keep in mind that to earn a higher return on his money he:

|  |  |
| --- | --- |
| A.  | will have to invest overseas. |

|  |  |
| --- | --- |
| B.  | should invest in a business that has a very stable and predictable rate of return. |

|  |  |
| --- | --- |
| C.  | will probably have to accept a higher level of risk. |

|  |  |
| --- | --- |
| D.  | will probably have to engage in illegal activities. |

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| 192. | Which of the following is the most accurate statement about the impact of business on society?

|  |  |
| --- | --- |
| A.  | When businesses earn a profit for their owners, they usually do so at the expense of the rest of society, which proves it is never a win-win situation. |

|  |  |
| --- | --- |
| B.  | While businesses often improve the standard of living within a society, they can do little to improve the quality of life. |

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| --- | --- |
| C.  | Businesses often improve the quality of life, but can do little to improve the standard of living of most people due to inflation. |

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| --- | --- |
| D.  | Businesses can have a positive impact on both the standard of living and the quality of life within a society. |

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| 193. | Jane's income has remained stable over the past few years while the prices of things she buys have gone up. Nevertheless, Jane feels better off because the environment is cleaner, the crime rate has declined, she has more leisure time, and the quality of medical care has improved. If Jane's experience is typical, we can conclude that the standard of living has:

|  |  |
| --- | --- |
| A.  | increased, but the quality of life has decreased. |

|  |  |
| --- | --- |
| B.  | increased, and so has the quality of life. |

|  |  |
| --- | --- |
| C.  | declined, but the quality of life has increased. |

|  |  |
| --- | --- |
| D.  | declined, and so has the quality of life. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 194. | Eve and her three college friends enjoy perfumes. As a special gift to each of them last holiday season, she found a way to make scented candles with each friend's favorite perfume scent. The three friends loved her gift idea and encouraged Eve to create more and sell them online. Recently, she is filling orders from her website, and turning a profit. Eve is proof that:

|  |  |
| --- | --- |
| A.  | me-too businesses work. |

|  |  |
| --- | --- |
| B.  | when you successfully fill a market need, you can make money. |

|  |  |
| --- | --- |
| C.  | the Internet is a way to distribute just about anything. |

|  |  |
| --- | --- |
| D.  | the cost of supplies to make candles is relatively cheap. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 195. | Planet Earth Developers is a large nationwide construction company with home offices in Lansing, MI. The local media often remarks about the pristine landscaping that surrounds the home office that sits on a 30-acre complex. At the back end of the complex are several large warehouses and garages that hold large equipment. The grounds surrounding these warehouses look like a well-maintained park. Across the street from the garages are several shops and businesses. The CEO, "Planet Paul" (as his employees call him), often talks about how thankful he is that the town permits him to store the company equipment at that site, and vows to always maintain the premises for his neighbors (the other businesses that thrive in that area), not to mention that he asks 100 employees to come to work there everyday. Which of the following statements describes Planet Paul's business philosophy?

|  |  |
| --- | --- |
| A.  | Planet Paul is a nice guy whose company made a lot of money, so he is willing to spread it around. |

|  |  |
| --- | --- |
| B.  | Planet Paul understands that even though it may cost a little more, stakeholder considerations are very important if you want your business to thrive. |

|  |  |
| --- | --- |
| C.  | Planet Paul is more concerned about town politics than about the company profits. He should ask his employees if they would rather have that money in their pockets than on the lawns. |

|  |  |
| --- | --- |
| D.  | Planet Paul is taking a business risk that his trucks and equipment will not make too much noise as they enter and exit the garages. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 196. | The growth of Hispanic-owned businesses:

|  |  |
| --- | --- |
| A.  | remained relatively constant during the past decade. |

|  |  |
| --- | --- |
| B.  | slowly increased during the past decade. |

|  |  |
| --- | --- |
| C.  | increased dramatically in recent years. |

|  |  |
| --- | --- |
| D.  | decreased slightly compared to other minority groups who have started businesses. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 197. | How is the profile of business owners changing?

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| --- | --- |
| A.  | In the U.S., men between the ages of 18 and 24 are starting businesses at a faster rate than men of all ages, or women of all ages. |

|  |  |
| --- | --- |
| B.  | Recent male immigrants, who can legally work in the U.S., are starting businesses at a faster rate than natural-born male citizens, and at a faster rate than all women. |

|  |  |
| --- | --- |
| C.  | Businesses owned by minority women are growing at a faster rate than businesses owned by men or nonminority women. |

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| --- | --- |
| D.  | It is difficult to collect information on the profile of business owners. Most new businesses do not file so they don't have to pay taxes. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 198. | The number of businesses owned by Hispanics and Asians has:

|  |  |
| --- | --- |
| A.  | has decreased after the 9-11 terrorist attack. |

|  |  |
| --- | --- |
| B.  | slowly increased. |

|  |  |
| --- | --- |
| C.  | significantly increased. |

|  |  |
| --- | --- |
| D.  | remained relatively constant. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 199. | Which of the following entails the greatest amount of risk?

|  |  |
| --- | --- |
| A.  | Working for the government |

|  |  |
| --- | --- |
| B.  | Working for a large business |

|  |  |
| --- | --- |
| C.  | Working for a small business |

|  |  |
| --- | --- |
| D.  | Starting a business |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 200. | The resources that contribute to the creation of wealth are known as \_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | production coefficients |

|  |  |
| --- | --- |
| B.  | factors of production |

|  |  |
| --- | --- |
| C.  | production technologies |

|  |  |
| --- | --- |
| D.  | production aggregates |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 201. | Which of the following is a factor of production?

|  |  |
| --- | --- |
| A.  | Bonds |

|  |  |
| --- | --- |
| B.  | Money |

|  |  |
| --- | --- |
| C.  | Knowledge |

|  |  |
| --- | --- |
| D.  | Service |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 202. | As a factor of production, the term capital includes:

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| --- | --- |
| A.  | stocks and bonds issued by corporations. |

|  |  |
| --- | --- |
| B.  | natural resources such as land and water. |

|  |  |
| --- | --- |
| C.  | tools, machinery, and buildings. |

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| --- | --- |
| D.  | services provided by the government that enable businesses to be more productive. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 203. | Two factors of production that seem to contribute the most to a nation's ability to create wealth are:

|  |  |
| --- | --- |
| A.  | land and labor. |

|  |  |
| --- | --- |
| B.  | land and capital. |

|  |  |
| --- | --- |
| C.  | entrepreneurship and labor. |

|  |  |
| --- | --- |
| D.  | entrepreneurship and knowledge. |

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| 204. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is/are the external and internal circumstances that surround the business.

|  |  |
| --- | --- |
| A.  | The business environment |

|  |  |
| --- | --- |
| B.  | The factors of production |

|  |  |
| --- | --- |
| C.  | The business corral |

|  |  |
| --- | --- |
| D.  | The business disciplines |

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| 205. | Entrepreneurs weigh the differences between the benefits of starting a business and those things that they are likely to forego because they choose to work for themselves. Such things they are likely to pass up on are:

|  |  |
| --- | --- |
| A.  | the freedom to make their own decisions. |

|  |  |
| --- | --- |
| B.  | local government benefits such as enterprise zone tax credits. |

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| --- | --- |
| C.  | employer paid benefits such as paid vacation and health insurance. |

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| D.  | tickets to sporting events that trading partners may provide. |

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| 206. | Which of the following is a benefit of owning your own business?

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| --- | --- |
| A.  | Freedom to keep the profits from your business |

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| --- | --- |
| B.  | Government supported health insurance |

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| --- | --- |
| C.  | More camaraderie with employees |

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| --- | --- |
| D.  | Shorter work hours |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 207. | Leanne owns a nursery. The trucks, handcarts, and forklift she purchased for the business are called \_\_\_\_\_\_\_\_\_\_ investments.

|  |  |
| --- | --- |
| A.  | natural resources |

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| --- | --- |
| B.  | intangible resources |

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| --- | --- |
| C.  | current asset |

|  |  |
| --- | --- |
| D.  | capital |

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| 208. | As you consider the factors of production, which of the following did management theorist Peter Drucker believe to be one of the most important contributing factors to increasing our nation's wealth?

|  |  |
| --- | --- |
| A.  | Land |

|  |  |
| --- | --- |
| B.  | Labor |

|  |  |
| --- | --- |
| C.  | Knowledge |

|  |  |
| --- | --- |
| D.  | Capital |

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| 209. | When we compare the factors of production in wealthy and poor nations, we find:

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| A.  | poor nations have plenty of land and knowledge, but very little labor. |

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| --- | --- |
| B.  | poor and wealthy nations (both) have an abundance of knowledge; it is the land that varies, with rich nations always having more. |

|  |  |
| --- | --- |
| C.  | wealthy nations have knowledge and entrepreneurial opportunities, while poor nations are often lacking in these areas. |

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| --- | --- |
| D.  | wealthy nations have land and labor, while poor nations have capital and entrepreneurship. |

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| 210. | A nation progresses socially when it has good schools, clean air and water, and more. Which of the following statements addresses conditions for social progress?

|  |  |
| --- | --- |
| A.  | Social progress will evolve when capital is apportioned to everyone in equal amounts. |

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| --- | --- |
| B.  | A city, state, or nation's social progress needs the right business environment. |

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| --- | --- |
| C.  | The foundation for social progress is a handful of wealthy entrepreneurs willing to spread the wealth. |

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| D.  | Social progress can only improve when there is a strong labor pool to draw from. |

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| 211. | According to the box, "How a Food Truck Helped Rebuild a Storm-Struck Community," Mike Diamond of the Beastie Boys teamed up with friends and started a nonprofit food truck. What happened after the storm cleared?

|  |  |
| --- | --- |
| A.  | They decided to keep the truck running and are helping the youth of the area to gain experience in food service by working on the truck. |

|  |  |
| --- | --- |
| B.  | They continued to offer free lunches every day to the residents of Rockaway Beach. |

|  |  |
| --- | --- |
| C.  | They shut down business and all went back to their other jobs. |

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| --- | --- |
| D.  | They started six other Rockaway Plate trucks in Los Angeles, Seattle, Chicago, Miami Las Vegas, and New York City. |

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| 212. | Which of the following statements about factors of production is the most accurate?

|  |  |
| --- | --- |
| A.  | The five factors of production are energy, capital, labor, leadership and money. |

|  |  |
| --- | --- |
| B.  | Wealth creation in poor nations is slowed by chronic shortages of labor. |

|  |  |
| --- | --- |
| C.  | Each of the factors of production is equally important in creating wealth. |

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| --- | --- |
| D.  | Entrepreneurship and knowledge are the most important in creating wealth. |

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| 213. | Nolivia is a small and poor nation, but its current president has a genuine desire to create more wealth for Nolivia citizens. The president has received recommendations from several of her advisors. Which of the following recommendations is likely to create the most wealth for Nolivia?

|  |  |
| --- | --- |
| A.  | Acquire more land by invading a neighboring country that is even poorer and weaker than Nolivia. |

|  |  |
| --- | --- |
| B.  | Use foreign aid from other nations to purchase more tools and machinery. |

|  |  |
| --- | --- |
| C.  | Establish a business environment that promotes and rewards entrepreneurship. |

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| --- | --- |
| D.  | Establish barriers to trade to protect Nolivia businesses from foreign competition. |

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| 214. | Ben and Chris combined their love of football with a business venture. They purchased a small portable cart and began selling football memorabilia outside of the hometown stadium. Their first year went well, but the past two years have been a real struggle. Due to poor economic conditions including loss of jobs, ticket sales at the stadium are down, which has significantly hurt their sales as well. As a recent business school graduate, you explain to Ben and Chris that:

|  |  |
| --- | --- |
| A.  | this type of business is always high risk because it is seasonal. |

|  |  |
| --- | --- |
| B.  | the business does not fill a sufficient need for most people. |

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| --- | --- |
| C.  | environmental circumstances are dynamic and tough to control. |

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| D.  | social entrepreneurs are currently getting most of the attention. |

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| 215. | Nick is a recent finance graduate who has two passions: music and finance. Upon graduation, he was offered an opportunity to join a struggling rock band with a lot of potential, or a job at a large well-established financial services company. By joining the band, he will forego which of the following?

|  |  |
| --- | --- |
| A.  | Added benefits such as health insurance provided to employees of large corporations. |

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| B.  | The freedom to contribute as an innovator in his work environment. |

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| C.  | Long hours at work, while he learns the business and contributes to making it successful. |

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| --- | --- |
| D.  | Job protection. |

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| 216. | China is a nation with a vast amount of land and a very large population. Another characteristic of this nation is its people's affinity for saving money. Referring to the five factors of production, the government of China has made significant progress in building its business environment by focusing on factors that needed improvement. Its strategy was to:

|  |  |
| --- | --- |
| A.  | increase the supply of labor. |

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| --- | --- |
| B.  | increase sources for capital. |

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| --- | --- |
| C.  | increase entrepreneurship. |

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| --- | --- |
| D.  | encourage neighboring nations to provide the necessary land for business development. |

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| 217. | Taxes and government regulations are part of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ environment of business.

|  |  |
| --- | --- |
| A.  | economic and legal |

|  |  |
| --- | --- |
| B.  | competitive |

|  |  |
| --- | --- |
| C.  | social |

|  |  |
| --- | --- |
| D.  | technological |

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| 218. | Businesses favor:

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| --- | --- |
| A.  | minimal government spending because it keeps taxes to a minimum. |

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| --- | --- |
| B.  | more government services because it minimizes tax consequences. |

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| C.  | maximum government spending because it raises business profits. |

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| D.  | less government spending because it lowers business profits. |

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| 219. | In order to create more wealth and provide better services, some nations recognize that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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| --- | --- |
| A.  | raising taxes benefits all businesses |

|  |  |
| --- | --- |
| B.  | a good strategy is to minimize interference with the free exchange of goods and services |

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| --- | --- |
| C.  | restricting trade with other countries always helps domestic businesses |

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| --- | --- |
| D.  | taking control of privately owned businesses and making them government-run will decrease taxes and improve the lives of everyone |

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| 220. | In countries where businesses are government owned:

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| --- | --- |
| A.  | there is less incentive to work hard. |

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| --- | --- |
| B.  | the right amount of each good is produced. |

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| --- | --- |
| C.  | profits tend to be higher. |

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| D.  | the quality of goods is high but profits are low. |

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| 221. | High tax rates tend to:

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| --- | --- |
| A.  | promote economic development. |

|  |  |
| --- | --- |
| B.  | make a nation's currency tradable. |

|  |  |
| --- | --- |
| C.  | discourage entrepreneurship. |

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| --- | --- |
| D.  | reduce the amount of money created by the government. |

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| 222. | The capitalist system relies heavily on:

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| --- | --- |
| A.  | protectionist policies with respect to world markets. |

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| --- | --- |
| B.  | minimizing government intervention in corrupt business practices. |

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| --- | --- |
| C.  | making sure that currencies are never undervalued. |

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| --- | --- |
| D.  | honesty, integrity, and high ethical business standards. |

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| 223. | Contemporary governments promote business development by:

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| --- | --- |
| A.  | increasing business regulations. |

|  |  |
| --- | --- |
| B.  | providing government ownership of businesses. |

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| --- | --- |
| C.  | permitting businesspeople to conduct business without the use of contracts. |

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| --- | --- |
| D.  | establishing a currency that's tradable in world markets. |

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| 224. | Which of the following policies would tend to foster entrepreneurship?

|  |  |
| --- | --- |
| A.  | Minimize taxes and regulations. |

|  |  |
| --- | --- |
| B.  | Promote more regulations to protect the environment. |

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| --- | --- |
| C.  | Develop policies to reduce corruption between individuals. |

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| --- | --- |
| D.  | Encourage public ownership of businesses. |

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| 225. | When corruption is present in the business environment:

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| --- | --- |
| A.  | company leaders can threaten competitors and minimize competition. |

|  |  |
| --- | --- |
| B.  | factories are easier to build without a government permit. |

|  |  |
| --- | --- |
| C.  | it promotes fair competition. |

|  |  |
| --- | --- |
| D.  | laborers can make more money. |

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| 226. | Questionable business practices such as those followed by many mortgage-lending companies in the recent past:

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| --- | --- |
| A.  | encouraged investors to increase their stock market holdings. |

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| --- | --- |
| B.  | fundamentally weakened the entire economic environment. |

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| --- | --- |
| C.  | helped retired employees at the expense of current employees. |

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| D.  | resulted from too much government regulation. |

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| 227. | Which of the following government policies would be **least** likely to encourage entrepreneurship?

|  |  |
| --- | --- |
| A.  | Passage of laws that enable businesspeople to write enforceable contracts. |

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| --- | --- |
| B.  | Establishment of a currency that is tradable in world markets. |

|  |  |
| --- | --- |
| C.  | Establishment of strict regulations specifying exactly how products should be made to ensure safety and affordability. |

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| --- | --- |
| D.  | Passage of laws that eliminate corruption in government and business. |

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| 228. | It's no secret that Blockbuster™ stores have closed, while Netflix™ is still growing. Both companies participated in the video rental business. Netflix evaluated the lifestyle needs of video customers, understanding that time, family, and work obligations called for more convenient methods to receive video entertainment. Netflix embraced the opportunity to utilize the Internet and smart TVs, to stream videos directly to customers. The company also managed to keep customer costs down, by passing along the savings it realized in labor. Blockbuster did not keep its eye on competitor movements, permitting Netflix to quickly capture video market share. In sizing up the situation, which external environment(s) probably had the least effect on Netflix's success?

|  |  |
| --- | --- |
| A.  | Social environment |

|  |  |
| --- | --- |
| B.  | Competitive environment |

|  |  |
| --- | --- |
| C.  | Economic and legal environment |

|  |  |
| --- | --- |
| D.  | Technological environment |

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| 229. | A New York Times article about Bernie Madoff and his illegal Ponzi scheme stated, "When money goes global, fraud does too." Although the goal of investors who trusted Madoff's investment company was to earn the highest return possible on their investments, they turned a blind eye toward the fact that some of those returns were too good to be true. Individual investors, companies, and even charities lost large sums of money by investing with Madoff's company. Which of the following statements relates to this story?

|  |  |
| --- | --- |
| A.  | The unethical behavior of one company had a worldwide ripple effect that can impact the well-being of an economy. |

|  |  |
| --- | --- |
| B.  | Too much regulation caused the capitalistic nature of Mr. Madoff's business model to fail. |

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| --- | --- |
| C.  | People lost money because of the fluctuations in world trading currencies, questioning the legitimacy of trading abroad. |

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| D.  | Investors did not sign contracts with Mr. Madoff's company. The government can only protect individuals and companies who sign enforceable contracts. |

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| 230. | Adam Ripley sells custom bicycles. Adam buys several bike parts including wheels and tires from the Good Treads Company. Although several government-supported regulations help Adam in his business, regulations that make it easy for Adam's business to enjoy good vendor relationships are:

|  |  |
| --- | --- |
| A.  | lower taxes that business to business customers pay to each other. |

|  |  |
| --- | --- |
| B.  | laws that permit minimal corruption in banking institutions. |

|  |  |
| --- | --- |
| C.  | laws that permit small businesses to use the government as an intermediary when doing business with other small businesses. |

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| --- | --- |
| D.  | laws that support enforceable contracts between firms. |

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| 231. | Jay and Jim Spears own a lawn irrigation system business. They perform installations and maintenance of these systems. Several of their customers are golf courses, but they serve a large group of residential customers as well. When they started the business 10 years ago, they made a pact to always operate within the legal limits of the law, but lately, the competition is eating them alive. Local competitors have hired illegal immigrants to perform the manual labor. They do not pay taxes on these employees; they just pay them in cash at the end of the week. Employment taxes are a burden for small businesses. Jay and Jim do not want to hire illegal workers. There's a risk if you permit an illegal worker to drive a truck, or if he/she has an accident on the job. You have just studied business ethics in your class. You inform this partnership that:

|  |  |
| --- | --- |
| A.  | Taxes only need to be paid for the owners. |

|  |  |
| --- | --- |
| B.  | They are not only taking a chance that a bigger problem may occur, they are indirectly setting the ethics code for their firm. |

|  |  |
| --- | --- |
| C.  | Small businesses may not be able to worry about ethics codes. These types of documents are better suited for big business. |

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| D.  | It is not unethical to try to better the lives of others. Everyone needs jobs. |

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| 232. | The Internet and the emergence of an information-based economy are important parts of the \_\_\_\_\_\_\_\_\_\_\_ environment in which businesses operate.

|  |  |
| --- | --- |
| A.  | economic and legal |

|  |  |
| --- | --- |
| B.  | technological |

|  |  |
| --- | --- |
| C.  | competitive |

|  |  |
| --- | --- |
| D.  | global |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 233. | Technology affects people in:

|  |  |
| --- | --- |
| A.  | all industries. |

|  |  |
| --- | --- |
| B.  | most industries. |

|  |  |
| --- | --- |
| C.  | information technology industries with the exception of agriculture. |

|  |  |
| --- | --- |
| D.  | primarily high income countries. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 234. | Employers provide tools and technology for their employees in order to:

|  |  |
| --- | --- |
| A.  | increase the cost of production and profitability. |

|  |  |
| --- | --- |
| B.  | improve their efficiency and productivity. |

|  |  |
| --- | --- |
| C.  | reduce corruption in business and eliminate scandals. |

|  |  |
| --- | --- |
| D.  | encourage the private ownership of businesses. |

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| 235. | Efficiency means:

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| --- | --- |
| A.  | producing the desired result. |

|  |  |
| --- | --- |
| B.  | producing goods and services using the least amount of resources. |

|  |  |
| --- | --- |
| C.  | the amount of output you generate given the amount of input. |

|  |  |
| --- | --- |
| D.  | the buying and selling of goods using the most amount of resources. |

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| 236. | \_\_\_\_\_\_\_\_\_\_\_ refers to the amount of output generated with a given amount of input, e.g., the number of pizzas produced per worker per hour.

|  |  |
| --- | --- |
| A.  | Efficiency |

|  |  |
| --- | --- |
| B.  | Technology |

|  |  |
| --- | --- |
| C.  | Telecommuting |

|  |  |
| --- | --- |
| D.  | Productivity |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 237. | \_\_\_\_\_\_\_\_\_\_\_ means producing the desired result.

|  |  |
| --- | --- |
| A.  | Effectiveness |

|  |  |
| --- | --- |
| B.  | Technology |

|  |  |
| --- | --- |
| C.  | E-production |

|  |  |
| --- | --- |
| D.  | Productivity |

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|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 238. | \_\_\_\_\_\_\_\_\_\_\_ means producing items using the least amount of resources.

|  |  |
| --- | --- |
| A.  | Efficiency |

|  |  |
| --- | --- |
| B.  | Technology |

|  |  |
| --- | --- |
| C.  | E-production |

|  |  |
| --- | --- |
| D.  | Productivity |

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| 239. | The two main types of e-commerce are:

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| --- | --- |
| A.  | online and offline. |

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| --- | --- |
| B.  | EDI and EDC. |

|  |  |
| --- | --- |
| C.  | wholesale and retail. |

|  |  |
| --- | --- |
| D.  | B2B and B2C. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 240. | When businesses sell to other businesses over the Internet, these transactions are known as:

|  |  |
| --- | --- |
| A.  | B2C transactions. |

|  |  |
| --- | --- |
| B.  | e-wholesale transactions. |

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| --- | --- |
| C.  | B2B transactions. |

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| --- | --- |
| D.  | intermediate e-commerce transactions. |

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| 241. | Companies that sell goods to consumers over the Internet are engaging in:

|  |  |
| --- | --- |
| A.  | B2C transactions. |

|  |  |
| --- | --- |
| B.  | IOU transactions. |

|  |  |
| --- | --- |
| C.  | B2B transactions. |

|  |  |
| --- | --- |
| D.  | Y2K transactions. |

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| 242. | The series of lines on a product packaging that the cashier scans when you check out at a grocery store or discount store is called a:

|  |  |
| --- | --- |
| A.  | bar code. |

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| --- | --- |
| B.  | zip code. |

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| --- | --- |
| C.  | scan code. |

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| --- | --- |
| D.  | laser code. |

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| 243. | An electronic storage file where firms keep customer information is known as a(n) \_\_\_\_\_\_\_\_.

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| --- | --- |
| A.  | MP3 file |

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| --- | --- |
| B.  | management information system |

|  |  |
| --- | --- |
| C.  | database |

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| --- | --- |
| D.  | e-mail server |

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| 244. | \_\_\_\_\_\_\_\_\_\_ is illegally obtaining and illegally using private information about a person, such as using someone's credit card number.

|  |  |
| --- | --- |
| A.  | Petty theft |

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| --- | --- |
| B.  | Identity theft |

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| --- | --- |
| C.  | Banking theft |

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| --- | --- |
| D.  | Online theft |

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| 245. | One advantage of a database is:

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| A.  | it permits a retail store to directly gather information on the customers who do business with its competitors, so it can target promotional materials to those people. |

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| B.  | it creates efficiency in that the store can quickly replenish items that are purchased. |

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| C.  | it prevents identity theft. |

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| D.  | it prevents stores from exchanging customer information with each other. |

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| 246. | Which of the following is an advantage of utilizing technology?

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| --- | --- |
| A.  | Technology increases the cost of production. |

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| B.  | Technology reduces the need for a marketing plan. |

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| C.  | Productivity increases. |

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| D.  | Management becomes isolated from the demands of stakeholders. |

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| 247. | Which of the following best describes the main difference between B2B and B2C transactions? B2B transactions:

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| --- | --- |
| A.  | involve transactions where the buyers and sellers are both businesses, while B2C involves transactions between businesses and consumers. |

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| B.  | focus on financial transactions while B2C e-commerce focuses on the sale of manufactured goods. |

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| --- | --- |
| C.  | refer to business between nonprofit organizations while B2C e-commerce is carried out by business firms seeking to earn a profit. |

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| D.  | involve sales in foreign markets while B2C e-commerce is restricted to domestic markets. |

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| 248. | In recent years, businesses in general have experienced a lasting impact due to the emergence of \_\_\_\_\_\_\_\_\_\_\_.

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| --- | --- |
| A.  | motor-related technologies |

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| --- | --- |
| B.  | technologies related to brain studies |

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| --- | --- |
| C.  | counterfeit technologies |

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| --- | --- |
| D.  | information technologies |

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| 249. | Ntercon is an Internet-based company that provides online support services for businesses that need help in setting up and maintaining their websites. Ntercon is an example of a company that is engaged in:

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| --- | --- |
| A.  | B2C e-commerce. |

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| --- | --- |
| B.  | N2Y e-commerce. |

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| --- | --- |
| C.  | Y2K e-commerce. |

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| --- | --- |
| D.  | B2B e-commerce. |

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| 250. | Life of Luxury, Inc., is a mail order firm that specializes in expensive and unusual gifts for all occasions. The company keeps a large file of information on all of its regular customers, including names, addresses, and type of gifts they have ordered in the past, and the size and frequency of their orders. The electronic file which stores this information is a(n):

|  |  |
| --- | --- |
| A.  | spreadsheet. |

|  |  |
| --- | --- |
| B.  | MP3 file. |

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| --- | --- |
| C.  | PERT file. |

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| --- | --- |
| D.  | database. |

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| 251. | There is evidence that the recession is coming to an end for Intelligent Engine Company. New orders are coming in at a steady pace, and management is confident that new contracts will take them through the next couple of years. The company has started investing again, but not in people. Employees total the same as when the company and its competitors faced their lowest revenues of the decade. Due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, the company is producing more product and services with less people.

|  |  |
| --- | --- |
| A.  | the lack of skilled labor |

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| --- | --- |
| B.  | new competition |

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| --- | --- |
| C.  | social changes |

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| --- | --- |
| D.  | technological advancement |

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| 252. | Which of the following predictions about the impact of e-commerce on traditional businesses is likely to be most accurate?

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| --- | --- |
| A.  | E-commerce will have little impact on most traditional businesses, because only a few types of products can be sold effectively over the Internet. |

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| B.  | Traditional brick-and-mortar firms will enter the e-commerce market by creating their own websites. |

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| C.  | E-commerce will prove to be very successful in competing against traditional firms in B2C markets, but will have much less success in B2B markets. |

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| D.  | Brick-and-mortar businesses will cease to exist within 20 years. |

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| 253. | Tyrell recently noticed that he was receiving several more catalogs and e-mail advertisements than he had in the past even though he had not requested any of them. Which of the following best explains why this is happening?

|  |  |
| --- | --- |
| A.  | Tyrell was a victim of identity theft. |

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| B.  | Tyrell gave his personal information to a business, which then traded it to other companies and these companies then began sending him catalogs. |

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| C.  | All businesses routinely have all customers' personal information. |

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| D.  | Tyrell's accountant gave his information to the direct mail marketers. |

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| 254. | Gabriella wants to compare the price of a designer bag she saw in a local department store with prices at other stores that may have the same bag. She locates the product on three different websites, and then stumbles on a site that does the price shopping for her. Gabriella's quest is an example of how customers are using \_\_\_\_\_\_\_\_\_\_ to solve problems.

|  |  |
| --- | --- |
| A.  | price shopping |

|  |  |
| --- | --- |
| B.  | databases |

|  |  |
| --- | --- |
| C.  | information technology |

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| --- | --- |
| D.  | social networking |

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| 255. | Charles Malone recently renewed his card membership at DiscountMania. The card has an annual $40 fee, but Charles believes that it pays for itself because he receives good prices on electronics, contact lenses, and even tires for his car. Shortly after renewing the card, Charles began receiving calls from collection agencies claiming that he owed money. With the help of others, he learned that another Charles Malone also owned a DiscountMania card, and wrote checks with insufficient bank funds when making purchases. DiscountMania had linked Charles's personal information with the other Charles Malone's personal information. Charles experienced \_\_\_\_\_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | buyer myopia |

|  |  |
| --- | --- |
| B.  | database fraud |

|  |  |
| --- | --- |
| C.  | information trafficking |

|  |  |
| --- | --- |
| D.  | identity theft |

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| 256. | Marla Staples is concerned with identity theft. One of the ways that she can protect her information from leaking out to the wrong hands is to:

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| --- | --- |
| A.  | avoid all e-commerce transactions because this is the only type of buying transaction where websites and others handle sensitive, personal information. |

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| --- | --- |
| B.  | install antivirus software, firewalls, and anti-spyware software on her computer. |

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| --- | --- |
| C.  | limit her purchases with vendors that she knows do not store her information in a database. |

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| D.  | limit her travels to only the U.S. because identity theft is an international problem. |

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| 257. | Opportunities and advancements in the technological environment during the past 20 years have opened the doors for a number of products that enhance the lives of consumers. Identity theft and other forms of cybercrime are also by-products of these technological advancements. Which of the following statements describes a form of identity theft?

|  |  |
| --- | --- |
| A.  | Smartphone applications that permit the consumer to price compare by scanning the barcode of a product, such as a blu-ray. |

|  |  |
| --- | --- |
| B.  | Hacking into a business's database to obtain customer credit card numbers, and then selling those numbers to others for use. |

|  |  |
| --- | --- |
| C.  | Navigation technology that permits you to find the exact location of a person, by entering that person's phone number into your application. |

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| D.  | The application of *cookies* to a consumer's computer system that identify his/her purchasing patterns. |

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| 258. | Andy Blake got a call yesterday from Planet Bank, the company that issued his credit card, inquiring about an $85.00 charge made in Caracas, Venezuela. Upon learning that Andy had not made this purchase, the bank quickly took steps to cancel the card and issue a new one. Given the circumstances that Andy's credit card number had an illegal transaction, Andy may also want to:

|  |  |
| --- | --- |
| A.  | check his computer's firewall to make sure it's working. |

|  |  |
| --- | --- |
| B.  | cancel his account with Planet Bank, altogether and eliminate credit cards from his life. |

|  |  |
| --- | --- |
| C.  | check his credit report. |

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| --- | --- |
| D.  | diversify his spending habits by using one of several credit cards when making purchases. |

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| 259. | In today's competitive environment, good value means:

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| --- | --- |
| A.  | making products with zero defects. |

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| --- | --- |
| B.  | superior quality that translates into durable products. |

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| C.  | offering the latest trends without seeming like you are over the top. |

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| D.  | providing quality products and services at competitive prices. |

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| 260. | Successful businesses are keenly focused on their:

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| --- | --- |
| A.  | customers. |

|  |  |
| --- | --- |
| B.  | managers. |

|  |  |
| --- | --- |
| C.  | creditors. |

|  |  |
| --- | --- |
| D.  | bureaucrats. |

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| 261. | Empowerment means:

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| --- | --- |
| A.  | giving employees the authority to make decisions. |

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| --- | --- |
| B.  | making certain that employees always defer to management when making decisions. |

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| --- | --- |
| C.  | hiring employees that do not require training due to the costly nature of this activity. |

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| --- | --- |
| D.  | asking employees to write the policies which govern their jobs. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 262. | Empowerment requires that managers focus more on \_\_\_\_\_\_\_\_\_\_ lower-level employees.

|  |  |
| --- | --- |
| A.  | directly supervising |

|  |  |
| --- | --- |
| B.  | training |

|  |  |
| --- | --- |
| C.  | simplifying the jobs of |

|  |  |
| --- | --- |
| D.  | controlling and correcting |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 263. | To implement a policy of empowerment, the organization will restructure so that:

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| --- | --- |
| A.  | managers have more responsibility and employees learn to follow directions. |

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| --- | --- |
| B.  | employees assume more responsibility. |

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| C.  | workers agree to work overtime without extra pay. |

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| D.  | an entire level of management is removed from the organization. |

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| 264. | Which of the following statements about the competitive environment is most accurate?

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| --- | --- |
| A.  | Firms that produce a quality product will almost always succeed in the competitive marketplace. |

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| --- | --- |
| B.  | Traditional firms will be unable to successfully compete against the new Internet firms unless they immediately create a way to reach customers through this technology. |

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| --- | --- |
| C.  | Firms that empower their employees will continue to perform poorly in the competitive environment. |

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| --- | --- |
| D.  | Companies now have to offer both high-quality products and outstanding service at competitive prices. |

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| 265. | In order to compete well and gain market share, contemporary businesses are changing to be more \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | customer-driven |

|  |  |
| --- | --- |
| B.  | cash-driven |

|  |  |
| --- | --- |
| C.  | management-driven |

|  |  |
| --- | --- |
| D.  | production-driven |

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| 266. | Maintaining a competitive advantage is very important to the success of today's businesses. All of the following strategies will help a firm remain competitive, except:

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| --- | --- |
| A.  | ignoring competitor movements, including new products and services offered by the competition. |

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| --- | --- |
| B.  | restructuring internal processes, including the elimination of some jobs. |

|  |  |
| --- | --- |
| C.  | spending funds on customer service training for frontline employees. |

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| --- | --- |
| D.  | adhering to a vision of employee empowerment and striving to exceed customer expectations. |

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| 267. | Lamar is a salesperson for Bi-State Direct. He really appreciates the amount of freedom and authority Bi-State gives its sales people in order to better meet the needs of customers. Lamar's experience suggests that Bi-State practices:

|  |  |
| --- | --- |
| A.  | centralized management. |

|  |  |
| --- | --- |
| B.  | fast response theory. |

|  |  |
| --- | --- |
| C.  | enfranchisement. |

|  |  |
| --- | --- |
| D.  | empowerment. |

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| 268. | Greg is working as a marketing trainee for an online music and video retailer. His boss called a meeting for next week with one thing on the agenda: "Bring with you your ideas about how we can gain a competitive advantage." Greg plans to provide the following response:

|  |  |
| --- | --- |
| A.  | create a management-driven environment with lots of employee training. |

|  |  |
| --- | --- |
| B.  | create a customer-driven environment where we constantly try to create customer value. |

|  |  |
| --- | --- |
| C.  | restructure the organization so that there is always a manager on duty to chat with online customers who are having problems with their orders. |

|  |  |
| --- | --- |
| D.  | always match the promotions of our competitors; price is the only thing customers care about. |

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| 269. | It was 8:00 a.m. on Saturday morning. Liz just learned that her well-meaning cousins were headed over to help her unpack her household. She had just moved back to Chicago from the west coast. Were they really planning to work, or were they expecting brunch? A bagel and pastry shop was just up the road. She would call in a food order. When she arrived to pick it up, it was not what she ordered. The store associate quickly made it right, and offered an extra dozen bagels to make up for the mistake. There was no need to check with the supervisor, as the employee was \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to make decisions that translate into good customer service.

|  |  |
| --- | --- |
| A.  | structured |

|  |  |
| --- | --- |
| B.  | empowered |

|  |  |
| --- | --- |
| C.  | asked by the customer |

|  |  |
| --- | --- |
| D.  | deputized |

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| 270. | Which of the following statements best describes how firms must treat their frontline workers in order to remain competitive? Frontline workers must be \_\_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | empowered with the authority to respond quickly to the unmet needs of customers |

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| --- | --- |
| B.  | closely supervised to reduce the risk of product liability and discrimination law suits |

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| --- | --- |
| C.  | eliminated and replaced with automated equipment whenever possible |

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| --- | --- |
| D.  | relieved of any burden to make a customer decision |

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| 271. | Max is in charge of production for a family-owned firm that makes and sells sports gloves including baseball gloves, softball gloves, golf gloves, and more. He has stated that speed of delivery is the most important factor for success in the competitive environment. Which of the following would be the best response to Max?

|  |  |
| --- | --- |
| A.  | You are right on target, Max. Time is money. |

|  |  |
| --- | --- |
| B.  | You are the man, Max. As long as our price is competitive, speedy delivery will win in today's changing marketplace. |

|  |  |
| --- | --- |
| C.  | Well, Max, speed isn't everything. What would exceed our customers' expectations? Some consumers may put more importance on high quality and/or lower prices. |

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| --- | --- |
| D.  | Dude, you couldn't be more wrong. Quality is the name of the game. He who has the best product will win in the competitive environment. |

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| 272. | The statistical study of human population to learn its size, density, and characteristics is called:

|  |  |
| --- | --- |
| A.  | psychographics. |

|  |  |
| --- | --- |
| B.  | econometrics. |

|  |  |
| --- | --- |
| C.  | demography. |

|  |  |
| --- | --- |
| D.  | geometry. |

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| 273. | Businesses collect \_\_\_\_\_\_\_\_ information on where people live, what they buy, and how they spend their time.

|  |  |
| --- | --- |
| A.  | geometric |

|  |  |
| --- | --- |
| B.  | econometric |

|  |  |
| --- | --- |
| C.  | demographic |

|  |  |
| --- | --- |
| D.  | anthropologic |

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| 274. | Diversity is more than recruiting and keeping minorities. Diversity means appreciating and understanding other differences in our customers and in our workforce. The best description of these differences is:

|  |  |
| --- | --- |
| A.  | people with disabilities, people with different sexual orientations, religious preferences, and even personality differences such as extraverts and introverts. |

|  |  |
| --- | --- |
| B.  | gender roles. |

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| --- | --- |
| C.  | surface level things such as green eyes versus brown eyes. |

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| --- | --- |
| D.  | racial differences and gender differences. |

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| 275. | Efforts are under way to serve the needs of a diverse population. Diversity means:

|  |  |
| --- | --- |
| A.  | selling products to immigrants. |

|  |  |
| --- | --- |
| B.  | dealing sensitively with workers and cultures around the world. |

|  |  |
| --- | --- |
| C.  | providing government programs such as free health care for illegal and legal immigrants. |

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| --- | --- |
| D.  | meeting employment quotas so that diverse groups are always represented in your workforce. |

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| 276. | Due to population shifts,

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| --- | --- |
| A.  | businesses that cater to older consumers will see exceptional growth. |

|  |  |
| --- | --- |
| B.  | businesses that cater to older consumers will see slower growth. |

|  |  |
| --- | --- |
| C.  | businesses that sell electronic devices will see a significant decline. |

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| --- | --- |
| D.  | health care will emerge as the only business sector that will grow. |

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| 277. | Which of the following industries will benefit from an aging population?

|  |  |
| --- | --- |
| A.  | Financial services to help clients plan for their education |

|  |  |
| --- | --- |
| B.  | Home health care businesses |

|  |  |
| --- | --- |
| C.  | Children's day-care centers |

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| --- | --- |
| D.  | Auto industry |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 278. | The Social Security system:

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| --- | --- |
| A.  | continues to burden businesses due to the fact that businesses must provide and pay for this benefit for their employees. |

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| --- | --- |
| B.  | met the needs of our nation when it was conceived, but needs an overhaul. |

|  |  |
| --- | --- |
| C.  | will continue to serve the needs of U.S. citizens into the distant future, due to the fact that there are so few retirees placing a strain on it. |

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| --- | --- |
| D.  | is failing because the U.S. government failed to invest the money that employees contributed. |

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| 279. | People between the ages of 65 and 74 represent:

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| --- | --- |
| A.  | the unemployed generation. |

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| --- | --- |
| B.  | the single-parent family generation. |

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| --- | --- |
| C.  | a lucrative market. |

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| --- | --- |
| D.  | a group that has never contributed to social security. |

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| 280. | Businesses are supporting single-parent families with:

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| A.  | Social Security benefits. |

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| --- | --- |
| B.  | a more lenient welfare system. |

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| C.  | more flexible work benefits such as flextime and family leave. |

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| D.  | limited benefits due to the declining numbers of these families, while five-member families are steadily growing. |

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| 281. | Which of the statements about demography is most accurate? Demographic studies:

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| A.  | focus on factors that have great political relevance, but little relevance to business firms. |

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| B.  | suggest that the number of single-parent families will decline in the future. |

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| C.  | provide businesses and individuals with insights into business and career opportunities for the future. |

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| D.  | are an important source of information about changes in health patterns. |

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| 282. | Which of the following business policies would most likely help a single-parent family?

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| A.  | Requiring the employee to work regularly scheduled hours each day. |

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| B.  | Allowing sick leave to be used only if the employee is ill. |

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| C.  | Requiring education outside of regular business hours to help the employee advance. |

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| D.  | Allowing family leave and flextime. |

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| 283. | The immigrant population (both legal and illegal) is having a dramatic effect on:

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| --- | --- |
| A.  | car and truck makers. |

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| --- | --- |
| B.  | mining and minerals industry. |

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| --- | --- |
| C.  | schools, hospitals and other services industries. |

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| --- | --- |
| D.  | ice cream and confection industry. |

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| 284. | Retired people will be draining the U.S. economy of wealth. This is due to:

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| --- | --- |
| A.  | the fact that most have smoked all their lives and now are unwilling to pay for health care in order to stay alive. |

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| --- | --- |
| B.  | the fact there are not enough workers in subsequent generations to support the ongoing drain of older persons into the Social Security system. |

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| C.  | their lack of interest in supporting restaurants, resorts, educational institutions, and service-intensive companies. |

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| D.  | the fact that they refuse to use current information technology to improve efficiency. |

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| 285. | If you were to discuss and analyze the *social* changes affecting the future of business, which of the following statements should be part of that conversation?

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| --- | --- |
| A.  | It is becoming more difficult to provide expert pre-natal care for women, resulting in a negative impact on the future of live births. |

|  |  |
| --- | --- |
| B.  | The increase in older citizens may impact an employee's take-home pay if programs such as Social Security will need to be funded at a higher level. Skilled employees may require higher wages to make up the shortfall. |

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| C.  | With less money to spend, older Americans between the ages of 65 and 74 will no longer require transportation, entertainment, education, and lodging. This is highly likely to negatively impact these industries. |

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| D.  | Business taxes are very likely to spike (rise quickly) due to the fact that welfare laws are making it relatively easy for single parents to stay home with their children, rather than find jobs. Taxes will have to support parents choosing the stay-at-home lifestyle. |

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| 286. | Jill is looking into the possibility of opening up a day-care center in her community, because she is aware of many single-parent families that need a place for their children to stay while the parents work. She is concerned about the long-term prospects for such a business. Jill believes the future of her day-care business will depend on whether birth rates and the number of single-parent families remain high. These concerns illustrate how businesses can be affected by:

|  |  |
| --- | --- |
| A.  | econometric trends. |

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| --- | --- |
| B.  | demographic trends. |

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| --- | --- |
| C.  | holographic trends. |

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| D.  | psychometric trends. |

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| 287. | St. Claire Hospital is considering a program that would allow some of its workers to use flextime. One group of workers who would probably benefit from flextime is:

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| --- | --- |
| A.  | workers who do not have access to computers at home. |

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| --- | --- |
| B.  | workers who have little self-motivation to work eight-hour days. |

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| --- | --- |
| C.  | frontline workers who frequently go out to meet with home furnishing designers. |

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| --- | --- |
| D.  | single-parent families. |

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| 288. | Preferred Pet Care, Inc., a mobile veterinary care company, is planning for the future. As a business student who has studied social trends, which of the following statements do you think reflects the need for Preferred Pet Care's service in the future?

|  |  |
| --- | --- |
| A.  | Mobile pet care will not be needed because the majority of people are working which means that nobody is home. |

|  |  |
| --- | --- |
| B.  | People will always prefer to take their pets to the veterinary clinic. |

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| --- | --- |
| C.  | The aging population will be a sizeable market for this firm. |

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| D.  | People who would require this service would be higher income individuals. Retired people would not be a market for this firm because they do not have money to care for pets. |

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| 289. | The global environment:

|  |  |
| --- | --- |
| A.  | is a new frontier. |

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| --- | --- |
| B.  | is far reaching and affects all the other business environments. |

|  |  |
| --- | --- |
| C.  | is shrinking. |

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| --- | --- |
| D.  | has not affected the United States due to its strong gross domestic product. |

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| 290. | The threat of terrorism more often \_\_\_\_\_\_\_\_\_\_ the cost of operating a business.

|  |  |
| --- | --- |
| A.  | increases |

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| --- | --- |
| B.  | decreases |

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| --- | --- |
| C.  | stabilize |

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| --- | --- |
| D.  | destabilizes |

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| 291. | An increase in global trade will:

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| --- | --- |
| A.  | increase prices. |

|  |  |
| --- | --- |
| B.  | decrease jobs. |

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| --- | --- |
| C.  | increase political instability. |

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| --- | --- |
| D.  | increase global competition. |

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| 292. | Globalization:

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| --- | --- |
| A.  | has greatly improved living standards around the world. |

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| --- | --- |
| B.  | has significantly reduced living standards around the world. |

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| --- | --- |
| C.  | has opened doors to only a handful of markets. |

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| D.  | has greatly changed companies that hire people to sell products, but not companies that hire people to provide services. |

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| 293. | Greening refers to:

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| A.  | the need for more carbon dioxide in our air. |

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| --- | --- |
| B.  | firms acquiring more greenbacks (U.S. dollars) from world trade. |

|  |  |
| --- | --- |
| C.  | finding ways to lessen the harm on our environment. |

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| --- | --- |
| D.  | the agricultural industry's push to develop and produce new green vegetables to feed the world. |

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| 294. | Efficiency in distribution systems around the world has led to:

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| --- | --- |
| A.  | increased world trade. |

|  |  |
| --- | --- |
| B.  | decreased world trade. |

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| --- | --- |
| C.  | decreased international competition. |

|  |  |
| --- | --- |
| D.  | reduced standards of living around the world. |

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| 295. | Airline companies around the world are experiencing increased costs in part due to \_\_\_\_\_\_\_\_\_.

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| --- | --- |
| A.  | decreases in the cost of fuel |

|  |  |
| --- | --- |
| B.  | decreasing world trade |

|  |  |
| --- | --- |
| C.  | the threat of terrorism |

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| --- | --- |
| D.  | lack of interest in flying |

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| 296. | War and terrorism in many parts of the world should lead to \_\_\_\_.

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| --- | --- |
| A.  | an decrease in warring nations |

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| --- | --- |
| B.  | consumers spending more because they feel more patriotic |

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| C.  | an increase in prosperity and peace throughout the world |

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| D.  | consumer and economic hardship due to increased military spending |

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| 297. | World trade has both benefits and costs. Which of the following statements attests to this fact?

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| --- | --- |
| A.  | The U.S. economy and all businesses that participate in this economy were negatively impacted by the wars in Iraq and Afghanistan. |

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| --- | --- |
| B.  | The standard of living for citizens in developing nations has significantly decreased due to globalization. |

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| --- | --- |
| C.  | Economists are convinced that global job creation will never occur if our politicians support world trade. |

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| D.  | Large companies and small companies agree that the green movement is a global issue. Firms are embracing opportunities to bring value to consumers by creating green products and services. |

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| 298. | The green movement is:

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| --- | --- |
| A.  | a trend that started with the U.S. government. |

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| --- | --- |
| B.  | concerned with depletion of natural resources and leaving a large carbon footprint. |

|  |  |
| --- | --- |
| C.  | developing more green food products to feed the world's poor. |

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| --- | --- |
| D.  | our concern with the fact that everywhere we look, things are remaining green for longer periods of time. |

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| 299. | Mark recently graduated with honors from his college. He has bragged to his friends that his academic performance has prepared him so well for a successful career that he can forget school or training in his future. In evaluating the future of the workplace, Mark is:

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| --- | --- |
| A.  | exactly right. His past performance should carry him to success. |

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| --- | --- |
| B.  | completely wrong. Studies show that a college education has little to do with success. |

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| --- | --- |
| C.  | overconfident. Global competition means that continuous learning will be needed in the future to adapt to rapid changes. |

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| D.  | probably right. Specialized training today is a key to continued success in the future. |

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| 300. | The threat of terrorism:

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| --- | --- |
| A.  | benefits most businesses because just about all companies contribute toward averting these threats. |

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| --- | --- |
| B.  | will certainly affect companies that participate in global trade, but most large U.S. companies do their business domestically. |

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| --- | --- |
| C.  | has increased the quality of life of most people because companies employ more workers when the threat is high, and workers help companies increase profits. |

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| D.  | is costly to most firms because it is costly to governments, which increase taxes to pay for added protection. |

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| 301. | Laura and Tim McNash recently moved to North Carolina on a three-acre home site. They purposefully purchased their home within biking distance to the university where they are both employed, and their bikes each have room for two cloth bags for groceries if they need to purchase food on the way home, although they plan to grow much of their own. Laura and Tim are examples of a growing number of young people who:

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| --- | --- |
| A.  | have developed a health-conscious attitude. |

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| B.  | want to change their lifestyle to be more in tune to saving energy. |

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| --- | --- |
| C.  | dislike urban centers and wish to live in the country. |

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| D.  | stay away from urban areas due to increased threats of terrorist attacks in those localities. |

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| 302. | Which of the following statements describes a recurring theme about today's ecological environment?

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| --- | --- |
| A.  | Most people agree that there is strong evidence that the temperature of the planet is going down. |

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| --- | --- |
| B.  | Smart businesses know that green business is currently a trend and they should proceed with caution because most green initiatives are more costly than wars and terrorism. |

|  |  |
| --- | --- |
| C.  | There is a strong push by customers that businesses develop products and services that clearly save energy. |

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| --- | --- |
| D.  | Clearly, the greening issue is an American trend that has not captured the attention of the international business community. |

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| 303. | Tyler Samuels recently returned from the war in Afghanistan where he was a member of the highly skilled special operations forces. He is now in the United States where he collects the G.I. Bill in order to go to school. This is one example of:

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| --- | --- |
| A.  | how an event such as a war educates young people about conditions abroad. |

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| --- | --- |
| B.  | the cost of war. |

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| --- | --- |
| C.  | the benefits of war on education. |

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| --- | --- |
| D.  | a squeeze on employer benefits. |

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| 304. | During the past 150 years, the U.S. has evolved from:

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| --- | --- |
| A.  | an agrarian economy to an information technology economy. |

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| --- | --- |
| B.  | a business to business economy to a business to consumer economy. |

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| --- | --- |
| C.  | an agrarian economy to a manufacturing economy to a service-oriented economy. |

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| D.  | a manufacturing economy to a service economy, to a cottage economy, and now we are trending back to an agrarian economy. |

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| 305. | Businesses that produce and sell tangible products such as steel and machines are part of the:

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| --- | --- |
| A.  | manufacturing industry. |

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| --- | --- |
| B.  | knowledge-based industry. |

|  |  |
| --- | --- |
| C.  | service industry. |

|  |  |
| --- | --- |
| D.  | production sector. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 306. | The service industry represents \_\_\_\_\_\_\_\_ of the value of the U.S. economy.

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| --- | --- |
| A.  | about 30% |

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| --- | --- |
| B.  | under 50% |

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| --- | --- |
| C.  | about 70% |

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| --- | --- |
| D.  | about 50% |

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| 307. | Health care, insurance, recreation and other intangible products are provided by the:

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| --- | --- |
| A.  | global sector. |

|  |  |
| --- | --- |
| B.  | service industry. |

|  |  |
| --- | --- |
| C.  | industrial sector. |

|  |  |
| --- | --- |
| D.  | manufacturing industry. |

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| 308. | Since the beginning of the 1900s, the agricultural sector of the United States has:

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| --- | --- |
| A.  | seen the number of family farms more than double. |

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| --- | --- |
| B.  | become less and less competitive in the global economy. |

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| C.  | produced a consistent output per farm. |

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| D.  | experienced a significant drop in employment, mainly because of tremendous improvements in efficiency. |

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| 309. | In recent years, almost all new job creation in the U.S. has occurred in the \_\_\_\_\_\_\_\_\_\_ sector.

|  |  |
| --- | --- |
| A.  | service |

|  |  |
| --- | --- |
| B.  | manufacturing |

|  |  |
| --- | --- |
| C.  | agricultural |

|  |  |
| --- | --- |
| D.  | telecommunications |

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| 310. | The new era of business is likely to be dominated by the:

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| --- | --- |
| A.  | service sector. |

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| --- | --- |
| B.  | information-based sector. |

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| --- | --- |
| C.  | manufacturing sector. |

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| --- | --- |
| D.  | continued decline in productivity. |

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| 311. | Appliance repair firms, tax consultants, law firms, and insurance companies are all business firms that are part of the:

|  |  |
| --- | --- |
| A.  | production sector. |

|  |  |
| --- | --- |
| B.  | management sector. |

|  |  |
| --- | --- |
| C.  | neo-industrial sector. |

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| --- | --- |
| D.  | service sector. |

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| 312. | In recent years, manufacturing firms in the U.S. have laid off workers. The best explanation of this trend is that:

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| --- | --- |
| A.  | firms have been trying to weaken unions by reducing their reliance on labor. |

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| --- | --- |
| B.  | workers in the U.S. have become less productive and are no longer able to compete in the global economy. |

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| --- | --- |
| C.  | firms in many industries have become so efficient that they need fewer workers. |

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| D.  | the economy has been in a prolonged depression that has lasted more than a decade. |

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| 313. | Which of the following best describes recent job growth in the service sector?

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| --- | --- |
| A.  | The service sector has generated almost all new jobs in the American economy since the mid-1980s, but the rate of job growth in services has slowed in recent years. |

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| B.  | Jobs in the service sector have increased slowly over the past decade, but most new jobs are created in the manufacturing industries. |

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| C.  | Employment in the service sector has declined in recent years, and this decline is expected to continue. |

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| D.  | There has been little change in the number of jobs in the service sector in recent years; however, employment is expected to increase rapidly. |

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| 314. | Which of the following organizations is an example of the goods-producing sector of the economy?

|  |  |
| --- | --- |
| A.  | Ford Motor Company |

|  |  |
| --- | --- |
| B.  | Florida State University |

|  |  |
| --- | --- |
| C.  | Children's Hospital |

|  |  |
| --- | --- |
| D.  | H & R Block Tax Consulting |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 315. | Certain industries of the U.S. economy such as farming and heavy equipment manufacturing have experienced a significant decline in employment. Which of the following best explains this job loss?

|  |  |
| --- | --- |
| A.  | The cause is a decline in the productivity of labor in these industries. |

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| --- | --- |
| B.  | Workers lost these jobs because technological advances increased productivity. |

|  |  |
| --- | --- |
| C.  | The U.S. economy cannot compete in these industries any longer. |

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| D.  | Government regulations have eliminated profit opportunities in these industries. |

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| 316. | Jenna Leigh is an information savvy, 20-something person who is trying to select between two marketing job offers. She can either join a company that makes small hammers and screwdrivers for the DIY hardware store business, or she can join a company developing the LTE phone service. She is quite impressed that the hardware business is growing quite nicely in China, Mexico, and India, where people are starting to expand their living spaces. She is also aware of:

|  |  |
| --- | --- |
| A.  | declines in the telecommunications business now that new cell phone service companies are springing up everywhere. |

|  |  |
| --- | --- |
| B.  | a decline in the domestic hardware market due to older Americans losing interest in keeping up their living quarters. |

|  |  |
| --- | --- |
| C.  | an information-based global revolution that might make her career at a telecommunications company more lucrative in the long run. |

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| D.  | an increase in the price of the actual cell phones must indicate that there is still a great demand for phones. |

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|  | **Mini-Case**Sergio Gonzales is employed by Bigbux National Bank, one of the largest banks in the Midwest. He is a loan officer, specializing in home equity loans. Tio Raul, Sergio's favorite (and wealthiest) uncle, passed away last month and left Sergio a sizable amount of money. Sergio is looking at the best way to invest his newly acquired wealth. He is considering many options, ranging from simply putting the money into a savings account to the possibility of starting his own business. Although his bank job pays well and offers pleasant working conditions, Sergio is frustrated because he has little freedom or flexibility to deal with customers since every decision he makes must be approved by his supervisor. Besides, he's a bit bored and looking for a challenge. He thinks he might get a lot of satisfaction from owning his own business. Sergio has not made a definite decision yet, but has talked to a lot of people searching for a good idea for a new business. If he can come up with an idea he likes, he might just quit his current job and use his inheritance to go into business for himself! |

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| 317. | As he explores his options, Sergio notices that some opportunities appear to be riskier than others. When considering various opportunities, Sergio should keep in mind that:

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| A.  | he will be better off picking a low-risk business opportunity, since the safest ones are usually the most profitable as well. |

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| B.  | even though some opportunities appear riskier than others, the level of risk actually varies little from one opportunity to another. |

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| C.  | high-risk business opportunities often have the potential for high returns as well. |

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| D.  | government regulations are in place to protect investors and entrepreneurs from failure, so there is no need to worry about risk. |

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| 318. | Sergio's frustration with his lack of freedom and flexibility at work indicates that Bigbux:

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| A.  | prefers the use of cross-functional teams rather than individual initiative. |

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| B.  | has not adopted a strategy of empowerment. |

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| C.  | knows that the best way to ensure good customer service is to closely monitor its lower-level employees. |

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| D.  | is trying to please customers as well as other stakeholders. |

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| 319. | Two of his friends approached Sergio with a proposal to start a language school. Sergio is fluent in English and Spanish, and also has an education degree. Sergio is strongly considering the idea but also wants to know if there is a growing demand for his services. He learns that an important demographic trend is:

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| A.  | the service sector is likely to decline in significance in the next few years. |

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| B.  | the number of young children in the U.S. will decrease significantly over the next few years as the population of the country levels off. |

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| C.  | the number of immigrants from South and Central America is increasing steadily in his area, and across the nation. Professionals in hospitals and schools need to know how to speak Spanish. Immigrants need to know how to speak English. |

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| D.  | the number of retirees is decreasing, making way for a younger generation. |

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| 320. | As he explores his options for starting a new business, Sergio has looked into the tax implications and government regulations that he would encounter. He wants to maintain an office in a different location from his home. He has discovered that some nearby communities offer tax credits and lower taxes than his town. Sergio's decision will be influenced by the:

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| A.  | demographic environment. |

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| B.  | technological environment. |

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| C.  | socio-religious environment. |

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| D.  | economic and legal environment. |

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| 321. | If Sergio starts his own business, his firm's activities and policies will impact many different groups and individuals, including employees, customers, creditors, suppliers, and people living in the community where his business is located. Which of the following statements represents how Sergio should deal with these various groups? Sergio should:

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| A.  | take the needs of all of these groups into account, and try to satisfy each group as much as possible. |

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| B.  | concentrate on meeting the needs of his customers, since they are crucial to the success of his business, but ignore the needs of other groups in order to keep costs low. |

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| C.  | satisfy whichever group complains the loudest, using the "squeaky wheel gets the grease" philosophy. |

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| D.  | concentrate on maximizing his own profits and let everyone else look out for themselves. |

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**Essay Questions**

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| 322. | Describe several ways that governments can foster entrepreneurship and encourage the creation of wealth.      |

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| 323. | Describe how businesses can use technology to be more responsive to customers.      |

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| 324. | Competition among businesses has never been greater. Identify and describe several ways that businesses can become more competitive.      |

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| 325. | What is demography? Identify several demographic trends in the United States and discuss how they will impact U.S. businesses.      |

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| 326. | Describe what we mean by greening and thinking green. List several ways that people and businesses are participating in the green movement. List business opportunities that may emerge from this movement.      |

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| 327. | Trace the evolution of American business. Identify the key trends, and discuss the implications these trends have for the future.      |

Chapter 01 Taking Risks and Making Profits within the Dynamic Business Environment Answer Key

**True / False Questions**

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| 1. | Businesses provide goods, jobs, and services to others.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: Definition of Business* |

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| 2. | Businesses seek to earn a profit by providing goods and services to others.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: Definition of Business* |

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| 3. | Revenue is the amount a business earns above and beyond what it spends for expenses and costs.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 4. | Profit is the amount of money a business earns above and beyond what it spends for salaries and other expenses.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 5. | Since all businesses make a profit, starting a business is not risky.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 6. | An entrepreneur risks time and money to start and manage a business.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 7. | If a business's costs and expenses are greater than its revenue, it will suffer a loss.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 8. | Profits of a business include the salaries paid to its employees.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 9. | Revenue is the total amount of money a business takes in during a given period by selling goods and services.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 10. | Risk is the chance an entrepreneur takes of losing time and money on a business that may not prove profitable.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 11. | The United States has one of the highest standards of living in the world.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 12. | The term "standard of living" refers to the amount of debt people can incur on a given income.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 13. | Health care availability, a clean environment, and good schools all contribute to a high quality of life.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 14. | Maintaining a high quality of life requires the combined efforts of businesses, nonprofit organizations, and government agencies.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 15. | Stakeholders are all the people who stand to gain or lose by the policies and activities of a business.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 16. | Stakeholders include customers, employees, stockholders, suppliers, dealers, bankers, government officials and environmentalists.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 17. | Outsourcing means selling goods and services to people in other countries.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 18. | Outsourcing has caused many complications in many states where jobs have been lost to overseas companies.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 19. | Insourcing refers to the practice of global companies setting up design and production facilities in the United States.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 20. | The knowledge and skills learned in business courses are seldom relevant to students who work for nonprofit organizations or volunteer groups.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 21. | Businesses and nonprofit organizations often strive to accomplish the same objectives.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 22. | Nonprofit organizations use financial gains to meet stated social or educational goals of the organization rather than personal profit.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 23. | Social entrepreneurs are people who start and manage organizations that are not-for-profit. Their mission is to help others improve their quality of life.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 24. | The only real purpose of a business is to make money for entrepreneurs.  **FALSE**Businesses don't just make money for entrepreneurs. Businesses provide all of us with necessities such as food, clothing, housing, medical care, and transportation, as well as other goods and services that make our lives easier and better. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: Definition of Business* |

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| 25. | The only way a firm can increase its profits is to increase its sales revenue.  **FALSE**Revenues minus expenses = profits. A firm with stable or even declining sales might be able to improve profits by reducing expenses. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 26. | The amount of profit or loss earned by a business can be found by subtracting the firm's expenses from its revenues.  **TRUE**Revenues minus expenses = profits. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 27. | Nonprofit organizations are similar to businesses in that they often provide goods and services that satisfy the needs of society.  **TRUE**Businesses are not the only organizations that produce goods and services. Government agencies, public schools, and charities such as the Salvation Army provide goods or services, but are classified as nonprofit organizations since there is no profit motive. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 28. | Unlike businesses, employees of nonprofit organizations are not required to learn the business skills of information management, marketing, or financial management.  **FALSE**In order to achieve their goals, nonprofit organizations need people with many of the same skills required by for profit businesses. For example, even though nonprofit organizations do not seek a profit, they still may deal with large sums of money and must keep financial records. Nonprofit organizations also need people with leadership, marketing, and information management skills. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 29. | Business decisions should consider the interests of customers, employees, suppliers, government leaders, and stockholders.  **TRUE**All stakeholders stand to gain or lose by the policies and activities of a business. A major challenge of businesses is to improve profits while trying to accommodate the interests of all stakeholders. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 30. | By balancing the demands of customers and stockholders, businesses satisfy the demands of all stakeholders.  **FALSE**Customers are interested in benefiting from the products and/or services produced by businesses. Stockholders are usually profit oriented. Stakeholders encompass customers, suppliers, employees, stockholders, government organizations, environmental groups, and other organizations that are somehow affected by the business in question. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 31. | An effort to please one group of stakeholders eventually pleases all stakeholders.  **FALSE**Balancing the demands of all stakeholders is a tremendous challenge for organizations. Trade-offs are common. Benefiting one group may have a negative impact on another group of stakeholders. For example, the need to stay competitive may call for outsourcing jobs to other countries, but that might do great harm to the community because many jobs would be lost. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 32. | Insourcing creates new jobs, and helps offset the number of jobs being outsourced.  **TRUE**Many companies are setting up design and production facilities here in the United States. For example, Hyundai is doing design and engineering work in Detroit and producing cars in Montgomery, Alabama. Such insourcing creates many new jobs, and helps offset the number of jobs being outsourced. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 33. | Robin has started her own online consulting firm. While she recognizes the risks involved in operating a business, she is still willing to invest her time, effort, and money in hopes of earning a profit. Robin is an example of an entrepreneur.  **TRUE**An entrepreneur is someone who risks time and money to start and manage a business. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 34. | Backstreet Books, an eclectic bookstore on a large college campus, generated total revenues of $15 million while incurring expenses of $12 million. During the year Backstreet Books earned a profit of $3 million.  **TRUE**The profit a firm earns is found by subtracting total costs from total revenue. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 35. | Since businesses strive to earn a profit, their owners benefit at the expense of the rest of society.  **FALSE**In the pursuit of profit, businesses create jobs; produce goods and services that contribute to a higher standard of living; and pay taxes that support important government programs. Thus, businesses benefit others in society as well as their owners. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 36. | John earned the same amount of money this year as he did last year. Thus, his standard of living must be the same as it was last year.  **FALSE**The standard of living refers to the amount of goods people can buy with the money they have. There are two factors that determine the standard of living: a person's earnings and the price of goods and services. If the prices of goods and services have increased or decreased over the past year, John's standard of living will change even if the amount of money he earns is the same. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 37. | Susan quit her job in a big city to take a less stressful position in a small town located in a scenic area. She earns less money at her new job and has had to cut back on her purchases of material goods, but she has more leisure time and really enjoys the clean air and scenic beauty of her new home. Susan has accepted a lower standard of living in order to enjoy a higher quality of life.  **TRUE**The standard of living is the amount of goods and services people can buy with the money they have. The quality of life is a broader measure of social welfare that refers to the general well-being of a nation's citizens. If citizens benefit from a cleaner environment, more political freedom, or more leisure time, their overall welfare (quality of life) may improve even if they are not able to purchase more goods and services with their incomes. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 38. | Political freedom, quality education, access to health care, and a clean environment are all factors that contribute to an improved quality of life.  **TRUE**The quality of life focuses on the general well-being of a society, and includes factors such as freedom, security, leisure time, and other factors beyond the goods and services people can buy with their incomes. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 39. | People living in San Jose, CA, on average earn more money than people living in St. Louis, MO. The citizens of San Jose enjoy a higher standard of living than the citizens of St. Louis.  **FALSE**The standard of living depends on the price level as well as the income people earn. For example, as our text indicates, people in Germany and Japan may earn more money than Americans, but they have a lower standard of living because the prices they pay for goods and services are higher. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 40. | The major difference between businesses and nonprofit organizations is that only businesses can increase the standard of living, while only nonprofit organizations can improve the quality of life.  **FALSE**The standard of living refers to the amount of goods people can buy with their money. Both businesses and nonprofit organizations can produce and distribute goods and services, so they both affect the standard of living. Similarly, both businesses and nonprofit organizations can have an impact on the physical environment, health care, and other determinants of the quality of life. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 41. | A charitable organization, such as the American Red Cross or Salvation Army, is classified as a for-profit organization.  **FALSE**A charitable organization is not classified as a for-profit organization since it does not seek a profit. Charities are classified as nonprofit organizations. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 42. | It was reported by a Beijing newspaper that China succeeded in improving its people's standard of living and establishing a relatively affluent society recently. This report clearly indicates that both income levels and the price of goods and services rose significantly during that time period.  **FALSE**If the people of China improved their standard of living, this means that they can purchase more with their current income than they were able to do in the past. In order to purchase the same or more goods than they were able to purchase in the past, the price of goods and services either stayed the same or decreased; or the price of goods and services stayed the same, but income levels rose. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 43. | Starting a business is a riskier path toward business success than working your way up the ranks of a large business.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: Define Entrepreneurship* |

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| 44. | Working as an entrepreneur is the only way to succeed in business.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: Define Entrepreneurship* |

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| 45. | Paid vacations and health care insurance are among the benefits provided by the government to entrepreneurs.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: Define Entrepreneurship* |

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| 46. | Women currently own less than 10 percent of all businesses.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: Define Entrepreneurship* |

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| 47. | The number of businesses owned by Asian Americans Hispanic Americans, and Native Americans has grown dramatically.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: Define Entrepreneurship* |

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| 48. | Land, sometimes called natural resources, is the most critical factor of production in explaining why some countries are poor while others are rich.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 49. | Money is one of the five factors of production that contribute to the creation of wealth.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 50. | Tools, machinery, and buildings are examples of capital resources.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 51. | The major advantage rich nations have over poor nations is an abundance of land and labor.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 52. | Entrepreneurship is one of the five factors of production that contribute to the creation of wealth.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 53. | Business consultant Peter Drucker said that the most important factor of production is knowledge.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 54. | Most business experts agree that entrepreneurship and the effective use of knowledge are the most important contributors to the creation of wealth.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 55. | The business environment refers to the surrounding factors that either help or hinder the development of businesses.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 56. | Sarah is a recent U.S. college graduate who is interested in starting an import tea business. If she follows through with her plans, she will be a pioneer, because only a handful of women choose to start businesses in the U.S.  **FALSE**Women currently own over a third of all U.S. businesses. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 2 MediumTopic: Define Entrepreneurship* |

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| 57. | Countries with an inadequately trained work force and few entrepreneurs often achieve the highest levels of income by relying on a large number of workers.  **FALSE**Poor countries often have plenty of labor and access to adequate capital. However, the two factors of production that are most critical in generating national wealth are entrepreneurship and knowledge. A country found lacking in these would experience relatively low levels of income. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 2 MediumTopic: The Factors of Production* |

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| 58. | If they wish to create more wealth, poor nations should focus on policies that increase entrepreneurship and the effective use of knowledge.  **TRUE**Poor nations often have plenty of labor and land, as well as access to capital. However, the absence of entrepreneurship and knowledgeable workers seems to be the reason that most poor countries remain poor. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 2 MediumTopic: The Factors of Production* |

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| 59. | To realize his passion, Alex recently opened Original Tunes, Inc., a small state-of-the-art recording studio in Nashville, TN. He probably could have set up shop in several major cities, but Nashville offered him the two most important factors that he learned in business school would enhance the creation of wealth: labor and political freedom.  **FALSE**According to leading economists and business analysts such as Peter Drucker, entrepreneurship and knowledge are the two key factors that enhance the creation of wealth. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 3 HardTopic: The Factors of Production* |

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| 60. | Greg recently completed his degree in construction management and is planning to start a business developing apartment buildings. After researching several potential areas, he chose Mexico City due to its high population. Greg felt that this factor would create a large labor pool, the most important of the five factors of production.  **FALSE**While labor is included in the factors of production, entrepreneurship and knowledge are considered the most important factors in the creation of wealth. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 3 HardTopic: The Factors of Production* |

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| 61. | Jarett is supposed to be cramming for finals but his mind keeps wandering to the Colorado slopes. Several years ago, his Uncle Mike made it big and now owns a ski lodge just north of Aspen. He promised Jarett a management trainee position and the opportunity to buy into the company by contributing a portion of his paycheck each month back into the business. As he dreams about the opportunity to be his own boss, reality bites as Jarett scans his business book and reads, "freedom to succeed also means freedom to fail."  **TRUE**Entrepreneurship promises its participants the opportunity for great success; however, the potential of failure also looms in the process. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 3 HardTopic: Define Entrepreneurship* |

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| 62. | Taxes and government regulations are part of the economic and legal environment in which businesses operate.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 63. | High taxes and government restrictions help to encourage entrepreneurs by providing greater incentives for people to work hard and create profit.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 64. | One of the best things the governments of developing countries can do to increase wealth is to minimize interference with the free exchange of goods and services.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 65. | In countries where businesses cannot enter into binding contracts, business owners assume additional risk.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 66. | In an effort to increase wealth and their country's standard of living, many governments are taking over major industries and operating them as nonprofit organizations.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 67. | Corruption and illegal activities are expected in a capitalist system and can be beneficial.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 68. | One way for a government to actively promote entrepreneurship is to establish a currency that's tradable in world markets so that you can buy and sell goods anywhere in the world using that currency.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 69. | Honesty, integrity, and high ethical standards are essential to a capitalist economic system like the one that operates in the United States.  **TRUE** |

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| *AACSB: EthicsAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 70. | Laws that allow companies to write enforceable contracts decrease the risk of doing business.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 71. | In rich countries such as the United States, changes in the level of taxation have little impact on the incentives of entrepreneurs.  **FALSE**High taxes and excessive regulation tend to discourage entrepreneurship even in wealthy nations. In the United States, those states with the highest taxes and most burdensome regulations tend to drive out entrepreneurs while states with lower taxes and fewer regulations tend to attract them. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 72. | The failure to uphold high ethical business standards by a few companies can negatively impact the entire U.S. business community.  **TRUE**The textbook provided the example of the failure of mortgage brokers to perform due diligence on their customers. In their quest to capture a large home buying market, they failed to check the creditworthiness of their customers. As interest rates on adjustable rate mortgages increased, some homeowners were unable to pay their mortgages. The ripple effect of these failures led to job loss, which sent many homes into foreclosure. |

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| *AACSB: EthicsAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 73. | Several years ago, the government of the small nation of Allegro owned the nation's telephone company and landlines. This relatively poor government relied on taxes to develop this industry and provide service to its citizens. If the government desired to rapidly improve people's access to phone service, its best course of action would involve selling the telephone company to private investors.  **TRUE**Government can actively promote entrepreneurship by encouraging private ownership of businesses. If the government owns the businesses there is little incentive for people to work hard to create profits. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 74. | The government of the nation of Winstone is trying to achieve a high quality of life by imposing strict regulations to protect the environment and ensure safe working conditions in factories and mines. The government also has established ambitious programs to help the poor, financing them by setting high tax rates. These efforts by Winstone's government should create an atmosphere that encourages entrepreneurship.  **FALSE**One of the things a government can do to encourage entrepreneurship and the formation of wealth is to keep regulations and taxes to a minimum. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 75. | Though it has received a lot of attention, the development of the Internet has had less of an impact on the way businesses operate than many other technological changes.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 76. | An increase in productivity indicates that more can be produced in a given time period with the same amount of resources.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 77. | Technology can help businesses become more efficient and productive.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 78. | Productivity is the amount of output you generate given the amount of input such as hours worked.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 79. | Effectiveness means producing goods and services using the least amount of resources.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 80. | Effectiveness means producing the desired result.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 81. | Technology refers to everything that makes business operations more effective, efficient, and productive.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 82. | E-commerce is the buying and selling of goods over the Internet.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 83. | The B2B Internet market consists of selling goods and services to consumers.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 84. | The rise of Internet marketing has become particularly important in doing business in the B2B markets.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 85. | The business-to-business segment of e-commerce is of less importance than the business-to-consumer segment of e-commerce.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 86. | Technology allows firms to be more responsive to their customers' wants and needs.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 87. | Bar codes are a form of technology that has enhanced a company's ability to be responsive to consumer needs.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 88. | An electronic storage file where information is kept is called a CPU.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 89. | The databases of a business often include a great deal of information about the firm's customers.  **TRUE** |

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| 90. | Information in a database allows firms to carry only the products that the local population wants.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 91. | Identity theft is when individuals or firms access people's personal information and then use it for illegal purposes and activities.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 92. | The main difference between B2C and B2B e-commerce is that B2C uses only the Internet, while B2B combines e-commerce with traditional (bricks-and-mortar) outlets.  **FALSE**The major difference between B2C and B2B is the customer. B2C stands for business-to-consumer. Businesses involved in B2C sell mainly to households. B2B stands for business-to-business. Businesses involved in B2B sell mainly to other businesses. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 93. | There is less risk involved in starting an e-commerce-only business than there is in trying to add e-commerce to a traditional (bricks-and-mortar) store.  **FALSE**Although there is no question that some Internet businesses will grow and prosper, it is also evident that many e-commerce firms will fail. On the other hand, many traditional businesses have successfully expanded by incorporating e-commerce into their plans. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 94. | One of the major advantages to firms involved in e-commerce is that the technology is still so new that the Internet-based firms face very little competition.  **FALSE**The rise of e-commerce has led to intense competition. The rise of Internet marketing drew hundreds of competitors into the fray. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 95. | Nicki has joined with several other investors to form a new company that sells foot-care products to consumers over the Internet. Nicki has invested in a B2C e-commerce company.  **TRUE**B2C companies specialize in selling goods to consumers over the Internet. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 96. | Over the past several years, workers in the small nation of Rainland have enjoyed an increase in the number of holidays and a reduction in the average length of the workday that have reduced the total number of hours they work each year. However, the output per worker in Rainland is higher now than it was before the reduction in hours. These facts suggest that productivity in Rainland has increased.  **TRUE**Productivity is measured by dividing total output by work hours. Since output is higher while work hours have dropped, productivity must be higher. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 97. | SleekWrap is a company that produces industrial coatings for the steel industry. Until recently it relied on wholesalers to distribute its products to other businesses, but now it also sells directly to its business customers through its website. This is an example of the largest and most important type of e-commerce transaction.  **TRUE**As important as the Internet has been in the consumer market (B2C), it has become even more important in the business-to-business (B2B) market. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 98. | As emerging technologies become widespread, businesses tend to find better uses for them. However, in the case of the Internet, businesses that sell B2B have not benefited from directly selling to their business customers in the same way that B2C companies have done.  **FALSE**The Internet has become an important business tool in both the B2B market and the B2C market. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 99. | With the emergence of the Internet, Jasmine finds it easy to do all her gift buying online. She takes comfort in the fact that new technologies if installed properly are seldom used in unethical ways.  **FALSE**Although technological wonders such as the Internet have improved the way we communicate with customers and friends, problems such as identity theft have surfaced. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 100. | Technological innovation has a ripple effect. With the advent of the Internet, Tyler, a certified tech-nerd, is being courted by companies to write the next generation of antivirus software. He tells us its big business!  **TRUE**Tyler is right; the Internet has created tremendous job opportunities for specialists like him. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 101. | To remain competitive in today's market, firms must produce a quality product and offer outstanding service at a reasonable price.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 102. | Producing a high-quality product will ensure success in the competitive environment.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 103. | Successful firms follow a customer-driven strategy, as opposed to the management-driven strategy used in the past.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 104. | Zero defects means that there is a company goal of no mistakes in making products.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 105. | Traditional businesses have a managerial focus rather than a customer focus.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 106. | Competition is fierce! One way to respond quickly to customer needs is to develop a strategy of empowering employees.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 107. | A policy of empowerment encourages managers to make decisions quickly for their frontline employees.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 108. | Empowerment means giving frontline workers the responsibility, authority, and freedom to respond quickly to customer requests.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 109. | The goal of empowerment in the workplace is to prevent mistakes. Therefore, giving management more control over the actions of lower-level workers will prevent mistakes.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 110. | The primary focus of successful firms is designing and producing high-quality goods. Advertising is then used to convince consumers to buy their superior products.  **FALSE**Successful businesses are customer-driven, meaning that they listen to the wants and needs of customers and adjust their products, policies, and practices to better meet customer demands. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 2 MediumTopic: Competition* |

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| 111. | It's important that firms are as efficient as possible. This is done by becoming management-driven for efficiency.  **FALSE**Business is becoming customer-driven, not management-driven as in the past. This means that customers' wants and needs must come first. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 2 MediumTopic: Competition* |

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| 112. | Customer-driven organizations require managers to closely direct and control their employees.  **FALSE**Customer-driven organizations will exceed their customers' expectations by empowering their frontline employees. The movement toward empowerment suggests that lower-level workers are likely to assume more responsibility in the future, while managers will give up some of their authority. Managers must train frontline people to make decisions without the need to consult managers. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 2 MediumTopic: Competition* |

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| 113. | Bruno and Gino are worthy competitors in the bakery business in a small upscale resort town. Gino recently negotiated a contract with a supplier for really cheap cooking oil. He knows that bakery customers want cheap products. In this competitive environment, keeping the price down is all that matters.  **FALSE**In the current competitive environment of every industry, customers are looking for high quality and good value, at competitive prices. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 3 HardTopic: Competition* |

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| 114. | Brett runs a lawn-care service. Although he and his employees could service eight households in one day, he averages six yards per crew member, per day. Brett recently restructured his work crew and provided each cutter with an incentive to acquire two new customers each month through customer referrals. As a recent business graduate, you tell him he's probably on the right track.  **TRUE**Companies now have to offer both high-quality products and good value, but also outstanding service at competitive prices. Through restructuring, owners/managers often give up some of their authority and empower employees to make decisions that exceed customers' expectations. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 3 HardTopic: Competition* |

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| 115. | The statistical study of the human population to describe its size, age, gender, and income is known as diversity recognition.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 116. | The U.S. population tends to buy the same things and spend time in roughly the same way as people did a decade ago.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 117. | Demographic changes create new business opportunities.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 118. | Diversity groups identified in the market today can include extroverts, introverts, atheists, and the devout.  **TRUE** |

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| *AACSB: DiversityAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: Cultural Diversity in the Workplace* |

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| 119. | Companies have responded to a diverse customer base by hiring a more diverse workforce.  **TRUE** |

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| *AACSB: DiversityAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: Cultural Diversity in the Workplace* |

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| 120. | Currently people between the ages of 45 and 54 are the richest group in the United States.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 121. | New welfare rules have made it easier for single parents to remain at home with their young children without being required to seek employment.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 122. | In some cities the number of legal and illegal immigrants has caused governments to adapt by changing signs to other languages.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 123. | The federal government requires companies to take diversity very seriously, even recommending establishing a chief diversity officer in the executive suite.  **FALSE** |

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| *AACSB: DiversityAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: Cultural Diversity in the Workplace* |

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| 124. | One factor that has had a major effect on businesses is the growth of single-parent families.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 125. | Businesses that cater to older consumers in the future will likely not be successful.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 126. | Businesses use demographic studies to understand where people live, their lifestyles, and what they are likely to buy.  **TRUE**Demography is the statistical study of the human population to learn its size, density and characteristics. Since many goods and services appeal to customers with specific demographic characteristics (such as age or income), studying demographic trends can help businesses determine whether the demand for a good is likely to rise or fall. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 127. | Diversity management would not be an issue if firms would treat all of their employees the same.  **FALSE**A diverse workforce can consist of minorities, women, people with disabilities, people with different sexual orientations, atheists, and the devout. These differences can be a strength only if management works to meet the needs of each group while achieving the organizational goals. The interaction of these different views can encourage new perspectives and creative approaches to solving problems. |

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| *AACSB: DiversityAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 2 MediumTopic: Cultural Diversity in the Workplace* |

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| 128. | Demographic trends suggest that businesses will benefit from offering flexible work schedules, elder care, and child care to help employees balance the demands of job and family.  **TRUE**The increase in the number of single parent families is a powerful demographic trend. Successful organizations will adjust and accommodate these changes in their social environment. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 129. | The current Social Security system will ensure that the young people of today will have Social Security benefits in the future when they retire.  **FALSE**The current Social Security system means that today's workers pay for today's retirees. To date this has worked since there are more workers supporting each retiree. However, soon, less money will be coming into Social Security than will be going out and there will be a shortfall, suggesting that today's young people will not have Social Security benefits in the future. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 130. | Xavier, a recent college graduate, is thinking of investing in a home health care business. He believes this will be a profitable venture because of the increasing number of people in the U.S. that will be over 60 in the near future and more likely to need this type of service. This accurately describes a demographic trend that will affect his business choice.  **TRUE**When scanning the social environment for opportunities and threats, business professionals study demographic changes in their respective markets. Demographic changes can have a significant impact on business choices and career opportunities. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 131. | Sue is a single mother with two small children. Her employer is considering providing family leave. Since Sue is a single mom with small children, she is unlikely to benefit from this program.  **FALSE**Family leave allows workers to take time off to attend to a sick child and should be quite beneficial to Sue since she has two small children. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 132. | Rob is an emergency room nurse at a local hospital in Texas. On a weekly basis, he will serve a number of patients who are not legally U.S. citizens. Many of them are giving birth to babies. Fortunately, Rob speaks enough Spanish to communicate with the patients. Rob is experiencing the realities of the social environment in some states.  **TRUE**There is a sizeable Spanish speaking population that lives in this state. The social environment in many states and many countries can differ. Both for-profit and nonprofit companies must adjust to accommodate for changes in the social environment. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 133. | Globalization has increased among nations.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 134. | An important environmental change in the global environment is the growth of international competition.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 135. | Improved distribution systems have led to more global trade.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 136. | Global trade has suffered because of increased problems with the Internet.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 137. | Globalization has greatly increased living standards around the world.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 138. | China and India have become major U.S. competitors.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 139. | The threat of terrorism increases the costs of operating most businesses.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 140. | Wars are costly to all companies.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 141. | War and terrorism have had a significant effect in drawing many resources away from the U.S. economy and led to many additional costs for businesses.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 142. | In most industries, the only producers that pose a serious threat to U.S. manufacturers are those in Japan and Western Europe.  **FALSE**Producers in countries like China and India have become major U.S. competitors. For example, Lenovo, a Chinese firm, recently bought IBM's PC unit. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 2 MediumTopic: Competition* |

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| 143. | Companies that participate in the defense industry by making weapons and other companies that make armored vehicles and even food companies do well when the U.S. is at war.  **TRUE**Although wars are quite costly for most companies, there are some whose revenues and profits grow. These are usually companies with government contracts that support the war effort. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 2 MediumTopic: Competition* |

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| 144. | According to the box "Gourmet Airport Eateries Take Flight," safety regulations have made it difficult for airport restaurants to operate. Because of this, all airport food is limited to cold sandwiches and reheated entrees. This makes an airport restaurant an unprofitable business venture.  **FALSE**Although there are limitations as to what airport restaurants can do in the kitchen (like regulations on knives), restaurateurs are still able to provide travelers with gourmet cuisine and make lots of money in the process. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 2 MediumTopic: Competition* |

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| 145. | One of the problems with globalization is that distribution systems and communication systems lack efficiency.  **FALSE**Distribution systems and communication systems have improved dramatically, and have contributed toward world trade. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 2 MediumTopic: Competition* |

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| 146. | The evidence for climate change is questionable. Well-known U.S. companies are taking a wait-and-see approach toward addressing climate change.  **FALSE**Climate change is a key question on the minds of most companies. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 2 MediumTopic: Corporate Social Responsibility* |

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| 147. | Carlos Gonzalez owns a small manufacturing company that makes ventilation systems used in the construction of office buildings. As the U.S. continues to be involved in wars around the globe, Carlos may notice that his business will be growing more slowly in the future as more money continues to be put into the war effort.  **TRUE**Recent wars have drawn billions of dollars from the American economy. Most companies have lost workers to the armed forces and have grown more slowly as money has been diverted to the war effort. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 3 HardTopic: Competition* |

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| 148. | Lucy owns a restaurant in Los Angeles. She heard on the radio that the homeland security threat level has been increased due to anticipated terrorist activities, especially in large cities in the U.S. She will likely not be able to get insurance to cover any losses her business may suffer should an attack occur in L.A.  **TRUE**Lucy's restaurant is located in a very large U.S. city. Firms have found it difficult to get insurance against terrorist attacks. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 3 HardTopic: Competition* |

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| 149. | After several years of study as a part-time student, Alex recently earned a degree in marketing at a local college. The growth in global markets may increase Alex's job opportunities, but it will also require him to continually update his skills or seek further education.  **TRUE**As businesses expand to serve global markets, new jobs will be created. But global markets will also create more competition. In order to remain competitive, U.S. workers will have to continually update their knowledge and skills. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 3 HardTopic: Competition* |

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| 150. | Maya is an engineer for Windy Ridge, Inc., a maker of wind turbines. Recently, a large company has shown interest in investing in this small operation. This is not surprising since firms that are creating products for alternative sources of energy are attracting the attention of governments and other businesses.  **TRUE**Energy and sources of energy promise to be key considerations that will attract the attention of government and other businesses. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 3 HardTopic: Competition* |

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| 151. | Over many years the nature of U.S. business has changed very little from century to century.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 152. | The number of U.S. jobs in manufacturing has increased in the past five years.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 153. | Technology helped the manufacturing industry to become more productive.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 154. | While the proportion of workers employed in agriculture has remained relatively constant, the average size of farms has steadily decreased over the past century.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 155. | Increases in productivity have allowed fewer farmers to feed more and more people.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 156. | The advice provided by a marriage counselor is an example of the service industry.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 157. | Almost all of the growth in employment opportunities since the mid-1980s has been generated by the service sector.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 158. | Although employment in the service sector has increased rapidly in recent years, the vast majority of workers are still employed in the goods producing sector.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 159. | There are more high-paying jobs in the service sector than in the goods-producing sector.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 160. | The best employment strategy for today's college graduates is to search for jobs that are closely related to their college major.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 161. | The growth in the service sector in the United States appears to be giving way to an information-based global era.  **TRUE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 162. | The transition from an agricultural economy to a manufacturing economy to a service-based economy has resulted in a serious increase in long-term unemployment.  **FALSE** |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 163. | One reason given for the decline in the number of U.S. workers employed in manufacturing is that manufacturing firms in the U.S. have become more efficient.  **TRUE**Technology has allowed U.S. workers to be more productive, resulting in the need for fewer workers. Many American manufacturing firms have downsized because of this increased efficiency. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 2 MediumTopic: The Evolution of Business* |

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| 164. | The continuing increase in the number of U.S. workers in the service sector means that more and more workers are employed in low-wage positions.  **FALSE**Some jobs in the service sector do pay low wages, but there are actually more high-paying jobs in the service sector than in the goods-producing sector. Service jobs include high-wage positions in such industries as health care, accounting, architecture, law, and telecommunications. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 2 MediumTopic: The Evolution of Business* |

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| 165. | Historically jobs lost in one sector of the economy have been replaced by increased employment opportunities in other sectors.  **TRUE**The history of our nation's economy shows that as jobs were lost in agriculture earlier in the last century, displaced farm workers were often able to find employment in the growing manufacturing sector. More recently, declines in manufacturing employment have been offset by rapid growth in the service sector. The latest growth area for new jobs is in information technology. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 2 MediumTopic: The Evolution of Business* |

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| 166. | Dee Duction is a financial planner who helps people find ways to save for retirement and lower their taxes. Dee is employed in the service sector of the economy.  **TRUE**The service sector produces intangible goods. Financial planning is one type of service. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 3 HardTopic: The Evolution of Business* |

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| 167. | After losing her manufacturing job in the U.S. automobile industry, Juanita has found that well-paid service-sector jobs require retraining and further education.  **TRUE**High-paying service sector jobs can be found in health care, accounting, finance, entertainment, telecommunications, architecture, law, and software engineering. However, these jobs require specialized training and education. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 3 HardTopic: The Evolution of Business* |

**Multiple Choice Questions**

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| 168. | An activity which seeks to earn a profit by providing a good or service is known as a(n):

|  |  |
| --- | --- |
| A.  | industry. |

|  |  |
| --- | --- |
| B.  | corporation. |

|  |  |
| --- | --- |
| **C.**  | business. |

|  |  |
| --- | --- |
| D.  | service. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: Definition of Business* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 169. | \_\_\_\_\_\_\_\_\_\_ is the amount a business earns after deducting what it spends for salaries and other expenses.

|  |  |
| --- | --- |
| **A.**  | Profit |

|  |  |
| --- | --- |
| B.  | Revenue |

|  |  |
| --- | --- |
| C.  | Interest |

|  |  |
| --- | --- |
| D.  | Dividends |

 |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 170. | A business incurs a \_\_\_\_\_\_\_\_\_\_\_ if its costs and expenses exceed its revenues.

|  |  |
| --- | --- |
| **A.**  | loss |

|  |  |
| --- | --- |
| B.  | liability |

|  |  |
| --- | --- |
| C.  | debit |

|  |  |
| --- | --- |
| D.  | dividend |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 171. | \_\_\_\_\_\_\_\_\_\_ is the chance a business owner will lose the time and money invested in a business that proves to be unprofitable.

|  |  |
| --- | --- |
| A.  | Depreciation |

|  |  |
| --- | --- |
| **B.**  | Risk |

|  |  |
| --- | --- |
| C.  | Fallibility |

|  |  |
| --- | --- |
| D.  | Redundancy |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 172. | The total amount of money that businesses take in by selling goods and services is called \_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | profit |

|  |  |
| --- | --- |
| **B.**  | revenue |

|  |  |
| --- | --- |
| C.  | loss |

|  |  |
| --- | --- |
| D.  | retained earnings |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 173. | A(n) \_\_\_\_\_\_\_\_\_\_\_\_ is a person who assumes the risk of starting a business.

|  |  |
| --- | --- |
| A.  | manager |

|  |  |
| --- | --- |
| **B.**  | entrepreneur |

|  |  |
| --- | --- |
| C.  | private investor |

|  |  |
| --- | --- |
| D.  | stakeholder |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: Define Entrepreneurship* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 174. | Starting a business always involves \_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | profit |

|  |  |
| --- | --- |
| B.  | loss |

|  |  |
| --- | --- |
| C.  | revenue |

|  |  |
| --- | --- |
| **D.**  | risk |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 175. | Often in business the greater the risk, the \_\_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| **A.**  | greater the potential reward |

|  |  |
| --- | --- |
| B.  | lower the expected revenues |

|  |  |
| --- | --- |
| C.  | lower the value provided to society |

|  |  |
| --- | --- |
| D.  | greater the number of stakeholders |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Factors that Affect the Success or Failure of an Organization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 176. | \_\_\_\_\_\_\_\_\_\_\_ is a measure of the general well-being and satisfaction derived from a variety of factors including political freedom, safety, education, and a clean environment.

|  |  |
| --- | --- |
| A.  | Standard of living |

|  |  |
| --- | --- |
| **B.**  | Quality of life |

|  |  |
| --- | --- |
| C.  | Gross national income |

|  |  |
| --- | --- |
| D.  | Social satisfaction index |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 177. | The amount of goods and services people can buy with the money they have is called their:

|  |  |
| --- | --- |
| A.  | nominal income. |

|  |  |
| --- | --- |
| B.  | consumer price index. |

|  |  |
| --- | --- |
| C.  | profit margin. |

|  |  |
| --- | --- |
| **D.**  | standard of living. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 178. | The customers, employees, stockholders, suppliers, creditors, and others who stand to gain or lose by the policies and activities of a business represent the firm's:

|  |  |
| --- | --- |
| A.  | market makers. |

|  |  |
| --- | --- |
| B.  | economic environment. |

|  |  |
| --- | --- |
| **C.**  | stakeholders. |

|  |  |
| --- | --- |
| D.  | social mentors. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 179. | The most important difference between for-profit businesses and nonprofit organizations is that:

|  |  |
| --- | --- |
| A.  | businesses do not benefit society. |

|  |  |
| --- | --- |
| B.  | nonprofit organizations seek to make a profit for their owners and organizers. |

|  |  |
| --- | --- |
| **C.**  | nonprofit organizations do not seek a profit for their owners or organizers. |

|  |  |
| --- | --- |
| D.  | nonprofit organizations do not file tax returns. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 180. | Last year, Adventure Enterprises reported revenues of $24 million while its total expenses were $10 million. Based on this information, Adventure reported:

|  |  |
| --- | --- |
| **A.**  | profits of $14 million. |

|  |  |
| --- | --- |
| B.  | profits of $34 million. |

|  |  |
| --- | --- |
| C.  | losses of $14 million. |

|  |  |
| --- | --- |
| D.  | losses off $34 million. |

Profits are found by subtracting costs and expenses from revenues, so Adventure Enterprises profits are $24 million - $10 million = $14 million. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 181. | A common characteristic of most entrepreneurs is that they:

|  |  |
| --- | --- |
| **A.**  | accept the risks involved in starting and managing a business. |

|  |  |
| --- | --- |
| B.  | have a high level of scientific and technical expertise. |

|  |  |
| --- | --- |
| C.  | possess a great deal of personal wealth. |

|  |  |
| --- | --- |
| D.  | have experience in running large, complex organizations. |

An entrepreneur is a person who risks time and money to start and manage a business. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: Define Entrepreneurship* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 182. | Which of the following is the best example of a business whose goal is to earn a profit?

|  |  |
| --- | --- |
| A.  | A community college |

|  |  |
| --- | --- |
| B.  | The Salvation Army |

|  |  |
| --- | --- |
| C.  | Boy Scouts of America |

|  |  |
| --- | --- |
| **D.**  | Best Buy, Inc. |

Best Buy is the only one of the organizations listed which seeks to earn a profit. All of the others are nonprofit organizations. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: Definition of Business* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 183. | In order to make an intelligent investment decision, entrepreneurs should:

|  |  |
| --- | --- |
| A.  | limit their options to those business investments that are backed by the U.S. government. |

|  |  |
| --- | --- |
| B.  | invest in businesses that have generated a stable rate of profit for at least the past 10 years. |

|  |  |
| --- | --- |
| C.  | invest only in business opportunities where it is possible to take an active role in management. |

|  |  |
| --- | --- |
| **D.**  | compare the risks of potential investments to their expected profits and find the right balance between profit and risk. |

Those companies with high risk also often possess the potential for high profits. Entrepreneurs must weigh risk and profit and find the right balance. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 184. | Companies that outsource research and development and design jobs:

|  |  |
| --- | --- |
| A.  | have always made a wise decision. |

|  |  |
| --- | --- |
| B.  | will be more profitable in the long run. |

|  |  |
| --- | --- |
| **C.**  | run the risk of overseas companies using the information to produce competitive products. |

|  |  |
| --- | --- |
| D.  | always invest in the overseas companies that take on these jobs. |

Companies have gone from outsourcing production jobs to outsourcing research and development and design functions. Such outsourcing may prove disastrous to those firms, in that overseas companies may use the information to produce their own, competitive products. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 185. | Honda and Toyota have used *insourcing* for years to produce cars in the United States. Insourcing:

|  |  |
| --- | --- |
| **A.**  | helps offset the number of jobs being outsourced. |

|  |  |
| --- | --- |
| B.  | increases the number of jobs being outsourced. |

|  |  |
| --- | --- |
| C.  | damages the United States economy. |

|  |  |
| --- | --- |
| D.  | causes jobs to be lost to overseas competitors. |

Companies including Honda, Toyota, and Hyundai have set up design and production facilities in the United States, called *insourcing*. Insourcing creates many new jobs, and helps offset the number of jobs being outsourced. Because insourcing creates jobs, it actually helps the U.S. economy. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 186. | Public schools, charities and government agencies generally \_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | are incorporated |

|  |  |
| --- | --- |
| **B.**  | do not seek to earn a profit |

|  |  |
| --- | --- |
| C.  | provide goods rather than services |

|  |  |
| --- | --- |
| D.  | do not have any stakeholders |

Although schools, charities, and government agencies often provide goods and services, they do not seek a profit. Therefore, they are nonprofit organizations rather than businesses. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 187. | For-profit businesses and nonprofit organizations are similar in that they both:

|  |  |
| --- | --- |
| **A.**  | contribute to the welfare of society. |

|  |  |
| --- | --- |
| B.  | seek to earn a profit. |

|  |  |
| --- | --- |
| C.  | have a limited life. |

|  |  |
| --- | --- |
| D.  | must be controlled by a board of directors. |

A business is an activity that seeks to profit by providing goods and services to others. Nonprofit organizations, such as charities and government agencies, also provide goods and services in order to satisfy the needs of people within a society, but they do not seek a profit. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 188. | The standard of living for a nation's people depends mainly on:

|  |  |
| --- | --- |
| A.  | the quality of the natural environment. |

|  |  |
| --- | --- |
| B.  | how much political freedom they have. |

|  |  |
| --- | --- |
| **C.**  | their income and the prices of the goods and services they buy. |

|  |  |
| --- | --- |
| D.  | the amount of labor and capital available employed in the manufacturing sector. |

The standard of living of a country refers to the amount of goods and services people can buy with the money they have. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 189. | World-class businesses attempt to meet the needs of:

|  |  |
| --- | --- |
| A.  | their customers, even if it comes at the expense of employees and other stakeholders in the business. |

|  |  |
| --- | --- |
| B.  | their employees, even if it means shortchanging customers by charging higher prices. |

|  |  |
| --- | --- |
| **C.**  | all of their stakeholders. |

|  |  |
| --- | --- |
| D.  | exclusively their owners, since they are ultimately the ones who pay the bills. |

Stakeholders are all of the people affected by a business. World-class firms of the future will attempt to meet the needs of all of their stakeholders. |

|  |
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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 2 MediumTopic: The Factors that Affect the Success or Failure of an Organization* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 190. | Shelby recently started selling her invention: a bed that looks like it floats in mid-air. The bed is actually suspended by magnetic forces. Shelby is a(n):

|  |  |
| --- | --- |
| A.  | arbitrageur. |

|  |  |
| --- | --- |
| **B.**  | entrepreneur. |

|  |  |
| --- | --- |
| C.  | speculator. |

|  |  |
| --- | --- |
| D.  | account manager. |

An entrepreneur is a person who assumes the risk of starting a business. |

|  |
| --- |
| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: Define Entrepreneurship* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 191. | Ross wants to invest some money that he just inherited. He found that his bank offers a savings account paying a guaranteed .5% rate of return. However, he would like to earn a higher return. Ross should keep in mind that to earn a higher return on his money he:

|  |  |
| --- | --- |
| A.  | will have to invest overseas. |

|  |  |
| --- | --- |
| B.  | should invest in a business that has a very stable and predictable rate of return. |

|  |  |
| --- | --- |
| **C.**  | will probably have to accept a higher level of risk. |

|  |  |
| --- | --- |
| D.  | will probably have to engage in illegal activities. |

Investing in a savings account (certificate of deposit) at a bank entails very little risk, but earns a relatively small return. Business opportunities that offer the potential for high profits are often associated with a high level of risk. An investor must weigh the potential profit of an investment with its risk. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 192. | Which of the following is the most accurate statement about the impact of business on society?

|  |  |
| --- | --- |
| A.  | When businesses earn a profit for their owners, they usually do so at the expense of the rest of society, which proves it is never a win-win situation. |

|  |  |
| --- | --- |
| B.  | While businesses often improve the standard of living within a society, they can do little to improve the quality of life. |

|  |  |
| --- | --- |
| C.  | Businesses often improve the quality of life, but can do little to improve the standard of living of most people due to inflation. |

|  |  |
| --- | --- |
| **D.**  | Businesses can have a positive impact on both the standard of living and the quality of life within a society. |

Businesses are part of an economic system that helps create a higher standard of living and quality of life for everyone. |

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| --- |
| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 193. | Jane's income has remained stable over the past few years while the prices of things she buys have gone up. Nevertheless, Jane feels better off because the environment is cleaner, the crime rate has declined, she has more leisure time, and the quality of medical care has improved. If Jane's experience is typical, we can conclude that the standard of living has:

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| A.  | increased, but the quality of life has decreased. |

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| B.  | increased, and so has the quality of life. |

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| **C.**  | declined, but the quality of life has increased. |

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| D.  | declined, and so has the quality of life. |

The standard of living refers to how much people can buy with their income. Since prices have gone up faster than her income, Jane's standard of living has declined. However, quality of life refers to a broader measure of general well-being. The improved quality of the environment, safer streets, increased leisure time, and improved medical care would all contribute to an improvement in general well-being, and hence would increase the quality of life. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 194. | Eve and her three college friends enjoy perfumes. As a special gift to each of them last holiday season, she found a way to make scented candles with each friend's favorite perfume scent. The three friends loved her gift idea and encouraged Eve to create more and sell them online. Recently, she is filling orders from her website, and turning a profit. Eve is proof that:

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| A.  | me-too businesses work. |

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| **B.**  | when you successfully fill a market need, you can make money. |

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| C.  | the Internet is a way to distribute just about anything. |

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| D.  | the cost of supplies to make candles is relatively cheap. |

In order to stay competitive, entrepreneurs must find a market niche—something the market needs. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: Define Entrepreneurship* |

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| 195. | Planet Earth Developers is a large nationwide construction company with home offices in Lansing, MI. The local media often remarks about the pristine landscaping that surrounds the home office that sits on a 30-acre complex. At the back end of the complex are several large warehouses and garages that hold large equipment. The grounds surrounding these warehouses look like a well-maintained park. Across the street from the garages are several shops and businesses. The CEO, "Planet Paul" (as his employees call him), often talks about how thankful he is that the town permits him to store the company equipment at that site, and vows to always maintain the premises for his neighbors (the other businesses that thrive in that area), not to mention that he asks 100 employees to come to work there everyday. Which of the following statements describes Planet Paul's business philosophy?

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| A.  | Planet Paul is a nice guy whose company made a lot of money, so he is willing to spread it around. |

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| **B.**  | Planet Paul understands that even though it may cost a little more, stakeholder considerations are very important if you want your business to thrive. |

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| C.  | Planet Paul is more concerned about town politics than about the company profits. He should ask his employees if they would rather have that money in their pockets than on the lawns. |

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| D.  | Planet Paul is taking a business risk that his trucks and equipment will not make too much noise as they enter and exit the garages. |

When considering the social environment of one's business, it is important to consider all stakeholders that your business affects. Stakeholders include customers, employees, suppliers, and even other businesses and residential areas that are located within proximity of your business location. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 196. | The growth of Hispanic-owned businesses:

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| A.  | remained relatively constant during the past decade. |

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| --- | --- |
| B.  | slowly increased during the past decade. |

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| **C.**  | increased dramatically in recent years. |

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| D.  | decreased slightly compared to other minority groups who have started businesses. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: Define Entrepreneurship* |

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| 197. | How is the profile of business owners changing?

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| A.  | In the U.S., men between the ages of 18 and 24 are starting businesses at a faster rate than men of all ages, or women of all ages. |

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| B.  | Recent male immigrants, who can legally work in the U.S., are starting businesses at a faster rate than natural-born male citizens, and at a faster rate than all women. |

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| **C.**  | Businesses owned by minority women are growing at a faster rate than businesses owned by men or nonminority women. |

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| D.  | It is difficult to collect information on the profile of business owners. Most new businesses do not file so they don't have to pay taxes. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: Define Entrepreneurship* |

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| 198. | The number of businesses owned by Hispanics and Asians has:

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| A.  | has decreased after the 9-11 terrorist attack. |

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| --- | --- |
| B.  | slowly increased. |

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| **C.**  | significantly increased. |

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| D.  | remained relatively constant. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: Define Entrepreneurship* |

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| 199. | Which of the following entails the greatest amount of risk?

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| A.  | Working for the government |

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| B.  | Working for a large business |

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| C.  | Working for a small business |

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| **D.**  | Starting a business |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: Define Entrepreneurship* |

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| 200. | The resources that contribute to the creation of wealth are known as \_\_\_\_\_\_.

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| A.  | production coefficients |

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| --- | --- |
| **B.**  | factors of production |

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| C.  | production technologies |

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| --- | --- |
| D.  | production aggregates |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 201. | Which of the following is a factor of production?

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| --- | --- |
| A.  | Bonds |

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| --- | --- |
| B.  | Money |

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| --- | --- |
| **C.**  | Knowledge |

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| --- | --- |
| D.  | Service |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 202. | As a factor of production, the term capital includes:

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| A.  | stocks and bonds issued by corporations. |

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| B.  | natural resources such as land and water. |

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| **C.**  | tools, machinery, and buildings. |

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| D.  | services provided by the government that enable businesses to be more productive. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 203. | Two factors of production that seem to contribute the most to a nation's ability to create wealth are:

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| --- | --- |
| A.  | land and labor. |

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| --- | --- |
| B.  | land and capital. |

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| --- | --- |
| C.  | entrepreneurship and labor. |

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| **D.**  | entrepreneurship and knowledge. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Factors of Production* |

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| 204. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is/are the external and internal circumstances that surround the business.

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| --- | --- |
| **A.**  | The business environment |

|  |  |
| --- | --- |
| B.  | The factors of production |

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| --- | --- |
| C.  | The business corral |

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| --- | --- |
| D.  | The business disciplines |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 205. | Entrepreneurs weigh the differences between the benefits of starting a business and those things that they are likely to forego because they choose to work for themselves. Such things they are likely to pass up on are:

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| A.  | the freedom to make their own decisions. |

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| B.  | local government benefits such as enterprise zone tax credits. |

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| **C.**  | employer paid benefits such as paid vacation and health insurance. |

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| D.  | tickets to sporting events that trading partners may provide. |

Entrepreneurs and small business owners do not receive the employer paid benefits that a large firm can offer, including such things as paid vacations and health insurance benefits. They give up these opportunities for the freedom to work for themselves and keep the profits that their businesses realize. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 2 MediumTopic: Define Entrepreneurship* |

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| 206. | Which of the following is a benefit of owning your own business?

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| --- | --- |
| **A.**  | Freedom to keep the profits from your business |

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| --- | --- |
| B.  | Government supported health insurance |

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| C.  | More camaraderie with employees |

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| D.  | Shorter work hours |

One of the benefits of owning your own business is the freedom to keep the profits after taxes. Another is the enjoyment of being your own boss. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 2 MediumTopic: Define Entrepreneurship* |

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| 207. | Leanne owns a nursery. The trucks, handcarts, and forklift she purchased for the business are called \_\_\_\_\_\_\_\_\_\_ investments.

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| --- | --- |
| A.  | natural resources |

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| --- | --- |
| B.  | intangible resources |

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| --- | --- |
| C.  | current asset |

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| **D.**  | capital |

As a factor of production, capital includes tools, machinery, equipment, such as the trucks, hand carts, and forklift machines mentioned in this question. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 2 MediumTopic: The Factors of Production* |

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| 208. | As you consider the factors of production, which of the following did management theorist Peter Drucker believe to be one of the most important contributing factors to increasing our nation's wealth?

|  |  |
| --- | --- |
| A.  | Land |

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| --- | --- |
| B.  | Labor |

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| --- | --- |
| **C.**  | Knowledge |

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| --- | --- |
| D.  | Capital |

According to the late Peter Drucker, knowledge is and will be the most important factor of production in our economy. He specifically refers to the high-tech workers in the Silicon Valley as knowledge workers. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 2 MediumTopic: The Factors of Production* |

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| 209. | When we compare the factors of production in wealthy and poor nations, we find:

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| A.  | poor nations have plenty of land and knowledge, but very little labor. |

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| B.  | poor and wealthy nations (both) have an abundance of knowledge; it is the land that varies, with rich nations always having more. |

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| **C.**  | wealthy nations have knowledge and entrepreneurial opportunities, while poor nations are often lacking in these areas. |

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| D.  | wealthy nations have land and labor, while poor nations have capital and entrepreneurship. |

The factors of production known as "knowledge" and "entrepreneurship" contribute toward a nation's opportunity to innovate and create new products and services. Entrepreneurs use their knowledge to grow their businesses and increase wealth. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 2 MediumTopic: The Factors of Production* |

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| 210. | A nation progresses socially when it has good schools, clean air and water, and more. Which of the following statements addresses conditions for social progress?

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| A.  | Social progress will evolve when capital is apportioned to everyone in equal amounts. |

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| **B.**  | A city, state, or nation's social progress needs the right business environment. |

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| C.  | The foundation for social progress is a handful of wealthy entrepreneurs willing to spread the wealth. |

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| D.  | Social progress can only improve when there is a strong labor pool to draw from. |

The foundation for social progress is having the right business environment. When businesses create wealth and jobs, they are able to contribute to the social progress in the area where they operate. The result is usually good schools and other social services, such as police protection and good health environment. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 211. | According to the box, "How a Food Truck Helped Rebuild a Storm-Struck Community," Mike Diamond of the Beastie Boys teamed up with friends and started a nonprofit food truck. What happened after the storm cleared?

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| **A.**  | They decided to keep the truck running and are helping the youth of the area to gain experience in food service by working on the truck. |

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| B.  | They continued to offer free lunches every day to the residents of Rockaway Beach. |

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| C.  | They shut down business and all went back to their other jobs. |

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| D.  | They started six other Rockaway Plate trucks in Los Angeles, Seattle, Chicago, Miami Las Vegas, and New York City. |

After they stopped serving free lunches to those affected by Superstorm Sandy, they decided to shift from a charity to a business. Instead of hiring professionals to do the cooking, local high school students staff the truck. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 2 MediumTopic: Define Entrepreneurship* |

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| 212. | Which of the following statements about factors of production is the most accurate?

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| A.  | The five factors of production are energy, capital, labor, leadership and money. |

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| B.  | Wealth creation in poor nations is slowed by chronic shortages of labor. |

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| C.  | Each of the factors of production is equally important in creating wealth. |

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| **D.**  | Entrepreneurship and knowledge are the most important in creating wealth. |

There are five major categories of factors of production: land, labor, capital, entrepreneurship and knowledge. Poor nations often have plenty of labor and land, but lack entrepreneurship and knowledge resources. Thus, the only accurate statement is that knowledge and entrepreneurship are the most important factors of production for the creation of wealth. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 3 HardTopic: The Factors of Production* |

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| 213. | Nolivia is a small and poor nation, but its current president has a genuine desire to create more wealth for Nolivia citizens. The president has received recommendations from several of her advisors. Which of the following recommendations is likely to create the most wealth for Nolivia?

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| --- | --- |
| A.  | Acquire more land by invading a neighboring country that is even poorer and weaker than Nolivia. |

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| B.  | Use foreign aid from other nations to purchase more tools and machinery. |

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| **C.**  | Establish a business environment that promotes and rewards entrepreneurship. |

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| D.  | Establish barriers to trade to protect Nolivia businesses from foreign competition. |

The factors of production that seem to contribute most to the generation of wealth are entrepreneurship and knowledge. Thus one key to promoting wealth creation is to foster entrepreneurship. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 3 HardTopic: The Factors of Production* |

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| 214. | Ben and Chris combined their love of football with a business venture. They purchased a small portable cart and began selling football memorabilia outside of the hometown stadium. Their first year went well, but the past two years have been a real struggle. Due to poor economic conditions including loss of jobs, ticket sales at the stadium are down, which has significantly hurt their sales as well. As a recent business school graduate, you explain to Ben and Chris that:

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| A.  | this type of business is always high risk because it is seasonal. |

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| B.  | the business does not fill a sufficient need for most people. |

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| --- | --- |
| **C.**  | environmental circumstances are dynamic and tough to control. |

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| D.  | social entrepreneurs are currently getting most of the attention. |

The business environment consists of surrounding factors that either help or hinder the development of businesses. In this case the economic environment has severely affected the number of people attending hockey games. Business environments are dynamic. They are constantly changing and business must learn to navigate the changes. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 215. | Nick is a recent finance graduate who has two passions: music and finance. Upon graduation, he was offered an opportunity to join a struggling rock band with a lot of potential, or a job at a large well-established financial services company. By joining the band, he will forego which of the following?

|  |  |
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| **A.**  | Added benefits such as health insurance provided to employees of large corporations. |

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| --- | --- |
| B.  | The freedom to contribute as an innovator in his work environment. |

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| --- | --- |
| C.  | Long hours at work, while he learns the business and contributes to making it successful. |

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| D.  | Job protection. |

Entrepreneurial ventures and small businesses, particularly in their infancy, cannot offer owners/employees the same benefits as large, established companies. In this case, it is the health benefits Nick will forego. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 3 HardTopic: Define Entrepreneurship* |

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| 216. | China is a nation with a vast amount of land and a very large population. Another characteristic of this nation is its people's affinity for saving money. Referring to the five factors of production, the government of China has made significant progress in building its business environment by focusing on factors that needed improvement. Its strategy was to:

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| A.  | increase the supply of labor. |

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| --- | --- |
| B.  | increase sources for capital. |

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| **C.**  | increase entrepreneurship. |

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| D.  | encourage neighboring nations to provide the necessary land for business development. |

Entrepreneurship is one of two factors of production that management theorists believe to be most important for wealth creation. The other is knowledge. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-02 Compare and contrast being an entrepreneur and working for others.Level of Difficulty: 3 HardTopic: The Factors of Production* |

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| 217. | Taxes and government regulations are part of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ environment of business.

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| --- | --- |
| **A.**  | economic and legal |

|  |  |
| --- | --- |
| B.  | competitive |

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| --- | --- |
| C.  | social |

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| --- | --- |
| D.  | technological |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 218. | Businesses favor:

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| **A.**  | minimal government spending because it keeps taxes to a minimum. |

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| --- | --- |
| B.  | more government services because it minimizes tax consequences. |

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| --- | --- |
| C.  | maximum government spending because it raises business profits. |

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| D.  | less government spending because it lowers business profits. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 219. | In order to create more wealth and provide better services, some nations recognize that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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| A.  | raising taxes benefits all businesses |

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| **B.**  | a good strategy is to minimize interference with the free exchange of goods and services |

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| C.  | restricting trade with other countries always helps domestic businesses |

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| D.  | taking control of privately owned businesses and making them government-run will decrease taxes and improve the lives of everyone |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 220. | In countries where businesses are government owned:

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| **A.**  | there is less incentive to work hard. |

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| B.  | the right amount of each good is produced. |

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| C.  | profits tend to be higher. |

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| D.  | the quality of goods is high but profits are low. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 221. | High tax rates tend to:

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| A.  | promote economic development. |

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| B.  | make a nation's currency tradable. |

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| **C.**  | discourage entrepreneurship. |

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| D.  | reduce the amount of money created by the government. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 222. | The capitalist system relies heavily on:

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| A.  | protectionist policies with respect to world markets. |

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| B.  | minimizing government intervention in corrupt business practices. |

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| C.  | making sure that currencies are never undervalued. |

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| **D.**  | honesty, integrity, and high ethical business standards. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 223. | Contemporary governments promote business development by:

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| --- | --- |
| A.  | increasing business regulations. |

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| B.  | providing government ownership of businesses. |

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| --- | --- |
| C.  | permitting businesspeople to conduct business without the use of contracts. |

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| **D.**  | establishing a currency that's tradable in world markets. |

The government can establish a currency that's tradable in world markets so that businesspeople can buy and sell goods and services anywhere in the world using that currency. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 224. | Which of the following policies would tend to foster entrepreneurship?

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| **A.**  | Minimize taxes and regulations. |

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| B.  | Promote more regulations to protect the environment. |

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| C.  | Develop policies to reduce corruption between individuals. |

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| D.  | Encourage public ownership of businesses. |

Minimizing taxes and fewer government regulations are favorable policies toward the creation of businesses. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 225. | When corruption is present in the business environment:

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| **A.**  | company leaders can threaten competitors and minimize competition. |

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| B.  | factories are easier to build without a government permit. |

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| C.  | it promotes fair competition. |

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| D.  | laborers can make more money. |

Governments should help to minimize corruption in business for several reasons. It's hard to do business in many poor countries because the governments ignore corruption among businesses and the governments are also corrupt. It's very difficult in such countries to get permission to build a factory or open a store without a government permit, which is obtained largely through bribery of public officials. Among businesses themselves, leaders can threaten competitors and minimize competition. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 226. | Questionable business practices such as those followed by many mortgage-lending companies in the recent past:

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| --- | --- |
| A.  | encouraged investors to increase their stock market holdings. |

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| **B.**  | fundamentally weakened the entire economic environment. |

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| C.  | helped retired employees at the expense of current employees. |

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| D.  | resulted from too much government regulation. |

Corrupt and illegal activities at some companies do negatively affect the business community and the economy as a whole. The capitalist system relies heavily on honesty, integrity, and high ethical standards. When these fundamentals fail, the whole system is weakened. |

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| *AACSB: EthicsAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 227. | Which of the following government policies would be **least** likely to encourage entrepreneurship?

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| A.  | Passage of laws that enable businesspeople to write enforceable contracts. |

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| B.  | Establishment of a currency that is tradable in world markets. |

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| **C.**  | Establishment of strict regulations specifying exactly how products should be made to ensure safety and affordability. |

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| D.  | Passage of laws that eliminate corruption in government and business. |

One of the things governments can do to encourage entrepreneurship is keep business regulations to a minimum. Regulations may be desirable in other respects, but they tend to discourage entrepreneurship by making the formation and management of businesses more difficult and expensive. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 228. | It's no secret that Blockbuster™ stores have closed, while Netflix™ is still growing. Both companies participated in the video rental business. Netflix evaluated the lifestyle needs of video customers, understanding that time, family, and work obligations called for more convenient methods to receive video entertainment. Netflix embraced the opportunity to utilize the Internet and smart TVs, to stream videos directly to customers. The company also managed to keep customer costs down, by passing along the savings it realized in labor. Blockbuster did not keep its eye on competitor movements, permitting Netflix to quickly capture video market share. In sizing up the situation, which external environment(s) probably had the least effect on Netflix's success?

|  |  |
| --- | --- |
| A.  | Social environment |

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| --- | --- |
| B.  | Competitive environment |

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| --- | --- |
| **C.**  | Economic and legal environment |

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| --- | --- |
| D.  | Technological environment |

Netflix embraced new opportunities in TV technology permitting video to stream online. Netflix also saw opportunities in the social environment. With single and dual income families pressed for time, customers are seeking added conveniences. Netflix differentiates its product, positioning itself as friendlier and cheaper. Blockbuster was very slow to react to competitive pressures. Although customers enjoyed the cheaper prices, the technological environment made it cheaper for Netflix to keep costs down and pass along savings to the customer. The economic downturn had little effect on this situation; and the firms operated within the legal limits of the law. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 229. | A New York Times article about Bernie Madoff and his illegal Ponzi scheme stated, "When money goes global, fraud does too." Although the goal of investors who trusted Madoff's investment company was to earn the highest return possible on their investments, they turned a blind eye toward the fact that some of those returns were too good to be true. Individual investors, companies, and even charities lost large sums of money by investing with Madoff's company. Which of the following statements relates to this story?

|  |  |
| --- | --- |
| **A.**  | The unethical behavior of one company had a worldwide ripple effect that can impact the well-being of an economy. |

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| --- | --- |
| B.  | Too much regulation caused the capitalistic nature of Mr. Madoff's business model to fail. |

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| C.  | People lost money because of the fluctuations in world trading currencies, questioning the legitimacy of trading abroad. |

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| D.  | Investors did not sign contracts with Mr. Madoff's company. The government can only protect individuals and companies who sign enforceable contracts. |

Unethical behavior can have a steamrolling effect on business as consumers lose confidence and the overall effect on the economy turns negative. |

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| *AACSB: EthicsAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 230. | Adam Ripley sells custom bicycles. Adam buys several bike parts including wheels and tires from the Good Treads Company. Although several government-supported regulations help Adam in his business, regulations that make it easy for Adam's business to enjoy good vendor relationships are:

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| --- | --- |
| A.  | lower taxes that business to business customers pay to each other. |

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| --- | --- |
| B.  | laws that permit minimal corruption in banking institutions. |

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| C.  | laws that permit small businesses to use the government as an intermediary when doing business with other small businesses. |

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| **D.**  | laws that support enforceable contracts between firms. |

Without enforceable contracts between firms, small and large businesses cannot efficiently conduct business. The government can lessen the risks of entrepreneurship by passing laws that enable people to write good business contracts that are enforceable in court. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 231. | Jay and Jim Spears own a lawn irrigation system business. They perform installations and maintenance of these systems. Several of their customers are golf courses, but they serve a large group of residential customers as well. When they started the business 10 years ago, they made a pact to always operate within the legal limits of the law, but lately, the competition is eating them alive. Local competitors have hired illegal immigrants to perform the manual labor. They do not pay taxes on these employees; they just pay them in cash at the end of the week. Employment taxes are a burden for small businesses. Jay and Jim do not want to hire illegal workers. There's a risk if you permit an illegal worker to drive a truck, or if he/she has an accident on the job. You have just studied business ethics in your class. You inform this partnership that:

|  |  |
| --- | --- |
| A.  | Taxes only need to be paid for the owners. |

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| **B.**  | They are not only taking a chance that a bigger problem may occur, they are indirectly setting the ethics code for their firm. |

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| C.  | Small businesses may not be able to worry about ethics codes. These types of documents are better suited for big business. |

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| D.  | It is not unethical to try to better the lives of others. Everyone needs jobs. |

As will be read in Chapter 4, management's business ethics sets the tone for the company's value system. Corruption and illegal activities at some companies do negatively affect the business community as a whole. The capitalist system relies heavily on honesty, integrity, and high ethical standards. |

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| *AACSB: EthicsAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 232. | The Internet and the emergence of an information-based economy are important parts of the \_\_\_\_\_\_\_\_\_\_\_ environment in which businesses operate.

|  |  |
| --- | --- |
| A.  | economic and legal |

|  |  |
| --- | --- |
| **B.**  | technological |

|  |  |
| --- | --- |
| C.  | competitive |

|  |  |
| --- | --- |
| D.  | global |

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| 233. | Technology affects people in:

|  |  |
| --- | --- |
| **A.**  | all industries. |

|  |  |
| --- | --- |
| B.  | most industries. |

|  |  |
| --- | --- |
| C.  | information technology industries with the exception of agriculture. |

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| --- | --- |
| D.  | primarily high income countries. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 234. | Employers provide tools and technology for their employees in order to:

|  |  |
| --- | --- |
| A.  | increase the cost of production and profitability. |

|  |  |
| --- | --- |
| **B.**  | improve their efficiency and productivity. |

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| --- | --- |
| C.  | reduce corruption in business and eliminate scandals. |

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| D.  | encourage the private ownership of businesses. |

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| 235. | Efficiency means:

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| --- | --- |
| A.  | producing the desired result. |

|  |  |
| --- | --- |
| **B.**  | producing goods and services using the least amount of resources. |

|  |  |
| --- | --- |
| C.  | the amount of output you generate given the amount of input. |

|  |  |
| --- | --- |
| D.  | the buying and selling of goods using the most amount of resources. |

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| 236. | \_\_\_\_\_\_\_\_\_\_\_ refers to the amount of output generated with a given amount of input, e.g., the number of pizzas produced per worker per hour.

|  |  |
| --- | --- |
| A.  | Efficiency |

|  |  |
| --- | --- |
| B.  | Technology |

|  |  |
| --- | --- |
| C.  | Telecommuting |

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| --- | --- |
| **D.**  | Productivity |

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| 237. | \_\_\_\_\_\_\_\_\_\_\_ means producing the desired result.

|  |  |
| --- | --- |
| **A.**  | Effectiveness |

|  |  |
| --- | --- |
| B.  | Technology |

|  |  |
| --- | --- |
| C.  | E-production |

|  |  |
| --- | --- |
| D.  | Productivity |

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| 238. | \_\_\_\_\_\_\_\_\_\_\_ means producing items using the least amount of resources.

|  |  |
| --- | --- |
| **A.**  | Efficiency |

|  |  |
| --- | --- |
| B.  | Technology |

|  |  |
| --- | --- |
| C.  | E-production |

|  |  |
| --- | --- |
| D.  | Productivity |

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| 239. | The two main types of e-commerce are:

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| --- | --- |
| A.  | online and offline. |

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| --- | --- |
| B.  | EDI and EDC. |

|  |  |
| --- | --- |
| C.  | wholesale and retail. |

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| --- | --- |
| **D.**  | B2B and B2C. |

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| 240. | When businesses sell to other businesses over the Internet, these transactions are known as:

|  |  |
| --- | --- |
| A.  | B2C transactions. |

|  |  |
| --- | --- |
| B.  | e-wholesale transactions. |

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| --- | --- |
| **C.**  | B2B transactions. |

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| --- | --- |
| D.  | intermediate e-commerce transactions. |

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| 241. | Companies that sell goods to consumers over the Internet are engaging in:

|  |  |
| --- | --- |
| **A.**  | B2C transactions. |

|  |  |
| --- | --- |
| B.  | IOU transactions. |

|  |  |
| --- | --- |
| C.  | B2B transactions. |

|  |  |
| --- | --- |
| D.  | Y2K transactions. |

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| 242. | The series of lines on a product packaging that the cashier scans when you check out at a grocery store or discount store is called a:

|  |  |
| --- | --- |
| **A.**  | bar code. |

|  |  |
| --- | --- |
| B.  | zip code. |

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| --- | --- |
| C.  | scan code. |

|  |  |
| --- | --- |
| D.  | laser code. |

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| 243. | An electronic storage file where firms keep customer information is known as a(n) \_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | MP3 file |

|  |  |
| --- | --- |
| B.  | management information system |

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| --- | --- |
| **C.**  | database |

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| --- | --- |
| D.  | e-mail server |

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| 244. | \_\_\_\_\_\_\_\_\_\_ is illegally obtaining and illegally using private information about a person, such as using someone's credit card number.

|  |  |
| --- | --- |
| A.  | Petty theft |

|  |  |
| --- | --- |
| **B.**  | Identity theft |

|  |  |
| --- | --- |
| C.  | Banking theft |

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| --- | --- |
| D.  | Online theft |

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| 245. | One advantage of a database is:

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| --- | --- |
| A.  | it permits a retail store to directly gather information on the customers who do business with its competitors, so it can target promotional materials to those people. |

|  |  |
| --- | --- |
| **B.**  | it creates efficiency in that the store can quickly replenish items that are purchased. |

|  |  |
| --- | --- |
| C.  | it prevents identity theft. |

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| --- | --- |
| D.  | it prevents stores from exchanging customer information with each other. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 246. | Which of the following is an advantage of utilizing technology?

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| --- | --- |
| A.  | Technology increases the cost of production. |

|  |  |
| --- | --- |
| B.  | Technology reduces the need for a marketing plan. |

|  |  |
| --- | --- |
| **C.**  | Productivity increases. |

|  |  |
| --- | --- |
| D.  | Management becomes isolated from the demands of stakeholders. |

Technology is everything from phones to software programs that make businesses more efficient and productive. Productivity is the amount of output you generate given the amount of input. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 247. | Which of the following best describes the main difference between B2B and B2C transactions? B2B transactions:

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| **A.**  | involve transactions where the buyers and sellers are both businesses, while B2C involves transactions between businesses and consumers. |

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| B.  | focus on financial transactions while B2C e-commerce focuses on the sale of manufactured goods. |

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| C.  | refer to business between nonprofit organizations while B2C e-commerce is carried out by business firms seeking to earn a profit. |

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| D.  | involve sales in foreign markets while B2C e-commerce is restricted to domestic markets. |

B2B stands for business-to-business and B2C stands for business-to-consumer. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 248. | In recent years, businesses in general have experienced a lasting impact due to the emergence of \_\_\_\_\_\_\_\_\_\_\_.

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| A.  | motor-related technologies |

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| B.  | technologies related to brain studies |

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| C.  | counterfeit technologies |

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| **D.**  | information technologies |

Tools and machines developed throughout history have changed the technological environment. Information technology benefits workers in all industries and provides businesses with the ability to be more responsive to customer needs. |

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| 249. | Ntercon is an Internet-based company that provides online support services for businesses that need help in setting up and maintaining their websites. Ntercon is an example of a company that is engaged in:

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| A.  | B2C e-commerce. |

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| B.  | N2Y e-commerce. |

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| C.  | Y2K e-commerce. |

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| **D.**  | B2B e-commerce. |

Since Ntercon is providing services to other businesses over the Internet, it is engaging in business-to-business (B2B) transactions. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 250. | Life of Luxury, Inc., is a mail order firm that specializes in expensive and unusual gifts for all occasions. The company keeps a large file of information on all of its regular customers, including names, addresses, and type of gifts they have ordered in the past, and the size and frequency of their orders. The electronic file which stores this information is a(n):

|  |  |
| --- | --- |
| A.  | spreadsheet. |

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| --- | --- |
| B.  | MP3 file. |

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| --- | --- |
| C.  | PERT file. |

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| **D.**  | database. |

A database is an electronic storage file where information is kept. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 251. | There is evidence that the recession is coming to an end for Intelligent Engine Company. New orders are coming in at a steady pace, and management is confident that new contracts will take them through the next couple of years. The company has started investing again, but not in people. Employees total the same as when the company and its competitors faced their lowest revenues of the decade. Due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, the company is producing more product and services with less people.

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| A.  | the lack of skilled labor |

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| B.  | new competition |

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| --- | --- |
| C.  | social changes |

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| **D.**  | technological advancement |

Due to the efficiency of new technology, businesses can produce the same or more, with less labor. As we emerged from the recent recession, unemployment remained high because firms invested in technology that permitted them to produce at pre-recession levels with fewer employees. |

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| 252. | Which of the following predictions about the impact of e-commerce on traditional businesses is likely to be most accurate?

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| A.  | E-commerce will have little impact on most traditional businesses, because only a few types of products can be sold effectively over the Internet. |

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| **B.**  | Traditional brick-and-mortar firms will enter the e-commerce market by creating their own websites. |

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| C.  | E-commerce will prove to be very successful in competing against traditional firms in B2C markets, but will have much less success in B2B markets. |

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| D.  | Brick-and-mortar businesses will cease to exist within 20 years. |

Businesses that delight their customers by providing quality products at good prices with great service will succeed. Established firms have quickly adapted the technology necessary to compete in the e-commerce market. |

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| 253. | Tyrell recently noticed that he was receiving several more catalogs and e-mail advertisements than he had in the past even though he had not requested any of them. Which of the following best explains why this is happening?

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| A.  | Tyrell was a victim of identity theft. |

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| **B.**  | Tyrell gave his personal information to a business, which then traded it to other companies and these companies then began sending him catalogs. |

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| C.  | All businesses routinely have all customers' personal information. |

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| D.  | Tyrell's accountant gave his information to the direct mail marketers. |

The information Tyrell gave a business when he purchased something from it was entered into its database and then traded to another company so that many more retailers know what Tyrell buys and from whom he buys it. |

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| 254. | Gabriella wants to compare the price of a designer bag she saw in a local department store with prices at other stores that may have the same bag. She locates the product on three different websites, and then stumbles on a site that does the price shopping for her. Gabriella's quest is an example of how customers are using \_\_\_\_\_\_\_\_\_\_ to solve problems.

|  |  |
| --- | --- |
| A.  | price shopping |

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| --- | --- |
| B.  | databases |

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| **C.**  | information technology |

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| D.  | social networking |

The Internet has led to the growth of e-commerce. Customers can interactively use the Internet to compare items, their quality, and price. It has dramatically changed the shopping experience. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 255. | Charles Malone recently renewed his card membership at DiscountMania. The card has an annual $40 fee, but Charles believes that it pays for itself because he receives good prices on electronics, contact lenses, and even tires for his car. Shortly after renewing the card, Charles began receiving calls from collection agencies claiming that he owed money. With the help of others, he learned that another Charles Malone also owned a DiscountMania card, and wrote checks with insufficient bank funds when making purchases. DiscountMania had linked Charles's personal information with the other Charles Malone's personal information. Charles experienced \_\_\_\_\_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | buyer myopia |

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| --- | --- |
| B.  | database fraud |

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| --- | --- |
| C.  | information trafficking |

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| **D.**  | identity theft |

Identity theft is obtaining private information about a person, such as Social Security number and/or credit card number, and using that information for illegal purposes, such as buying things with it. |

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| 256. | Marla Staples is concerned with identity theft. One of the ways that she can protect her information from leaking out to the wrong hands is to:

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| A.  | avoid all e-commerce transactions because this is the only type of buying transaction where websites and others handle sensitive, personal information. |

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| **B.**  | install antivirus software, firewalls, and anti-spyware software on her computer. |

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| C.  | limit her purchases with vendors that she knows do not store her information in a database. |

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| D.  | limit her travels to only the U.S. because identity theft is an international problem. |

Identify theft continues to be a concern as people continue to use the Internet and other sources to get quick and convenient information. It is important to protect your computer hardware and software with antivirus software, firewalls, and anti-spyware software. As with any new technology, people eventually find ways to corrupt the system. New protections must be developed to combat hackers and others who invade your computer system to try to benefit illegally by stealing your identity. |

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| 257. | Opportunities and advancements in the technological environment during the past 20 years have opened the doors for a number of products that enhance the lives of consumers. Identity theft and other forms of cybercrime are also by-products of these technological advancements. Which of the following statements describes a form of identity theft?

|  |  |
| --- | --- |
| A.  | Smartphone applications that permit the consumer to price compare by scanning the barcode of a product, such as a blu-ray. |

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| **B.**  | Hacking into a business's database to obtain customer credit card numbers, and then selling those numbers to others for use. |

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| C.  | Navigation technology that permits you to find the exact location of a person, by entering that person's phone number into your application. |

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| D.  | The application of *cookies* to a consumer's computer system that identify his/her purchasing patterns. |

It is a criminal offense to participate in unauthorized entry into a company's private (internal) database, where sensitive information, such as credit card numbers, is stored. |

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| 258. | Andy Blake got a call yesterday from Planet Bank, the company that issued his credit card, inquiring about an $85.00 charge made in Caracas, Venezuela. Upon learning that Andy had not made this purchase, the bank quickly took steps to cancel the card and issue a new one. Given the circumstances that Andy's credit card number had an illegal transaction, Andy may also want to:

|  |  |
| --- | --- |
| A.  | check his computer's firewall to make sure it's working. |

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| --- | --- |
| B.  | cancel his account with Planet Bank, altogether and eliminate credit cards from his life. |

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| --- | --- |
| **C.**  | check his credit report. |

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| D.  | diversify his spending habits by using one of several credit cards when making purchases. |

Checking your credit report is an important step in preventing identity theft. |

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| 259. | In today's competitive environment, good value means:

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| A.  | making products with zero defects. |

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| B.  | superior quality that translates into durable products. |

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| --- | --- |
| C.  | offering the latest trends without seeming like you are over the top. |

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| **D.**  | providing quality products and services at competitive prices. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 260. | Successful businesses are keenly focused on their:

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| --- | --- |
| **A.**  | customers. |

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| --- | --- |
| B.  | managers. |

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| --- | --- |
| C.  | creditors. |

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| --- | --- |
| D.  | bureaucrats. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 261. | Empowerment means:

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| **A.**  | giving employees the authority to make decisions. |

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| --- | --- |
| B.  | making certain that employees always defer to management when making decisions. |

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| --- | --- |
| C.  | hiring employees that do not require training due to the costly nature of this activity. |

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| D.  | asking employees to write the policies which govern their jobs. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 1 EasyTopic: Competition* |

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| 262. | Empowerment requires that managers focus more on \_\_\_\_\_\_\_\_\_\_ lower-level employees.

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| --- | --- |
| A.  | directly supervising |

|  |  |
| --- | --- |
| **B.**  | training |

|  |  |
| --- | --- |
| C.  | simplifying the jobs of |

|  |  |
| --- | --- |
| D.  | controlling and correcting |

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| 263. | To implement a policy of empowerment, the organization will restructure so that:

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| --- | --- |
| A.  | managers have more responsibility and employees learn to follow directions. |

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| **B.**  | employees assume more responsibility. |

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| --- | --- |
| C.  | workers agree to work overtime without extra pay. |

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| D.  | an entire level of management is removed from the organization. |

Empowering employees leads to developing entirely new organization structures to meet the changing needs of customers and employees. It may take years to restructure an organization so that managers are willing to give up some of their authority and employees are willing to assume more responsibility. |

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| 264. | Which of the following statements about the competitive environment is most accurate?

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| --- | --- |
| A.  | Firms that produce a quality product will almost always succeed in the competitive marketplace. |

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| --- | --- |
| B.  | Traditional firms will be unable to successfully compete against the new Internet firms unless they immediately create a way to reach customers through this technology. |

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| --- | --- |
| C.  | Firms that empower their employees will continue to perform poorly in the competitive environment. |

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| **D.**  | Companies now have to offer both high-quality products and outstanding service at competitive prices. |

Companies now have to offer both high-quality products and outstanding service at competitive prices (value). |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 2 MediumTopic: Competition* |

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| 265. | In order to compete well and gain market share, contemporary businesses are changing to be more \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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| --- | --- |
| **A.**  | customer-driven |

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| --- | --- |
| B.  | cash-driven |

|  |  |
| --- | --- |
| C.  | management-driven |

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| --- | --- |
| D.  | production-driven |

Competition among businesses has never been greater. The nature of the competitive environment has encouraged businesses to offer high-quality products and outstanding service. The goal is to be customer-driven. |

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| 266. | Maintaining a competitive advantage is very important to the success of today's businesses. All of the following strategies will help a firm remain competitive, except:

|  |  |
| --- | --- |
| **A.**  | ignoring competitor movements, including new products and services offered by the competition. |

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| --- | --- |
| B.  | restructuring internal processes, including the elimination of some jobs. |

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| --- | --- |
| C.  | spending funds on customer service training for frontline employees. |

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| D.  | adhering to a vision of employee empowerment and striving to exceed customer expectations. |

If firms are to remain competitive, they must collect competitive intelligence. |

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| 267. | Lamar is a salesperson for Bi-State Direct. He really appreciates the amount of freedom and authority Bi-State gives its sales people in order to better meet the needs of customers. Lamar's experience suggests that Bi-State practices:

|  |  |
| --- | --- |
| A.  | centralized management. |

|  |  |
| --- | --- |
| B.  | fast response theory. |

|  |  |
| --- | --- |
| C.  | enfranchisement. |

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| --- | --- |
| **D.**  | empowerment. |

Empowerment means giving frontline workers more freedom to respond quickly to customer requests. |

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| 268. | Greg is working as a marketing trainee for an online music and video retailer. His boss called a meeting for next week with one thing on the agenda: "Bring with you your ideas about how we can gain a competitive advantage." Greg plans to provide the following response:

|  |  |
| --- | --- |
| A.  | create a management-driven environment with lots of employee training. |

|  |  |
| --- | --- |
| **B.**  | create a customer-driven environment where we constantly try to create customer value. |

|  |  |
| --- | --- |
| C.  | restructure the organization so that there is always a manager on duty to chat with online customers who are having problems with their orders. |

|  |  |
| --- | --- |
| D.  | always match the promotions of our competitors; price is the only thing customers care about. |

Businesses must be customer-driven. While consumers demand high quality, they also have come to expect reasonable prices and exceptional service. In today's highly competitive business environment, providing a quality product is no longer enough. Consumers and industrial buyers now expect more. |

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| 269. | It was 8:00 a.m. on Saturday morning. Liz just learned that her well-meaning cousins were headed over to help her unpack her household. She had just moved back to Chicago from the west coast. Were they really planning to work, or were they expecting brunch? A bagel and pastry shop was just up the road. She would call in a food order. When she arrived to pick it up, it was not what she ordered. The store associate quickly made it right, and offered an extra dozen bagels to make up for the mistake. There was no need to check with the supervisor, as the employee was \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to make decisions that translate into good customer service.

|  |  |
| --- | --- |
| A.  | structured |

|  |  |
| --- | --- |
| **B.**  | empowered |

|  |  |
| --- | --- |
| C.  | asked by the customer |

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| --- | --- |
| D.  | deputized |

Empowerment means permitting employees to make decisions in the process of doing their job. |

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| 270. | Which of the following statements best describes how firms must treat their frontline workers in order to remain competitive? Frontline workers must be \_\_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| **A.**  | empowered with the authority to respond quickly to the unmet needs of customers |

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| --- | --- |
| B.  | closely supervised to reduce the risk of product liability and discrimination law suits |

|  |  |
| --- | --- |
| C.  | eliminated and replaced with automated equipment whenever possible |

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| --- | --- |
| D.  | relieved of any burden to make a customer decision |

In order to meet the needs of customers, firms must give their frontline workers more freedom to respond quickly to customer requests. This is the concept of empowerment, which is an important theme throughout the text. |

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| 271. | Max is in charge of production for a family-owned firm that makes and sells sports gloves including baseball gloves, softball gloves, golf gloves, and more. He has stated that speed of delivery is the most important factor for success in the competitive environment. Which of the following would be the best response to Max?

|  |  |
| --- | --- |
| A.  | You are right on target, Max. Time is money. |

|  |  |
| --- | --- |
| B.  | You are the man, Max. As long as our price is competitive, speedy delivery will win in today's changing marketplace. |

|  |  |
| --- | --- |
| **C.**  | Well, Max, speed isn't everything. What would exceed our customers' expectations? Some consumers may put more importance on high quality and/or lower prices. |

|  |  |
| --- | --- |
| D.  | Dude, you couldn't be more wrong. Quality is the name of the game. He who has the best product will win in the competitive environment. |

Successful organizations are customer-driven. This means that customers' wants and need are the first priority. All decisions are focused on the blend of price, service, and quality that will best delight the customers. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 3 HardTopic: Competition* |

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| 272. | The statistical study of human population to learn its size, density, and characteristics is called:

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| --- | --- |
| A.  | psychographics. |

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| B.  | econometrics. |

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| **C.**  | demography. |

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| D.  | geometry. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 273. | Businesses collect \_\_\_\_\_\_\_\_ information on where people live, what they buy, and how they spend their time.

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| A.  | geometric |

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| --- | --- |
| B.  | econometric |

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| **C.**  | demographic |

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| D.  | anthropologic |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 274. | Diversity is more than recruiting and keeping minorities. Diversity means appreciating and understanding other differences in our customers and in our workforce. The best description of these differences is:

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| **A.**  | people with disabilities, people with different sexual orientations, religious preferences, and even personality differences such as extraverts and introverts. |

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| B.  | gender roles. |

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| C.  | surface level things such as green eyes versus brown eyes. |

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| D.  | racial differences and gender differences. |

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| *AACSB: DiversityAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: Cultural Diversity in the Workplace* |

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| 275. | Efforts are under way to serve the needs of a diverse population. Diversity means:

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| A.  | selling products to immigrants. |

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| **B.**  | dealing sensitively with workers and cultures around the world. |

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| C.  | providing government programs such as free health care for illegal and legal immigrants. |

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| D.  | meeting employment quotas so that diverse groups are always represented in your workforce. |

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| *AACSB: DiversityAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: Cultural Diversity in the Workplace* |

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| 276. | Due to population shifts,

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| **A.**  | businesses that cater to older consumers will see exceptional growth. |

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| B.  | businesses that cater to older consumers will see slower growth. |

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| C.  | businesses that sell electronic devices will see a significant decline. |

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| D.  | health care will emerge as the only business sector that will grow. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 277. | Which of the following industries will benefit from an aging population?

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| A.  | Financial services to help clients plan for their education |

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| **B.**  | Home health care businesses |

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| C.  | Children's day-care centers |

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| D.  | Auto industry |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 278. | The Social Security system:

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| A.  | continues to burden businesses due to the fact that businesses must provide and pay for this benefit for their employees. |

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| **B.**  | met the needs of our nation when it was conceived, but needs an overhaul. |

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| C.  | will continue to serve the needs of U.S. citizens into the distant future, due to the fact that there are so few retirees placing a strain on it. |

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| D.  | is failing because the U.S. government failed to invest the money that employees contributed. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 279. | People between the ages of 65 and 74 represent:

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| A.  | the unemployed generation. |

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| B.  | the single-parent family generation. |

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| **C.**  | a lucrative market. |

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| D.  | a group that has never contributed to social security. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 280. | Businesses are supporting single-parent families with:

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| A.  | Social Security benefits. |

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| B.  | a more lenient welfare system. |

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| **C.**  | more flexible work benefits such as flextime and family leave. |

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| D.  | limited benefits due to the declining numbers of these families, while five-member families are steadily growing. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 1 EasyTopic: The Private Enterprise System* |

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| 281. | Which of the statements about demography is most accurate? Demographic studies:

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| A.  | focus on factors that have great political relevance, but little relevance to business firms. |

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| B.  | suggest that the number of single-parent families will decline in the future. |

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| **C.**  | provide businesses and individuals with insights into business and career opportunities for the future. |

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| D.  | are an important source of information about changes in health patterns. |

Demography is the statistical study of the human population to learn its size, density, and characteristics. Demographics can provide important insights into which markets are growing and which are declining. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 282. | Which of the following business policies would most likely help a single-parent family?

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| A.  | Requiring the employee to work regularly scheduled hours each day. |

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| B.  | Allowing sick leave to be used only if the employee is ill. |

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| C.  | Requiring education outside of regular business hours to help the employee advance. |

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| **D.**  | Allowing family leave and flextime. |

Single parents have encouraged businesses to implement programs such as family leave (where workers can take time off to attend to a sick child) and flextime (where workers can come in or leave at selected times). |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 283. | The immigrant population (both legal and illegal) is having a dramatic effect on:

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| A.  | car and truck makers. |

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| --- | --- |
| B.  | mining and minerals industry. |

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| --- | --- |
| **C.**  | schools, hospitals and other services industries. |

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| D.  | ice cream and confection industry. |

The service industry is greatly impacted by immigration. As the immigrant population increases, more social services are needed, particularly health services and education services. The government costs have increased due to the need for accommodations in several different languages. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 284. | Retired people will be draining the U.S. economy of wealth. This is due to:

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| A.  | the fact that most have smoked all their lives and now are unwilling to pay for health care in order to stay alive. |

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| **B.**  | the fact there are not enough workers in subsequent generations to support the ongoing drain of older persons into the Social Security system. |

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| C.  | their lack of interest in supporting restaurants, resorts, educational institutions, and service-intensive companies. |

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| D.  | the fact that they refuse to use current information technology to improve efficiency. |

A particular situation that will be negatively impacting the social environment is the number of aging Americans and the drain on the Social Security system. Today's workers pay for today's retirees. When the system was enacted in 1940, there were 42 workers for each retiree. Today the ratio has become much smaller. With baby-boomers retiring, the ratio is more like two workers for every one retiree. Soon it is predicted that less money will be going into the Social Security system than money coming out. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 285. | If you were to discuss and analyze the *social* changes affecting the future of business, which of the following statements should be part of that conversation?

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| A.  | It is becoming more difficult to provide expert pre-natal care for women, resulting in a negative impact on the future of live births. |

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| **B.**  | The increase in older citizens may impact an employee's take-home pay if programs such as Social Security will need to be funded at a higher level. Skilled employees may require higher wages to make up the shortfall. |

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| C.  | With less money to spend, older Americans between the ages of 65 and 74 will no longer require transportation, entertainment, education, and lodging. This is highly likely to negatively impact these industries. |

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| D.  | Business taxes are very likely to spike (rise quickly) due to the fact that welfare laws are making it relatively easy for single parents to stay home with their children, rather than find jobs. Taxes will have to support parents choosing the stay-at-home lifestyle. |

The increasing rate and number of retiring workers have impacted the U.S. Social Security system put in place by President Franklin D. Roosevelt in the 1940s. It is currently a hot topic affecting the social environment of businesses how much of their earnings current employees will need to contribute or whether current employees should have to contribute to this system. Many young employees speculate that the Social Security fund will run out of money by the time they are ready to retire. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 2 MediumTopic: The Private Enterprise System* |

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| 286. | Jill is looking into the possibility of opening up a day-care center in her community, because she is aware of many single-parent families that need a place for their children to stay while the parents work. She is concerned about the long-term prospects for such a business. Jill believes the future of her day-care business will depend on whether birth rates and the number of single-parent families remain high. These concerns illustrate how businesses can be affected by:

|  |  |
| --- | --- |
| A.  | econometric trends. |

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| --- | --- |
| **B.**  | demographic trends. |

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| --- | --- |
| C.  | holographic trends. |

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| --- | --- |
| D.  | psychometric trends. |

Demography is the statistical study of the human population to learn its size, density and characteristics. Birth rates and the number of single-parent families are both demographic factors. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 287. | St. Claire Hospital is considering a program that would allow some of its workers to use flextime. One group of workers who would probably benefit from flextime is:

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| A.  | workers who do not have access to computers at home. |

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| --- | --- |
| B.  | workers who have little self-motivation to work eight-hour days. |

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| C.  | frontline workers who frequently go out to meet with home furnishing designers. |

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| **D.**  | single-parent families. |

Flextime is the practice of coming in or leaving work at selected times. This allows workers with young children the flexibility they often need. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 288. | Preferred Pet Care, Inc., a mobile veterinary care company, is planning for the future. As a business student who has studied social trends, which of the following statements do you think reflects the need for Preferred Pet Care's service in the future?

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| --- | --- |
| A.  | Mobile pet care will not be needed because the majority of people are working which means that nobody is home. |

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| B.  | People will always prefer to take their pets to the veterinary clinic. |

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| **C.**  | The aging population will be a sizeable market for this firm. |

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| D.  | People who would require this service would be higher income individuals. Retired people would not be a market for this firm because they do not have money to care for pets. |

People are living longer and living longer in their homes. There are many business opportunities to serve the aging population. As pets have become important family members, the aging population is likely to be a sizeable market for pet care and in-home pet care. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 289. | The global environment:

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| A.  | is a new frontier. |

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| **B.**  | is far reaching and affects all the other business environments. |

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| C.  | is shrinking. |

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| D.  | has not affected the United States due to its strong gross domestic product. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 290. | The threat of terrorism more often \_\_\_\_\_\_\_\_\_\_ the cost of operating a business.

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| **A.**  | increases |

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| B.  | decreases |

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| C.  | stabilize |

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| D.  | destabilizes |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 291. | An increase in global trade will:

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| A.  | increase prices. |

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| --- | --- |
| B.  | decrease jobs. |

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| C.  | increase political instability. |

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| **D.**  | increase global competition. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 292. | Globalization:

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| **A.**  | has greatly improved living standards around the world. |

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| B.  | has significantly reduced living standards around the world. |

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| C.  | has opened doors to only a handful of markets. |

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| D.  | has greatly changed companies that hire people to sell products, but not companies that hire people to provide services. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 293. | Greening refers to:

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| A.  | the need for more carbon dioxide in our air. |

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| B.  | firms acquiring more greenbacks (U.S. dollars) from world trade. |

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| **C.**  | finding ways to lessen the harm on our environment. |

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| D.  | the agricultural industry's push to develop and produce new green vegetables to feed the world. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 1 EasyTopic: Competition* |

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| 294. | Efficiency in distribution systems around the world has led to:

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| **A.**  | increased world trade. |

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| B.  | decreased world trade. |

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| --- | --- |
| C.  | decreased international competition. |

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| D.  | reduced standards of living around the world. |

Two things that have led to more trade are improvements in transportation and communication including more efficient distribution systems. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 2 MediumTopic: Competition* |

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| 295. | Airline companies around the world are experiencing increased costs in part due to \_\_\_\_\_\_\_\_\_.

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| --- | --- |
| A.  | decreases in the cost of fuel |

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| --- | --- |
| B.  | decreasing world trade |

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| **C.**  | the threat of terrorism |

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| D.  | lack of interest in flying |

The threat of terrorism has led to increased costs for airlines. They have had to install stronger cockpit doors, buy more security equipment, and hire new security personnel. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 2 MediumTopic: Competition* |

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| 296. | War and terrorism in many parts of the world should lead to \_\_\_\_.

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| --- | --- |
| A.  | an decrease in warring nations |

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| B.  | consumers spending more because they feel more patriotic |

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| C.  | an increase in prosperity and peace throughout the world |

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| **D.**  | consumer and economic hardship due to increased military spending |

War and terrorism will cause hardships for consumers and the economy due to the movement of government funds from social programs and issues to military spending. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 2 MediumTopic: Competition* |

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| 297. | World trade has both benefits and costs. Which of the following statements attests to this fact?

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| --- | --- |
| A.  | The U.S. economy and all businesses that participate in this economy were negatively impacted by the wars in Iraq and Afghanistan. |

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| B.  | The standard of living for citizens in developing nations has significantly decreased due to globalization. |

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| C.  | Economists are convinced that global job creation will never occur if our politicians support world trade. |

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| **D.**  | Large companies and small companies agree that the green movement is a global issue. Firms are embracing opportunities to bring value to consumers by creating green products and services. |

The green movement has provided many opportunities for new business offerings. The other statements are false. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 2 MediumTopic: Competition* |

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| 298. | The green movement is:

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| A.  | a trend that started with the U.S. government. |

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| **B.**  | concerned with depletion of natural resources and leaving a large carbon footprint. |

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| --- | --- |
| C.  | developing more green food products to feed the world's poor. |

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| D.  | our concern with the fact that everywhere we look, things are remaining green for longer periods of time. |

The greening trend is about saving energy and natural resources and concern with what we leave behind. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 2 MediumTopic: Corporate Social Responsibility* |

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| 299. | Mark recently graduated with honors from his college. He has bragged to his friends that his academic performance has prepared him so well for a successful career that he can forget school or training in his future. In evaluating the future of the workplace, Mark is:

|  |  |
| --- | --- |
| A.  | exactly right. His past performance should carry him to success. |

|  |  |
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| B.  | completely wrong. Studies show that a college education has little to do with success. |

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| **C.**  | overconfident. Global competition means that continuous learning will be needed in the future to adapt to rapid changes. |

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| D.  | probably right. Specialized training today is a key to continued success in the future. |

The highly competitive nature of the global economy and rapid changes in technology mean that students must keep their skills and knowledge up to date even after they graduate. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 3 HardTopic: Competition* |

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| 300. | The threat of terrorism:

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| A.  | benefits most businesses because just about all companies contribute toward averting these threats. |

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| B.  | will certainly affect companies that participate in global trade, but most large U.S. companies do their business domestically. |

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| C.  | has increased the quality of life of most people because companies employ more workers when the threat is high, and workers help companies increase profits. |

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| **D.**  | is costly to most firms because it is costly to governments, which increase taxes to pay for added protection. |

The threat of terrorism adds greatly to business costs, including the cost of security personnel, security equipment, and insurance. The government has also experienced huge cost increases because of homeland security issues. While many businesses will struggle in this new environment, others stand to gain, particularly those in the defense industry. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 3 HardTopic: Competition* |

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| 301. | Laura and Tim McNash recently moved to North Carolina on a three-acre home site. They purposefully purchased their home within biking distance to the university where they are both employed, and their bikes each have room for two cloth bags for groceries if they need to purchase food on the way home, although they plan to grow much of their own. Laura and Tim are examples of a growing number of young people who:

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| A.  | have developed a health-conscious attitude. |

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| **B.**  | want to change their lifestyle to be more in tune to saving energy. |

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| C.  | dislike urban centers and wish to live in the country. |

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| D.  | stay away from urban areas due to increased threats of terrorist attacks in those localities. |

An important social trend affecting the social environment of all business is sustainability, or going green. As the student will recognize through the textbook, the green movement is changing the way we run our businesses and the way our customers want us to run our businesses. Sustainability has global implications. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 3 HardTopic: Competition* |

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| 302. | Which of the following statements describes a recurring theme about today's ecological environment?

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| A.  | Most people agree that there is strong evidence that the temperature of the planet is going down. |

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| B.  | Smart businesses know that green business is currently a trend and they should proceed with caution because most green initiatives are more costly than wars and terrorism. |

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| **C.**  | There is a strong push by customers that businesses develop products and services that clearly save energy. |

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| D.  | Clearly, the greening issue is an American trend that has not captured the attention of the international business community. |

Ecologically, customers want businesses to sell products and services that do not leave a carbon footprint. The greening movement is a well-respected movement with global implications. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 3 HardTopic: Corporate Social Responsibility* |

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| 303. | Tyler Samuels recently returned from the war in Afghanistan where he was a member of the highly skilled special operations forces. He is now in the United States where he collects the G.I. Bill in order to go to school. This is one example of:

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| A.  | how an event such as a war educates young people about conditions abroad. |

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| **B.**  | the cost of war. |

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| C.  | the benefits of war on education. |

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| D.  | a squeeze on employer benefits. |

Wars are very costly. The government diverts funds from other services to pay for wars. In order to provide incentives for young men and women to serve in the military, the government also pays for benefits for those that return. |

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| *AACSB: Analytic ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 3 HardTopic: Competition* |

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| 304. | During the past 150 years, the U.S. has evolved from:

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| A.  | an agrarian economy to an information technology economy. |

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| B.  | a business to business economy to a business to consumer economy. |

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| **C.**  | an agrarian economy to a manufacturing economy to a service-oriented economy. |

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| D.  | a manufacturing economy to a service economy, to a cottage economy, and now we are trending back to an agrarian economy. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 305. | Businesses that produce and sell tangible products such as steel and machines are part of the:

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| **A.**  | manufacturing industry. |

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| B.  | knowledge-based industry. |

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| C.  | service industry. |

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| D.  | production sector. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 306. | The service industry represents \_\_\_\_\_\_\_\_ of the value of the U.S. economy.

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| A.  | about 30% |

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| B.  | under 50% |

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| **C.**  | about 70% |

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| D.  | about 50% |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 307. | Health care, insurance, recreation and other intangible products are provided by the:

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| A.  | global sector. |

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| **B.**  | service industry. |

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| C.  | industrial sector. |

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| D.  | manufacturing industry. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 308. | Since the beginning of the 1900s, the agricultural sector of the United States has:

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| A.  | seen the number of family farms more than double. |

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| B.  | become less and less competitive in the global economy. |

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| C.  | produced a consistent output per farm. |

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| **D.**  | experienced a significant drop in employment, mainly because of tremendous improvements in efficiency. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 309. | In recent years, almost all new job creation in the U.S. has occurred in the \_\_\_\_\_\_\_\_\_\_ sector.

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| **A.**  | service |

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| --- | --- |
| B.  | manufacturing |

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| C.  | agricultural |

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| D.  | telecommunications |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 310. | The new era of business is likely to be dominated by the:

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| A.  | service sector. |

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| **B.**  | information-based sector. |

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| C.  | manufacturing sector. |

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| D.  | continued decline in productivity. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 1 EasyTopic: The Evolution of Business* |

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| 311. | Appliance repair firms, tax consultants, law firms, and insurance companies are all business firms that are part of the:

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| A.  | production sector. |

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| --- | --- |
| B.  | management sector. |

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| C.  | neo-industrial sector. |

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| **D.**  | service sector. |

All of these companies provide an intangible product. Thus, they are included in the service sector. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 2 MediumTopic: The Evolution of Business* |

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| 312. | In recent years, manufacturing firms in the U.S. have laid off workers. The best explanation of this trend is that:

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| A.  | firms have been trying to weaken unions by reducing their reliance on labor. |

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| B.  | workers in the U.S. have become less productive and are no longer able to compete in the global economy. |

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| **C.**  | firms in many industries have become so efficient that they need fewer workers. |

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| D.  | the economy has been in a prolonged depression that has lasted more than a decade. |

While layoffs in manufacturing seem to imply that American firms are becoming less competitive, the opposite is actually the case. The layoffs are the result of tremendous improvements in productivity in recent years, which have enabled U.S. manufacturing firms to produce more goods with fewer workers. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 2 MediumTopic: The Evolution of Business* |

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| 313. | Which of the following best describes recent job growth in the service sector?

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| **A.**  | The service sector has generated almost all new jobs in the American economy since the mid-1980s, but the rate of job growth in services has slowed in recent years. |

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| B.  | Jobs in the service sector have increased slowly over the past decade, but most new jobs are created in the manufacturing industries. |

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| C.  | Employment in the service sector has declined in recent years, and this decline is expected to continue. |

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| D.  | There has been little change in the number of jobs in the service sector in recent years; however, employment is expected to increase rapidly. |

The service sector has grown rapidly over the past two decades. However, the growth rate has slowed in recent years. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 2 MediumTopic: The Evolution of Business* |

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| 314. | Which of the following organizations is an example of the goods-producing sector of the economy?

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| **A.**  | Ford Motor Company |

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| B.  | Florida State University |

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| C.  | Children's Hospital |

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| D.  | H & R Block Tax Consulting |

Firms in the goods-producing sector produce tangible products. Of the organizations listed in this question, only Ford Motor Company produces a tangible product. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 3 HardTopic: The Evolution of Business* |

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| 315. | Certain industries of the U.S. economy such as farming and heavy equipment manufacturing have experienced a significant decline in employment. Which of the following best explains this job loss?

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| A.  | The cause is a decline in the productivity of labor in these industries. |

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| **B.**  | Workers lost these jobs because technological advances increased productivity. |

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| C.  | The U.S. economy cannot compete in these industries any longer. |

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| D.  | Government regulations have eliminated profit opportunities in these industries. |

History shows that technology has allowed business organizations to be more productive and therefore require less labor. This scenario first was observed in agriculture as productivity increases resulted in fewer farm jobs. Technological improvements in manufacturing have also resulted in increased productivity and fewer jobs. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 3 HardTopic: The Evolution of Business* |

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| 316. | Jenna Leigh is an information savvy, 20-something person who is trying to select between two marketing job offers. She can either join a company that makes small hammers and screwdrivers for the DIY hardware store business, or she can join a company developing the LTE phone service. She is quite impressed that the hardware business is growing quite nicely in China, Mexico, and India, where people are starting to expand their living spaces. She is also aware of:

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| A.  | declines in the telecommunications business now that new cell phone service companies are springing up everywhere. |

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| B.  | a decline in the domestic hardware market due to older Americans losing interest in keeping up their living quarters. |

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| **C.**  | an information-based global revolution that might make her career at a telecommunications company more lucrative in the long run. |

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| D.  | an increase in the price of the actual cell phones must indicate that there is still a great demand for phones. |

Futuristic business professionals believe we are in the midst of an information-based global revolution that will alter all sectors of the economy: agricultural, industrial, and service. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 3 HardTopic: The Evolution of Business* |

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|  | **Mini-Case**Sergio Gonzales is employed by Bigbux National Bank, one of the largest banks in the Midwest. He is a loan officer, specializing in home equity loans. Tio Raul, Sergio's favorite (and wealthiest) uncle, passed away last month and left Sergio a sizable amount of money. Sergio is looking at the best way to invest his newly acquired wealth. He is considering many options, ranging from simply putting the money into a savings account to the possibility of starting his own business. Although his bank job pays well and offers pleasant working conditions, Sergio is frustrated because he has little freedom or flexibility to deal with customers since every decision he makes must be approved by his supervisor. Besides, he's a bit bored and looking for a challenge. He thinks he might get a lot of satisfaction from owning his own business. Sergio has not made a definite decision yet, but has talked to a lot of people searching for a good idea for a new business. If he can come up with an idea he likes, he might just quit his current job and use his inheritance to go into business for himself! |

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| 317. | As he explores his options, Sergio notices that some opportunities appear to be riskier than others. When considering various opportunities, Sergio should keep in mind that:

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| A.  | he will be better off picking a low-risk business opportunity, since the safest ones are usually the most profitable as well. |

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| B.  | even though some opportunities appear riskier than others, the level of risk actually varies little from one opportunity to another. |

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| **C.**  | high-risk business opportunities often have the potential for high returns as well. |

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| D.  | government regulations are in place to protect investors and entrepreneurs from failure, so there is no need to worry about risk. |

In many cases, business opportunities that have the potential for earning high profits also carry a high level of risk. Investors must weigh profit and risk and choose opportunities that offer an acceptable trade-off between the two. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

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| 318. | Sergio's frustration with his lack of freedom and flexibility at work indicates that Bigbux:

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| A.  | prefers the use of cross-functional teams rather than individual initiative. |

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| **B.**  | has not adopted a strategy of empowerment. |

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| C.  | knows that the best way to ensure good customer service is to closely monitor its lower-level employees. |

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| D.  | is trying to please customers as well as other stakeholders. |

Empowerment means giving lower-level workers the freedom and flexibility to respond quickly to customers without consulting with managers. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 3 HardTopic: Competition* |

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| 319. | Two of his friends approached Sergio with a proposal to start a language school. Sergio is fluent in English and Spanish, and also has an education degree. Sergio is strongly considering the idea but also wants to know if there is a growing demand for his services. He learns that an important demographic trend is:

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| A.  | the service sector is likely to decline in significance in the next few years. |

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| B.  | the number of young children in the U.S. will decrease significantly over the next few years as the population of the country levels off. |

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| **C.**  | the number of immigrants from South and Central America is increasing steadily in his area, and across the nation. Professionals in hospitals and schools need to know how to speak Spanish. Immigrants need to know how to speak English. |

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| D.  | the number of retirees is decreasing, making way for a younger generation. |

Legal and illegal immigrants have had a dramatic effect on many cities. The schools and hospitals and other services have been affected. Some local governments are making every effort to adapt, including changing signs, brochures, websites, and forms to include other languages. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 320. | As he explores his options for starting a new business, Sergio has looked into the tax implications and government regulations that he would encounter. He wants to maintain an office in a different location from his home. He has discovered that some nearby communities offer tax credits and lower taxes than his town. Sergio's decision will be influenced by the:

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| A.  | demographic environment. |

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| B.  | technological environment. |

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| C.  | socio-religious environment. |

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| **D.**  | economic and legal environment. |

The economic environment includes taxes and government regulations. As the textbook notes: Entrepreneurial decisions about where to locate a business can be strongly influenced by differences in taxes and government regulations. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 321. | If Sergio starts his own business, his firm's activities and policies will impact many different groups and individuals, including employees, customers, creditors, suppliers, and people living in the community where his business is located. Which of the following statements represents how Sergio should deal with these various groups? Sergio should:

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| **A.**  | take the needs of all of these groups into account, and try to satisfy each group as much as possible. |

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| B.  | concentrate on meeting the needs of his customers, since they are crucial to the success of his business, but ignore the needs of other groups in order to keep costs low. |

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| C.  | satisfy whichever group complains the loudest, using the "squeaky wheel gets the grease" philosophy. |

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| D.  | concentrate on maximizing his own profits and let everyone else look out for themselves. |

All of the groups mentioned in this question are stakeholders in a business. They are all affected by the products, policies, and practices of the firm and their concerns need to be addressed. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeLearning Objective: 01-01 Describe the relationship between profit and risk; and show how businesses and nonprofit organizations can raise the standard of living for all.Level of Difficulty: 3 HardTopic: The Factors that Affect the Success or Failure of an Organization* |

**Essay Questions**

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| 322. | Describe several ways that governments can foster entrepreneurship and encourage the creation of wealth.  One of the best things government can do is help decrease the risk of starting businesses. This strategy will increase entrepreneurship and subsequently increase wealth.The government can do this by keeping taxes and regulations to a minimum. High taxes and burdensome regulations increase the cost of doing business and undermine incentives to work hard and take risks. Laws that encourage entrepreneurship have been enacted all across the U.S. and the world. Entrepreneurs tend to favor those states and local areas where taxes are lowest and regulations are least restrictive.Another way for government to actively promote entrepreneurship is to allow private ownership of businesses. This will create profit opportunities for individuals willing to take the risk of starting their own business. Successful new businesses help to create more jobs and income in their communities.The government can pass laws that enable businesses to write enforceable contracts, thus reducing the risk of operating a business.The government can establish a currency that is tradable in world markets, making it possible for firms to compete in world markets.Government can pass and enforce laws that reduce corruption among government officials and businesses. Corrupt practices such as the need to bribe government officials to get contracts approved not only make it more expensive to do business, they also tend to undermine competition by giving the corrupt firms an unfair advantage. |

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| *AACSB: Knowledge ApplicationBlooms: ApplyLearning Objective: 01-03 Analyze the effects of the economic environment and taxes on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 323. | Describe how businesses can use technology to be more responsive to customers.  Businesses continually search for new technologies that will allow them to be more responsive to customer needs. Things such as scanners at checkout counters, inventory scanners, bar-code technology, and databases are proving to be valuable tools for most businesses. Particularly, databases store customer information. They help businesses plan and replenish inventory more expediently, because management can determine exactly what was purchased and how often, and by whom.The Internet has offered businesses a new way to reach customers, and a way to provide information to customers that help with buying decisions. Both B2B and B2C buyers and sellers converse via the Internet. The B2B market continues to expand as quickly as the B2C market.Businesses are also responsive to customer privacy. Due to the increase in identity theft, companies sometimes promise to not share or sell customer information to other businesses or entities. |

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| *AACSB: Knowledge ApplicationBlooms: ApplyLearning Objective: 01-04 Describe the effects of technology on businesses.Level of Difficulty: 3 HardTopic: The Private Enterprise System* |

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| 324. | Competition among businesses has never been greater. Identify and describe several ways that businesses can become more competitive.  Businesses can compete by exceeding customer expectations and empowering employees.Businesses are becoming more customer-driven. They are putting the wants and needs of customers first, and adjusting their products, policies and practices to make sure that customers are satisfied. Keeping the customer happy means producing a good quality product, providing great service, and keeping prices low.Businesses also compete by responding to the needs of their employees. In order to be more flexible and more responsive, many businesses have empowered their lower-level employees, allowing them to make decisions and respond to the needs of customers without consulting management. In order for empowerment to work, managers must do a better job training, supporting, and motivating frontline workers. Managers will have to give up some of their authority and find ways to encourage workers to accept more responsibility. |

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| *AACSB: Knowledge ApplicationBlooms: ApplyLearning Objective: 01-05 Demonstrate how businesses can meet and beat competition.Level of Difficulty: 3 HardTopic: Competition* |

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| 325. | What is demography? Identify several demographic trends in the United States and discuss how they will impact U.S. businesses.  Demography is the statistical study of populations to learn about their size, density and characteristics. The United States is experiencing several demographic trends that will have important impacts on how and where we live, what we buy and how we spend our time:**Respecting Diversity**. Diversity has come to mean much more than recruiting and keeping minorities. Many more groups are now included in diversity efforts. For example, Federated Department Stores has identified diversity groups to include seniors, people with disabilities, people with different sexual orientations, atheists, extraverts, introverts, married people, singles, and the devout. Companies have responded to this diverse customer base by hiring a more diverse workforce to serve them. Businesses will need to be sensitive to these cultural changes and find ways to optimize the contributions of people from different ethnic and cultural backgrounds. If handled correctly, this diversity can be a source of strength for American businesses.A second trend is the large increase in the number of older Americans that will occur over the next few decades. This is the result of the aging baby-boom generation. As America ages, the markets for products that appeal to middle-aged and elderly consumers will grow. Thus, there should be a boom in the demand for medicine, retirement homes, home health care, and a variety of recreational goods.**Aging Population**. Retired people will be draining the economy of wealth. Paying Social Security to senior citizens in the future will draw huge amounts of money from the economy. In the past, the government estimated that there were 42 workers for each retiree. Now there are less than 3 workers for each retiree. The number continues to decline. People are living longer and the baby-boom generation (the largest population of people) are retiring.To help solve this problem one option may be to allow young people to invest part of their Social Security money. This would certainly have implications for the financial services and banking industries.**Single-Parent Families**. One final trend has been the rapid growth in the number of single-parent households. Single parents have encouraged businesses to offer programs such as flexible work schedules and family leave that will allow the parent to remain home with sick children. |

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| *AACSB: Knowledge ApplicationBlooms: ApplyLearning Objective: 01-06 Analyze the social changes affecting business.Level of Difficulty: 3 HardTopic: Competition* |

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| 326. | Describe what we mean by greening and thinking green. List several ways that people and businesses are participating in the green movement. List business opportunities that may emerge from this movement.  Greening refers to a movement to save energy and natural resources, to produce products and services that cause less harm to the environment.Ways that people can contribute toward sustaining what we have include:→ heating or cooling their dwellings less→ Using reusable bags when shopping→ Using light bulbs and other home appliances that take less energy→ Recycling glass, plastics, papers, aluminum, iron, steel, and other recyclable products→ Buying products such as autos and trucks that are fuel efficient or hybrids→ Walking and bicycling when possible→ Using other sources of energy other than fossil fuels to heat and cool buildings→ Flushing out and recycling water→ Purchasing locally grown produce and other foods to avoid added shippingGreen business opportunities include businesses that haul away hazardous waste; green restaurants that only use green materials and serve locally grown foods; green construction companies that sell and install energy saving products, including solar panels and green building materials that meet LEED certification (Leadership in Energy and Environmental Design); and organic farms. |

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| *AACSB: Knowledge ApplicationBlooms: ApplyLearning Objective: 01-07 Identify what businesses must do to meet global challenges; including war and terrorism.Level of Difficulty: 3 HardTopic: Corporate Social Responsibility* |

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| 327. | Trace the evolution of American business. Identify the key trends, and discuss the implications these trends have for the future.  For most of our nation's history, the agricultural sector led the way. At the beginning of the 1900s there were about 5.7 million farms. However, at the beginning of the 21st century the number of farms had dropped to less than 2 million, and the number of farm workers had dropped to a small fraction of the number a century earlier. This loss of farm workers was not a sign that farming was a declining industry. Rather, it reflected tremendous improvements in efficiency and productivity. Today American agricultural workers are so productive that more food can be produced with a small fraction of the workers employed a century earlier.Many of the workers displaced by the rising productivity in agriculture found employment in the manufacturing sector, which expanded rapidly during the early 1900s. However, technological breakthroughs in manufacturing led to higher productivity. Eventually manufacturing firms were able to produce more output with fewer workers, and employment in manufacturing began to fall, just as in farming. Again, this was a sign of strength rather than decline.Many workers who lost jobs in manufacturing found employment in the service sector. Since the mid-1980s this sector has generated almost all of the new job growth in the American economy. This is a very broad sector, and many (but certainly not all) jobs pay quite well. In fact, there are more high-paying jobs in service industries than in manufacturing.Although the service sector is likely to continue to grow, the rate of growth is likely to slow. The U.S. economy now seems to be leaving the service era and moving into an era that can be characterized as an information-based global revolution that will alter all sectors of the economy: agricultural, industrial, and service.These trends suggest several lessons to keep in mind. First, declines in employment are often a sign of increased efficiency and improved productivity rather than declining competitiveness. Second, declines in employment in one sector do not necessarily mean the economy as a whole will suffer from higher unemployment or a loss of wealth. Historically, as employment in one sector declines, workers are able to move into other sectors where employment is growing. This transition can be painful, but it may benefit society as a whole and create more wealth in the long run. Finally, the evolution of the American business sector is not over. Workers today must be aware of the possibility of changes in the job market. The best strategy is to remain flexible, watch trends, and be ready and willing to move to where the jobs are.The current consensus is that we are in the midst of an information-based revolution, where the global economy will set world quality standards for products and services. Businesses and governments will continue to support technologies that provide the necessary information to make better business decisions. |

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| *AACSB: AnalyticBlooms: ApplyLearning Objective: 01-08 Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.Level of Difficulty: 3 HardTopic: The Evolution of Business* |