BPI001

Business Basics (on OLC)

Multiple Choice Questions

1. What occurs when businesses sell products or services for more than they cost to produce?

   A. Expense
   B. Profit
   C. Loss
   D. Revenue

2. What refers to the amount earned resulting from the delivery or manufacture of a product or from the rendering of a service?

   A. Expense
   B. Profit
   C. Loss
   D. Revenue

3. Which of the following is not a type of business?

   A. Sole partnership
   B. Partnership
   C. Limited partnership
   D. Corporation

4. Which form of business recommends a legal agreement between two or more business partners that outlines core business issues?

   A. Sole proprietorship
   B. Partnership
   C. Corporation
   D. LLC

5. What is the fundamental difference found in a limited partnership?

   A. Only one partner is responsible for all of the partnership's losses
   B. Both partners are responsible for all of the partnership's losses
   C. Both partners are protected from being responsible for all of the partnership's losses
   D. None of the above

6. Partnership agreements typically include all of the following, except:

   A. Expectations for sharing profits and losses
   B. Partner's salary requirements
   C. Methods for conflict resolution
   D. Shareholder's expectations for a successful business

7. What is a hybrid entity that has the legal protections of a corporation and the ability to be taxed (one time) as a partnership?

   A. Limited partnership
   B. Limited liability corporation
   C. Limited proprietorship
   D. Limited shareholder

8. What analyzes the transactional information of the business so the owners and investors can make sound economic decisions?

   A. Accounting
   B. Bookkeeping
   C. Financial Accounting
   D. Managerial Accounting

9. What involves preparing financial reports that provide information about the business's performance to external parties such as investors, creditors, and tax authorities?

   A. Accounting
   B. Bookkeeping
   C. Financial accounting
   D. Managerial accounting

10. What involves analyzing business operations for internal decision making and does not have to follow any rules issued by standard-setting bodies such as GAAP?

    A. Accounting
    B. Bookkeeping
    C. Financial accounting
    D. Managerial accounting

11. What describes the basic transaction data such as its date, purpose, and amount and includes cash receipts, canceled checks, invoices, customer refunds, employee time sheet, etc?

    A. Balance sheet
    B. Source document
    C. Transaction
    D. Financial statement

12. Which of the following financial statements gives an accounting picture of property owned by a company and of claims against the property on a specific date?

    A. Balance sheet
    B. Statement of owner's equity
    C. Statement of cash flows
    D. Income statement

13. What reports operating results (revenues minus expenses) for a given time period ending at a specified date?

    A. Balance sheet
    B. Statement of owner's equity
    C. Statement of cash flows
    D. Income statement

14. What tracks and communicates changes in the shareholder's earnings?

    A. Balance sheet
    B. Statement of owner's equity
    C. Statement of cash flows
    D. Income statement

15. What is an asset?

    A. A distribution of earnings to shareholders
    B. Refers to the amount earned resulting from the delivery or manufacture of a product or from the rendering of a service
    C. Refer to the costs incurred in operating and maintaining a business
    D. Anything owned that has value or earning power

16. What is a dividend?

A. A distribution of earnings to shareholders
B. Refers to the amount earned resulting from the delivery or manufacture of a product or from the rendering of a service
C. Refer to the costs incurred in operating and maintaining a business
D. Anything owned that has value or earning power

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B. Refers to the amount earned resulting from the delivery or manufacture of a product or from the rendering of a service
C. Refer to the costs incurred in operating and maintaining a business
D. Anything owned that has value or earning power

18. What is the function of the marketing department?

A. Deals with the strategic financial issues associated with increasing the value of the business while observing applicable laws and social responsibilities
B. Includes the policies, plans, and procedures for the effective management of employees
C. The function of selling a good or service and focuses on increasing customer sales, which increases company revenues
D. The process associated with promoting the sale of goods or services. The marketing department supports the sales department by creating promotions that help sell the company's products

19. What is the function of the sales department?

    A. Deals with the strategic financial issues associated with increasing the value of the business while observing applicable laws and social responsibilities
    B. Includes the policies, plans, and procedures for the effective management of employees
    C. The function of selling a good or service and focuses on increasing customer sales, which increases company revenues
    D. The process associated with promoting the sale of goods or services. The marketing department supports the sales department by creating promotions that help sell the company's products

20. What is the rate at which the net present value of an investment equals zero?

    A. Internal rate of return (IRR)
    B. Return on investment (ROI)
    C. Cash flow analysis
    D. Break-even analysis

21. What is a means to conduct a periodic check on the company's financial health?

    A. Internal rate of return (IRR)
    B. Return on investment (ROI)
    C. Cash flow analysis
    D. Break-even analysis

22. What is the point at which revenues equal costs?

    A. Break-even point
    B. Cash flow analysis
    C. ROI
    D. IRR

23. Which of the following is not accomplished by human resources management?

A. Employee recruitment
B. Employee training
C. Employee vacation scheduling
D. Employee appraisals

24. What is calculated by dividing the firm's sales by the total market sales for the entire industry?

A. Break-even point
B. IRR
C. Market share
D. Income statement

25. Which of the following is not a reason to increase market share?

A. Economies of scale
B. Reputation
C. Increased bargaining power
D. Nearing production capacity

26. Which of the following is not a part of the marketing mix?

A. Product
B. Price
C. Point
D. Promotion

27. What is the division of a market into similar groups of customers?

A. Market management
B. Market mix
C. Market communications
D. Market segmentation

28. Which of the following represents geographic segmentation?

A. Based on regional variables such as region, climate, population density, and population growth rate
B. Based on variables such as age, gender, ethnicity, education, occupation, income, and family status
C. Based on variables such as values, attitudes, and lifestyles
D. Based on variables such as usage rate, usage patterns, price sensitivity, and brand loyalty

29. Which of the following represents psychographic segmentation?

A. Based on regional variables such as region, climate, population density, and population growth rate
B. Based on variables such as age, gender, ethnicity, education, occupation, income, and family status
C. Based on variables such as values, attitudes, and lifestyles
D. Based on variables such as usage rate, usage patterns, price sensitivity, and brand loyalty

30. Which of the following is not one of the four phases in the product life cycle?

A. Growth
B. Decline
C. Place
D. Introduction

31. What is a standardized set of activities that accomplishes a specific task, such as processing a customer's order?

A. Transaction
B. Business process
C. Expense
D. Marketing

32. What is the analysis and redesign of workflow within and between enterprises?

A. Business process
B. Management information system
C. Transaction
D. Business process reengineering

33. What is operations management?

A. A field concerned with the use of technology in managing and processing information
B. The function of selling a good or service and focuses on increasing customer sales, which increases company revenues
C. The function that plans for, develops, implements, and maintains IT hardware, software, and the portfolio of applications that people use to support the goals of an organization
D. The management of systems or processes that convert or transforms resources into goods and services

34. What is information technology?

A. A field concerned with the use of technology in managing and processing information
B. The function of selling a good or service and focuses on increasing customer sales, which increases company revenues
C. The function that plans for, develops, implements, and maintains IT hardware, software, and the portfolio of applications that people use to support the goals of an organization
D. Includes the methods, tasks, and techniques organizations use to produce goods and services

35. What is management information systems?

A. A field concerned with the use of technology in managing and processing information
B. The function of selling a good or service and focuses on increasing customer sales, which increases company revenues
C. a general name for the business function and academic discipline covering the application of people technologies, and procedures—collectively called information systems—to solve business problems
D. Includes the methods, tasks, and techniques organizations use to produce goods and services

True / False Questions

36. Human resources management includes the policies, plans, and procedures for the effective management of employees (‘human resources').

    True False

37. Accounting deals with the strategic financial issues associated with increasing the value of the business while observing applicable laws and social responsibilities.

    True False

38. Break-even analysis is the point at which revenues equal costs.

    True False

39. For profit corporations primarily focus on making money and all profits and losses are shared by the business owners.

    True False

40. A loss occurs when businesses sell products or services for less then they cost to produce.

    True False

Fill in the Blank Questions

41. _____________ are similar to sole proprietorships, except that this legal structure allows for more than one owner.

    ____

42. A limited ________________ is much like a general partnership except for one important fundamental difference; the law protects the limited partner from being responsible for all of the partnership's losses.

    ____

43. _____________ is the actual recording of the business's transactions, without any analysis of the information.

    ____

44. _____________ accounting involves preparing financial reports that provide information about the business's performance to external parties such as investors, creditors, and tax authorities.

    ____

45. ____________ represents the ability of the business to pay its bills and service its debt.

    ____

46. _____________ are a distribution of earnings to shareholders.

    ____

47. The income statement reports a company's _____________ income, or the amount of money remaining after paying taxes

    ____

48. ____________ deals with the strategic financial issues associated with increasing the value of the business while observing applicable laws and social responsibilities.

____

49. ____________ segmentation is based on variables such as usage rate, usage patterns, price sensitivity, and brand loyalty.

____

50. Operations management is the management of systems or processes that convert or transforms ___________ into goods and services.

____

Essay Questions

51. Define the three common business forms.

52. List and describe the seven departments commonly found in most organizations.

53. Describe a transaction and its importance to the accounting department.

54. Identify the four primary financial statements used by most organizations.

55. Define the relationship between sales and marketing, along with a brief discussion of the marketing mix.

56. Define business process reengineering and explain how an organization can use IT to transform its business.

BPI001 Business Basics (on OLC) Answer Key

Multiple Choice Questions

1. What occurs when businesses sell products or services for more than they cost to produce?

A. Expense
B. Profit
C. Loss
D. Revenue

This is the definition of profit.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-01 Define the three common business forms.
Topic: Types of Business

2. What refers to the amount earned resulting from the delivery or manufacture of a product or from the rendering of a service?

A. Expense
B. Profit
C. Loss
D. Revenue

This is the definition of revenue.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-03 Describe a transaction and its importance to the accounting department.

Topic: Accounting

3. Which of the following is not a type of business?

A. Sole partnership
B. Partnership
C. Limited partnership
D. Corporation

There is no such thing as a sole partnership, there is a sole proprietorship.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-01 Define the three common business forms.
Topic: Types of Business

4. Which form of business recommends a legal agreement between two or more business partners that outlines core business issues?

A. Sole proprietorship
B. Partnership
C. Corporation
D. LLC

A partnership recommends a partnership agreement.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-01 Define the three common business forms.
Topic: Types of Business

5. What is the fundamental difference found in a limited partnership?

A. Only one partner is responsible for all of the partnership's losses
B. Both partners are responsible for all of the partnership's losses
C. Both partners are protected from being responsible for all of the partnership's losses
D. None of the above

The limited partnership is like a general partnership except the law protects the limited partner from being responsible for all of the partnership's losses.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-01 Define the three common business forms.
Topic: Types of Business

6. Partnership agreements typically include all of the following, except:

A. Expectations for sharing profits and losses
B. Partner's salary requirements
C. Methods for conflict resolution
D. Shareholder's expectations for a successful business

There are not any shareholders in a partnership.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-01 Define the three common business forms.
Topic: Types of Business

7. What is a hybrid entity that has the legal protections of a corporation and the ability to be taxed (one time) as a partnership?

A. Limited partnership
B. Limited liability corporation
C. Limited proprietorship
D. Limited shareholder

This is the definition of LLC.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-01 Define the three common business forms.
Topic: Types of Business

8. What analyzes the transactional information of the business so the owners and investors can make sound economic decisions?

A. Accounting
B. Bookkeeping
C. Financial Accounting
D. Managerial Accounting

This is the definition of accounting.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

9. What involves preparing financial reports that provide information about the business's performance to external parties such as investors, creditors, and tax authorities?

A. Accounting
B. Bookkeeping
C. Financial accounting
D. Managerial accounting

This is the definition of financial accounting.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

10. What involves analyzing business operations for internal decision making and does not have to follow any rules issued by standard-setting bodies such as GAAP?

A. Accounting
B. Bookkeeping
C. Financial accounting
D. Managerial accounting

This is the definition of managerial accounting.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

11. What describes the basic transaction data such as its date, purpose, and amount and includes cash receipts, canceled checks, invoices, customer refunds, employee time sheet, etc?

A. Balance sheet
B. Source document
C. Transaction
D. Financial statement

This is the definition of source document.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-03 Describe a transaction and its importance to the accounting department.
Topic: Accounting

12. Which of the following financial statements gives an accounting picture of property owned by a company and of claims against the property on a specific date?

A. Balance sheet
B. Statement of owner's equity
C. Statement of cash flows
D. Income statement

This is the definition of balance sheet.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

13. What reports operating results (revenues minus expenses) for a given time period ending at a specified date?

A. Balance sheet
B. Statement of owner's equity
C. Statement of cash flows
D. Income statement

This is the definition of income statement.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

14. What tracks and communicates changes in the shareholder's earnings?

A. Balance sheet
B. Statement of owner's equity
C. Statement of cash flows
D. Income statement

This is the definition of statement of owner's equity.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

15. What is an asset?

A. A distribution of earnings to shareholders
B. Refers to the amount earned resulting from the delivery or manufacture of a product or from the rendering of a service
C. Refer to the costs incurred in operating and maintaining a business
D. Anything owned that has value or earning power

This is the definition of asset.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
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16. What is a dividend?

A. A distribution of earnings to shareholders
B. Refers to the amount earned resulting from the delivery or manufacture of a product or from the rendering of a service
C. Refer to the costs incurred in operating and maintaining a business
D. Anything owned that has value or earning power

This is the definition of dividend.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

17. What is revenue?

A. A distribution of earnings to shareholders
B. Refers to the amount earned resulting from the delivery or manufacture of a product or from the rendering of a service
C. Refer to the costs incurred in operating and maintaining a business
D. Anything owned that has value or earning power

This is the definition of revenue.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

18. What is the function of the marketing department?

A. Deals with the strategic financial issues associated with increasing the value of the business while observing applicable laws and social responsibilities
B. Includes the policies, plans, and procedures for the effective management of employees
C. The function of selling a good or service and focuses on increasing customer sales, which increases company revenues
D. The process associated with promoting the sale of goods or services. The marketing department supports the sales department by creating promotions that help sell the company's products

This is the definition of marketing.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-03 Describe a transaction and its importance to the accounting department.
Topic: Accounting

19. What is the function of the sales department?

A. Deals with the strategic financial issues associated with increasing the value of the business while observing applicable laws and social responsibilities
B. Includes the policies, plans, and procedures for the effective management of employees
C. The function of selling a good or service and focuses on increasing customer sales, which increases company revenues
D. The process associated with promoting the sale of goods or services. The marketing department supports the sales department by creating promotions that help sell the company's products

This is the definition of sales.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-03 Describe a transaction and its importance to the accounting department.
Topic: Accounting

20. What is the rate at which the net present value of an investment equals zero?

A. Internal rate of return (IRR)
B. Return on investment (ROI)
C. Cash flow analysis
D. Break-even analysis

This is the definition of IRR.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

21. What is a means to conduct a periodic check on the company's financial health?

A. Internal rate of return (IRR)
B. Return on investment (ROI)
C. Cash flow analysis
D. Break-even analysis

This is the definition of cash flow analysis.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

22. What is the point at which revenues equal costs?

A. Break-even point
B. Cash flow analysis
C. ROI
D. IRR

This is the definition of break-even point.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

23. Which of the following is not accomplished by human resources management?

A. Employee recruitment
B. Employee training
C. Employee vacation scheduling
D. Employee appraisals

The HR department does not schedule employee vacations, it might track vacation time taken, but it does not schedule the vacations.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

24. What is calculated by dividing the firm's sales by the total market sales for the entire industry?

A. Break-even point
B. IRR
C. Market share
D. Income statement

This is how to calculate market share.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

25. Which of the following is not a reason to increase market share?

A. Economies of scale
B. Reputation
C. Increased bargaining power
D. Nearing production capacity

If an organization is near its production capacity and it experiences an increase in market share, it could cause the organization's supply to fall below its demand.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-05 Define the relationship between sales and marketing; along with a brief discussion of the marketing mix.
Topic: Marketing
Topic: Sales

26. Which of the following is not a part of the marketing mix?

A. Product
B. Price
C. Point
D. Promotion

The four Ps include product, price, place, and promotion.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-05 Define the relationship between sales and marketing; along with a brief discussion of the marketing mix.
Topic: Marketing
Topic: Sales

27. What is the division of a market into similar groups of customers?

A. Market management
B. Market mix
C. Market communications
D. Market segmentation

This is the definition of market segmentation.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-05 Define the relationship between sales and marketing; along with a brief discussion of the marketing mix.
Topic: Marketing
Topic: Sales

28. Which of the following represents geographic segmentation?

A. Based on regional variables such as region, climate, population density, and population growth rate
B. Based on variables such as age, gender, ethnicity, education, occupation, income, and family status
C. Based on variables such as values, attitudes, and lifestyles
D. Based on variables such as usage rate, usage patterns, price sensitivity, and brand loyalty

This is geographic segmentation.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-05 Define the relationship between sales and marketing; along with a brief discussion of the marketing mix.
Topic: Marketing
Topic: Sales

29. Which of the following represents psychographic segmentation?

A. Based on regional variables such as region, climate, population density, and population growth rate
B. Based on variables such as age, gender, ethnicity, education, occupation, income, and family status
C. Based on variables such as values, attitudes, and lifestyles
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This is psychographic segmentation.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-05 Define the relationship between sales and marketing; along with a brief discussion of the marketing mix.
Topic: Marketing
Topic: Sales

30. Which of the following is not one of the four phases in the product life cycle?

A. Growth
B. Decline
C. Place
D. Introduction

The product life cycle includes the four phases a product progresses through during its life cycle including introduction, growth, maturity, and decline.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-05 Define the relationship between sales and marketing; along with a brief discussion of the marketing mix.
Topic: Marketing
Topic: Sales

31. What is a standardized set of activities that accomplishes a specific task, such as processing a customer's order?

A. Transaction
<u>B.</u> Business process
C. Expense
D. Marketing

This is the definition of business process.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-06 Define business process reengineering and explain how an organization can use it to transform its business.
Topic: Operations/Production

32. What is the analysis and redesign of workflow within and between enterprises?

A. Business process
B. Management information system
C. Transaction
<u>D.</u> Business process reengineering

This is the definition of business process reengineering.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-06 Define business process reengineering and explain how an organization can use it to transform its business.
Topic: Operations/Production

33. What is operations management?

A. A field concerned with the use of technology in managing and processing information
B. The function of selling a good or service and focuses on increasing customer sales, which increases company revenues
C. The function that plans for, develops, implements, and maintains IT hardware, software, and the portfolio of applications that people use to support the goals of an organization
D. The management of systems or processes that convert or transforms resources into goods and services

This is the definition of operations management.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

34. What is information technology?

A. A field concerned with the use of technology in managing and processing information
B. The function of selling a good or service and focuses on increasing customer sales, which increases company revenues
C. The function that plans for, develops, implements, and maintains IT hardware, software, and the portfolio of applications that people use to support the goals of an organization
D. Includes the methods, tasks, and techniques organizations use to produce goods and services

This is the definition of information technology.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.

Topic: Internal Operations of a Corporation

35. What is management information systems?

A. A field concerned with the use of technology in managing and processing information
B. The function of selling a good or service and focuses on increasing customer sales, which increases company revenues
C. a general name for the business function and academic discipline covering the application of people technologies, and procedures—collectively called information systems—to solve business problems
D. Includes the methods, tasks, and techniques organizations use to produce goods and services

This is the definition of management information systems.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

True / False Questions

36. Human resources management includes the policies, plans, and procedures for the effective management of employees (‘human resources').

TRUE

This is the definition of human resources management.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

37. Accounting deals with the strategic financial issues associated with increasing the value of the business while observing applicable laws and social responsibilities.

FALSE

This is the definition of finance, not accounting.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

38. Break-even analysis is the point at which revenues equal costs.

FALSE

This is the definition of break-even point, not break-even analysis.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

39. For profit corporations primarily focus on making money and all profits and losses are shared by the business owners.

TRUE

This is the definition of for profit corporations.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-01 Define the three common business forms.
Topic: Types of Business

40. A loss occurs when businesses sell products or services for less then they cost to produce.

<u>TRUE</u>

This is the definition of loss.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

Fill in the Blank Questions

41. ____________ are similar to sole proprietorships, except that this legal structure allows for more than one owner.

<u>Partnerships</u>

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-01 Define the three common business forms.
Topic: Types of Business

42. A limited _______________ is much like a general partnership except for one important fundamental difference; the law protects the limited partner from being responsible for all of the partnership's losses.

<u>Partnership</u>

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-01 Define the three common business forms.
Topic: Types of Business

43. ____________ is the actual recording of the business's transactions, without any analysis of the information.

Bookkeeping

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

44. ____________ accounting involves preparing financial reports that provide information about the business's performance to external parties such as investors, creditors, and tax authorities.

Financial

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

45. ___________ represents the ability of the business to pay its bills and service its debt.

Solvency

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

46. ____________ are a distribution of earnings to shareholders.

Dividends

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

47. The income statement reports a company's ____________ income, or the amount of money remaining after paying taxes

Net

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

48. ____________ deals with the strategic financial issues associated with increasing the value of the business while observing applicable laws and social responsibilities.

Finance

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

49. ____________ segmentation is based on variables such as usage rate, usage patterns, price sensitivity, and brand loyalty.

Behavioral

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-05 Define the relationship between sales and marketing; along with a brief discussion of the marketing mix.
Topic: Marketing
Topic: Sales

50. Operations management is the management of systems or processes that convert or transforms ___________ into goods and services.

Resources

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

Essay Questions

51. Define the three common business forms.

Sole proprietorship-The sole proprietorship is a business form in which a single person is the sole owner and is personally responsible for all the profits and losses of the business. Partnership-Partnerships are similar to sole proprietorships, except that this legal structure allows for more than one owner. Each partner is personally responsible for all the profits and losses of the business. Corporation-The corporation is the most sophisticated form of business entity and the most common among large companies. The corporation (also called, organization, enterprise, or business) is an artificially created legal entity that exists separate and apart from those individuals who created it and carry on its operations. In a corporation, the business entity is separate from the business owners.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-01 Define the three common business forms.
Topic: Types of Business

52. List and describe the seven departments commonly found in most organizations.

Accounting provides quantitative information about the finances of the business including recording, measuring, and describing financial information. Finance deals with the strategic financial issues associated with increasing the value of the business, while observing applicable laws and social responsibilities. Human resource management (HR) includes the policies, plans, and procedures for the effective management of employees (human resources). Sales is the function of selling a good or service and focuses on increasing customer sales, which increases company revenues. Marketing is the process associated with promoting the sale of goods or services. The marketing department supports the sales department by creating promotions that help sell the company's products. Operations management is the management of systems or processes that convert or transforms resources into goods and services. Transportation (also called logistics) is part of operations management. Management information systems (MIS) is a general name for the business function and academic discipline covering the application of people technologies, and procedures—collectively called information systems—to solve business problems.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-02 List and describe the seven departments commonly found in most organizations.
Topic: Internal Operations of a Corporation

53. Describe a transaction and its importance to the accounting department.

All businesses operate using the same basic element, the transaction. A transaction is an exchange or transfer of goods, services, or funds involving two or more people. Each time a transaction occurs a source document captures all of the key data involved with the transaction. The source document describes the basic transaction data such as its date, purpose, and amount and includes cash receipts, cancelled checks, invoices, customer refunds, employee time sheet, etc. The source document is the beginning step in the accounting process and serves as evidence that the transaction occurred. Financial statements are the written records of the financial status of the business that allow interested parties to evaluate the profitability and solvency of the business. Solvency represents the ability of the business to pay its bills and service its debt. The financial statements are the final product of the accountant's analysis of the business transactions. Preparing the financial statements is a major undertaking and requires a significant amount of effort. Financial statements must be understandable, timely, relevant, fair, and objective in order to be useful. The accounting department prepares all of the financial statements.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-03 Describe a transaction and its importance to the accounting department.
Topic: Accounting

54. Identify the four primary financial statements used by most organizations.

Balance sheet.-The balance sheet gives an accounting picture of property owned by a company and of claims against the property on a specific date. The balance sheet is based on the fundamental accounting principle that assets = liabilities + owner's equity. Income statement-The income statement (also referred to as earnings report, operating statement, and profit-and-loss (P&L) statement) reports operating results (revenues minus expenses) for a given time period ending at a specified date. Revenue refers to the amount earned resulting from the delivery or manufacture of a product or from the rendering of a service. Statement of owner's equity-The statement of owner's equity (also called the statement of retained earnings or equity statement) tracks and communicates changes in the shareholder's earnings. Profitable organizations typically pay the shareholders dividends. Dividends are a distribution of earnings to shareholders. Statement of cash flows-Cash flow represents the money an investment produces after subtracting cash expenses from income. The statement of cash flows summarizes sources and uses of cash, indicates whether enough cash is available to carry on routine operations, and offers an analysis of all business transactions, reporting where the firm obtained its cash and how it chose to allocate the cash. The cash flow statement shows where money comes from, how the company is going to spend it, and when the company will require additional cash.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-04 Identify the four primary financial statements used by most organizations.
Topic: Accounting

55. Define the relationship between sales and marketing, along with a brief discussion of the marketing mix.

Sales is the function of selling a good or service and focuses on increasing customer sales, which increases company revenues. A salesperson has the main activity of selling a product or service. Many industries require a license before a salesperson can sell the products, such as real estate, insurance, and securities. Marketing is the process associated with promoting the sale of goods or services. The marketing department supports the sales department by creating promotions that help sell the company's products. Marketing communications seek to build product or service awareness and to educate potential consumers on the product or service. The classic components of marketing include the four Ps in the marketing mix: product, price, place, and promotion. The marketing mix includes the variables that marketing managers can control in order to best satisfy customers in the target market. Product-the physical product or service offered to the consumer. Product decisions include function, appearance, packaging, service, warranty, etc. Price-takes into account profit margins and competitor pricing. Pricing includes list price, discounts, financing, and other options such as leasing. Place (distribution)-associated with channels of distribution that serve as the means for getting the product to the target customers. Attributes involved in place decisions include market coverage, channel member selection, logistics, and levels of service. Promotion-related to the communication and selling to potential consumers. An organization can perform a break-even analysis when making promotion decisions. If an organization knows the value of each customer, it can determine whether additional customers are worth the coast of acquisition. Attributes involved in promotion decisions involve advertising, public relations, media types, etc.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-05 Define the relationship between sales and marketing; along with a brief discussion of the marketing mix.
Topic: Marketing
Topic: Sales

56. Define business process reengineering and explain how an organization can use IT to transform its business.

A business process is a standardized set of activities that accomplishes a specific task, such as processing a customer's order. Business process reengineering (BPR) is the analysis and redesign of workflow within and between enterprises. In business process reengineering, the project team starts with a clean sheet of paper and redesigns the process to increase efficiency and effectiveness. The project team does not take anything for granted and questions all the aspects of the process and the business. The reengineering project team obtains dramatic process improvement by redesigning processes that cross departments. Most of the major opportunities for process improvement exist in cross-departmental processes. Information technology usually plays a key role in process improvement by making possible a radically faster and almost paperless process. However, IT is only an enabling factor.

AACSB: Use of Information Technology
Blooms: Remember
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-06 Define business process reengineering and explain how an organization can use it to transform its business.
Topic: Operations/Production