

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) An activity which seeks to earn a profit by providing a good or service is known as a(n): 1) _____
A) corporation. B) business. C) service. D) industry.
- 2) _____ is the amount a business earns after deducting what it spends for salaries and other expenses. 2) _____
A) Profit B) Interest C) Revenue D) Dividends
- 3) Which of the following is an advantage of utilizing technology? 3) _____
A) Productivity increases.
B) Technology increases the cost of production.
C) Management becomes isolated from the demands of stakeholders.
D) Technology reduces the need for a marketing plan.
- 4) 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: 4) _____
A) demographic trends. B) psychometric trends.
C) holographic trends. D) econometric trends.
- 5) Which of the following statements best describes how firms must treat their frontline workers in order to remain competitive? Frontline workers must be _____. 5) _____
A) eliminated and replaced with automated equipment whenever possible
B) empowered with the authority to respond quickly to the unmet needs of customers
C) relieved of any burden to make a customer decision
D) closely supervised to reduce the risk of product liability and discrimination law suits

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 6) Effectiveness means producing goods and services using the least amount of resources. 6) _____
- 7) Stakeholders are all the people who stand to gain or lose by the policies and activities of a business. 7) _____

- 8) Currently people between the ages of 45 and 54 are the richest group in the United States. 8) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 9) Since the beginning of the 1900s, the agricultural sector of the United States has: 9) _____
- A) experienced a significant drop in employment, mainly because of tremendous improvements in efficiency.
 - B) become less and less competitive in the global economy.
 - C) produced a consistent output per farm.
 - D) seen the number of family farms more than double.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 10) 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. 10) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 11) The service industry represents _____ of the value of the U.S. economy. 11) _____
- A) about 30% B) about 70% C) under 50% D) about 50%

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 12) 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! 12) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 13) 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? 13) _____
- A) Social progress can only improve when there is a strong labor pool to draw from.
 - B) The foundation for social progress is a handful of wealthy entrepreneurs willing to spread the wealth.
 - C) Social progress will evolve when capital is apportioned to everyone in equal amounts.
 - D) A city, state, or nation's social progress needs the right business environment.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 14) 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. 14) _____
- 15) A surplus currently exists for a product called widgets. In a free-market system, the government must step in and buy any widgets that consumers do not buy in order to eliminate the surplus and establish equilibrium. 15) _____
- 16) Brain drain is the loss of the best and brightest people to other countries. 16) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 17) _____ is considered by some to be the father of modern economics. 17) _____
A) Thomas Carlyle B) John Maynard Keynes
C) Adam Smith D) Thomas Malthus
- 18) The four basic types of unemployment are frictional, structural, seasonal, and: 18) _____
A) procedural. B) cyclical. C) industrial. D) traditional.
- 19) The market price of apples is currently rising. In a free-market economy, the most likely explanation of this price change is that: 19) _____
A) the supply of money has decreased.
B) the equilibrium price is lower than the market price.
C) the government has decided to set a higher price so that firms competing in the market make an adequate profit.
D) there is a shortage in the market for apples.
- 20) There are some restrictions on freedom of assembly and freedom of speech under a _____ system. 20) _____
A) communist B) capitalist
C) mixed economy D) socialist

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 21) Deanne is a vocal critic of socialism. She likes to point out that in recent years the governments in many socialistic nations have cut back on government services and have reduced taxes. Deanne believes that this trend will ultimately result in all nations adopting pure capitalistic ideals. Recent evidence suggests that Deanne's views are essentially correct. 21) _____

- 22) In perfect competition, each firm produces a product that is clearly differentiated from the products of other firms in the same market. 22) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 23) The measure used to report price changes at the wholesale level is the: 23) _____
A) gross domestic product (GDP). B) producer price index (PPI).
C) wholesale price index (WPI). D) consumer price index (CPI).

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 24) Thomas Malthus believed that people in most countries would never be able to achieve high standards of living unless the problems of overpopulation were addressed. 24) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 25) Which of the following people would tend to favor a socialist economy? 25) _____
A) Robin wants to live in a country that encourages rapid economic growth.
B) Liz wants to live in a country with limited government regulation.
C) Fred prefers to live in a country that promotes social equality.
D) John wants to live in a country with low marginal tax rates.
- 26) Brain drain has occurred in many socialistic nations because: 26) _____
A) the government does little to protect the natural environment.
B) socialism encourages an unequal distribution of income, leaving many without medical and social services.
C) workers tend to have to work longer hours and receive fewer benefits under socialism.
D) tax rates on well-respected professionals such as doctors tend to be very high.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 27) A firm desiring to enter a foreign market with a limited investment should consider licensing. 27) _____
- 28) Any corporation that exports at least 50% of its total output can be classified as a multinational corporation. 28) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 29) Fred Bergsten of the Institute for International Economics estimates that every \$1 billion of U.S. exports: 29) _____
- A) generates over 7,000 jobs in the U.S.
 - B) causes lost revenues for the U.S. federal government.
 - C) replaces 250 service sector jobs with 25 manufacturing jobs in the U.S.
 - D) results in reduced profits for U.S. businesses.
- 30) _____ tariffs are designed to raise money for the government. 30) _____
- A) Revenue
 - B) Profit
 - C) Regulatory
 - D) Price
- 31) The nation of Redland reported that its imports for the previous year were \$4 billion greater than its exports. During the same period, Redland reported a favorable balance of payments. This information suggests: 31) _____
- A) Redland's gold reserves have increased in value.
 - B) Redland has made an error in their reporting. The nation must have had a balance of payments deficit since more money flowed out of Redland for imports than flowed into the country for its exports.
 - C) Redland devalued their currency to obtain a more favorable exchange rate.
 - D) money inflows from tourism, foreign aid, foreign investment and other sources more than offset Redland's trade deficit.

Since he was five years old, Rhett Tenna struggled with poor eyesight. He suffered through all the names that went along with wearing eyeglasses for most of his young life. Rhett eventually switched from traditional eyeglasses to contacts, but he always wondered why glasses were considered to be "ugly" and not fashionable. After graduation from college, Rhett set out on a lifelong goal: to make eyewear synonymous with high fashion. He opened a specialty store called "The Eyes Have It." His marketing plan was to remove the social stigma of wearing glasses, and replace it with a sense of flair and high fashion. From the day he opened his first store, Rhett's plan met with resounding success. Today, "The Eyes Have It" has grown from that single outlet to a medium-sized company with dozens of stores located in six states, and a manufacturing plant that turns out designer frames.

32) Next year, in order to cut both time and cost in getting new styles to global markets, Rhett plans to _____ a few lines. Rhett will send his designs to manufacturers in Saipan, Bangladesh, and Turkey who will produce the eyeglasses in facilities in their respective countries. This will not only reduce the cost of labor, it will help Rhett reach regional markets in a timely manner.

A) franchise
B) subsidize
C) contract manufacture
D) license

33) India and Russia are emerging markets that present enormous business opportunities. 33) _____

34) Pepsi Cola entered into a long-term contract with a South African beverage company. The contract calls for the South African firm to produce and market Pepsi Cola in South Africa. Pepsi will receive royalties on each case of beverage sold. This is an example of:

A) a joint venture.
B) foreign direct investment.
C) licensing.
D) a foreign subsidiary.

34) _____

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TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

36) One advantage of licensing is the relatively low cost of entering a foreign market. 36) _____

37) Many U.S. companies fail to think globally. 37) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

38) Licensing is a popular strategy because: 38) _____

- A) The licensee has incentive to work hard and succeed because he/she has borne the cost.
- B) Licensees spend little or no money to produce and market their products.
- C) There are seldom any long-term contractual requirements.
- D) It boosts domestic market revenues.

39) Business is under pressure from society to be more socially responsible. However, even the strongest advocates for corporate responsibility can't seem to agree: 39) _____

- A) on what social responsibility involves.
- B) if all businesses, large and small, should be held to the same standards.
- C) who should be policing businesses' behavior.
- D) if politicians should be held to the same standards of behavior.

40) Considering the potential impact on others prior to making a decision is consistent with _____ behavior. 40) _____

- A) anti-social
- B) ethical
- C) legal
- D) self-motivated

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

41) A *social audit* measures a firm's progress in the area of worker-management relations. 41) _____

42) An accurate statement regarding this chapter is: "Business law establishes ethical behavior." 42) _____

43) Overly ambitious business goals and employee incentives can lead to unethical behavior. 43) _____

44) At Fast-Track Financial Services, it is not unusual for a financial consultant to lose a client to another consultant working out of the same office. Clients have a right to do business with whomever they choose. If it is a high-net worth client, with the potential for high commissions on sales, the incentive to steal a fellow worker's client exists because the firm's culture has not established integrity-based ethics to deter this activity. 44) _____

45) Promoting social justice is a responsibility of society, but not business.

45) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

46) When Angela graduated with a degree in computer science and started her software company, she posted a sign that read, "This company will always operate within the legal limits of the law." Posted where all employees could clearly see it each day, this demonstrated:

46) _____

- A) her expectation that all employees follow the laws that apply to the business.
- B) her aversion to cheating, stealing, and dishonesty.
- C) her commitment to respect the law.
- D) her commitment to high ethical standards of behavior.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

47) Identify the three questions that an ethics-based manager should ask when facing a potentially unethical action, and provide an example of a situation where you would use these questions to evaluate a decision.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

48) A charitable donation contributed by a corporation is an example of corporate philanthropy.

48) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

49) Which of the following is a reason why a business should be managed ethically?

49) _____

- A) Strict global regulations require it.
- B) It is the law in the U.S.
- C) It is the right thing to do.
- D) Employees demand it.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

50) The question "Is it legal?" establishes ethical behavior.

50) _____

51) A multinational corporation is a firm that operates in several countries.

51) _____

52) A limited liability company is similar to an S corporation, but without the special eligibility requirements.

52) _____

53) Franchisors sometimes pay reverse royalties to franchisees if it is evident that the franchisor's Internet sales have negatively impacted the profits of traditional bricks and mortar franchisee businesses.

53) _____

- 54) The fairest way to handle profits in any partnership arrangement is to divide things _____ 54) _____
evenly. If there are two owners in the business, each gets 50%. If there are three owners
(even if one is a limited partner), each gets 33.333% of any accumulated profits.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 55) A merger involving a commercial bakery and a grocery retailer would be an example of _____ 55) _____
a:
A) linear merger. B) conglomerate merger.
C) vertical merger. D) horizontal merger.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 56) When two firms join together to form one company, it is called a merger. _____ 56) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 57) A master limited partnership (MLP) is: _____ 57) _____
A) pays corporate income taxes.
B) the corporate form of choice for small groups of individuals.
C) taxed like a partnership.
D) not traded on the stock exchanges.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 58) It is not unusual for members of cooperatives to work for and help manage their _____ 58) _____
cooperative.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 59) Although sole proprietors do not pay any special taxes, as the owner of the business you _____ 59) _____
are also an employee of the business, which requires you to:
A) file an income tax return for the business.
B) pay income tax only one time each year.
C) pay self-employment taxes.
D) pay for the right to get an employee identification number.

60) With respect to taxes, the sole proprietorship: 60) _____
A) pays taxes only if there are no expenses associated with the business.
B) pays taxes on the profits of the business, at the owner's personal tax rate.
C) is permitted to determine its own tax rate and schedule of payments.
D) pays taxes on the profits of the business at the same rate that corporations pay taxes.

61) One reason limited liability companies have become so popular is that they: 61) _____
A) can be taxed either as a corporation or as a partnership, so owners can choose the tax treatment that is most advantageous for their situation.
B) have unlimited life.
C) permit owners to avoid paying self-employment taxes on the company's profits.
D) allow owners to sell their interests in the company without requiring approval from other owners.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

62) If a firm is advertising that it is selling franchise opportunities, the prospective franchisee can be assured that the government has performed due diligence on this company, and has deemed it a safe investment. 62) _____

63) One advantage enjoyed by small businesses in international markets is that overseas buyers like dealing with individuals rather than large corporate bureaucracies. 63) _____

64) The Small Business Administration's microloan program offers small businesses very small loans. 64) _____

65) The easiest businesses to start also have the least growth potential and the greatest failure rates. 65) _____

66) While the Small Business Administration provides management advice to new business owners, it is not empowered to provide financial assistance. 66) _____

67) Since entrepreneurs are starting new businesses, experience gained from working for an established business isn't particularly helpful. 67) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 68) A review of small business successes and failures indicates that the: 68) _____
A) restaurant industry offers the least risk for entrepreneurs.
B) reason the service sector is rapidly growing is that these firms are easy to start and keep going, and offer high levels of security and growth potential.
C) businesses that are easiest to start offer the greatest potential for long-term growth and profits.
D) businesses with potential of high profit levels tend to be difficult to start and hard to keep going.
- 69) Jake wants to sell his workout DVDs in the European, Asian, and Latin American markets. _____ will help him reach vendors abroad, without the expense of traveling to meet them face-to-face. 69) _____
A) The SBA
B) A website and other technological advances
C) An incubator facility
D) Partnering with a large U.S. recording studio

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 70) Because college students realize the importance of nursing homes for our aging population, students comprise an attractive market for nursing home insurance policies. 70) _____
- 71) State and local governments often act as venture capitalists. 71) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 72) According to economist Bruce Kirchhoff, small business failures are: 72) _____
A) accurate and alarming.
B) lower than traditionally reported.
C) inconclusive.
D) understated to keep small business creation enthusiasm.
- 73) Business owners who prefer to maintain their businesses at a manageable size are called: 73) _____
A) intrapreneurs
B) macropreneurs
C) micropreneurs
D) home workers

- 74) A successful web-based strategy that helps a business spread the word about its website and products is called _____. 74) _____
A) wildfire marketing. B) social marketing.
C) "it's all about the buzz." D) affiliate marketing.
- 75) Although top managers most often possess these skills, they usually make less use of _____ skills than supervisory managers. 75) _____
A) empirical B) human relations
C) conceptual D) technical
- 76) Which of the following would be a concern addressed in a strategic plan? 76) _____
A) Which specific jobs should be assigned to each employee?
B) How much output should be produced this week in a given production facility?
C) Which computer software package should the firm's human resources office use to manage the payroll?
D) Should the firm make a long-term commitment to expand into new markets?

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 77) Instead of creating detailed strategic plans, the leaders of market-based companies (companies that respond quickly to environmental changes) set flexible directions so as to allow for change and seize opportunities when they come. 77) _____
- 78) Planning is the function of management that includes anticipating future trends and determining the best strategies and tactics to achieve an organization's goals and objectives. 78) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 79) A key to effective leadership is the ability to: 79) _____
A) maintain an autocratic approach to dealing with others.
B) maintain order, stability, and control.
C) master the technical details of the jobs performed by subordinates.
D) communicate a vision and rally others around that vision.
- 80) Because economic and competitive environments frequently change, organizations should: 80) _____
A) set a long-term plan and stick to it.
B) eliminate any long-term strategic plans, but devise short-term tactical plans and update them once a year.
C) develop contingency plans.
D) save time and money by cutting back on planning.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

81) Managers or teams of managers at the lower levels of an organization normally develop strategic plans, but top managers do most of the tactical planning. 81) _____

82) Brett heads a department in a major manufacturing corporation. He strives to maintain a free-rein approach to leadership in most situations. Recently, Brett's company lost a major contract that it needs to continue the current level of operation. The company needs to take quick action to adjust, including slashing expenses. Under these conditions, Brett should maintain his free-rein style of leadership. 82) _____

83) Organizing involves developing a structure or framework that relates all workers, tasks and resources to each other. 83) _____

84) People who are good leaders also are almost always good managers. 84) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

85) In order for standards to be useful in the controlling process, they must have certain characteristics. One of these characteristics is that they must be: 85) _____

- A) redundant.
- B) included in the mission statement.
- C) nonspecific.
- D) attainable.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

86) The CIO, COO, and CFO are classified as top management positions. 86) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

87) Which of the following statements explains the unity of command principle of management? 87) _____

- A) Every firm has one strong leader, and everyone should support that individual.
- B) All workers must share the same goal.
- C) All authority should rest with top management, since only top managers carry the responsibility of bad decisions.
- D) Workers can become frustrated and confused if they have more than one boss.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

88) When we experience *economies of scale*, this means that as production levels rise (we make more of something), the cost of supplies and the cost of labor that go into the production go down. 88) _____

89) In today's business environment, the trend is to decrease the span of control. 89) _____

90) Top management at Topdown, Inc., wants to encourage communication among different departments to prevent employees from becoming narrow specialists. The best way to accomplish these goals is to departmentalize Topdown's organization by function. 90) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

91) _____ believed that managers were trustworthy and companies would do well if employees simply did what they were told. 91) _____

A) Peter Drucker

B) Max Weber

C) Adam Smith

D) John Keynes

92) Which of the following describes the activity of a firm that assigns specific functions, such as accounting or legal work, to other organizations rather than performing these functions themselves? 92) _____

A) Outsourcing

B) Benchmarking

C) Virtual distribution

D) Functional sharing

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

93) The team experts in a matrix organization remain part of the traditional line-and-staff structure. 93) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

94) In recent years, large organizations have tried to improve their efficiency in communication and decision making by: 94) _____

A) restructuring into a bureaucratic organization.

B) creating specific rules for everyone to follow.

C) reducing the span of control for managers.

D) eliminating several layers of management.

95) In open organizations the informal organization can be: 95) _____

A) an asset that promotes harmony among workers.

B) part of the formal organization.

C) a roadblock to the corporate culture.

D) a hindrance to effective management.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 96) Division of labor is difficult to achieve in small businesses. 96) _____
- 97) When Eric Schmidt joined Google he tackled the organization function head-on. In speaking at a large conference with its founders, Sergey Brin and Larry Page, he commented that Google was running pretty well but "it just needed a little structure." Schmidt was referring to basic organization principles such as division of labor, specialization, and getting the departments running smoothly. 97) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 98) _____ means that decision-making authority is delegated to lower-level managers and employees. 98) _____
A) Decentralized authority B) Standardized authority
C) Uniformity of authority D) Specification of authority
- 99) A business incurs a _____ if its costs and expenses exceed its revenues. 99) _____
A) loss B) dividend C) debit D) liability