

Plug-In B1

Business Basics

True / False Questions

1. Human resources management includes the policies, plans, and procedures for the effective management of employees (human resources).
True False
2. Accounting deals with the strategic financial issues associated with increasing the value of the business while observing applicable laws and social responsibilities.
True False
3. Break-even analysis is the point at which revenues equal costs.
True False
4. For-profit corporations primarily focus on making money and all profits and losses are shared by the business owners.
True False
5. A loss occurs when businesses sell products or services for less than they cost to produce.
True False

Multiple Choice Questions

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

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

7. Which of the following is not a type of business?
- A. Sole partnership
 - B. Partnership
 - C. Limited partnership
 - D. Corporation
8. 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
9. 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 these.
10. 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.
11. 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
12. 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

13. 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
14. 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
15. 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
16. 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.
17. 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.

18. 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

19. 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

20. 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

21. 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

22. 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.

23. 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.

24. 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.

25. 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

26. 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

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

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

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

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

29. 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

30. 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

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

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

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

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

33. 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.

34. 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.

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

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

36. 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

37. 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

38. 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.

39. 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.

40. 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.

Essay Questions

41. Define the three common business forms.

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

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

44. Identify the four primary financial statements used by most organizations.
45. Define the relationship between sales and marketing, along with a brief discussion of the marketing mix.
46. Define business process reengineering and explain how an organization can use IT to transform its business.

Plug-In B1 Business Basics Answer Key

True / False Questions

1. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

2. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

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

FALSE

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

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

4. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy
Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.
Topic: Organizational Departments

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

TRUE

This is the definition of loss.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.
Topic: Organizational Departments

Multiple Choice Questions

6. 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.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: B1-01 Define the three common business forms.
Topic: Business Forms

7. 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.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: B1-01 Define the three common business forms.
Topic: Business Forms

8. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-01 Define the three common business forms.

Topic: Business Forms

9. 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 these.

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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-01 Define the three common business forms.

Topic: Business Forms

10. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-01 Define the three common business forms.

Topic: Business Forms

11. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-01 Define the three common business forms.

Topic: Business Forms

12. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

13. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

14. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

15. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

16. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

17. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

18. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

19. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

20. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

21. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

22. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

23. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

24. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

25. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

26. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

27. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

28. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

29. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

30. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

31. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

32. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

33. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

34. 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.
- This is psychographic segmentation.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

35. 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.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

36. 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

This is the definition of business process.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

37. 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**

This is the definition of business process reengineering.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

38. 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.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.
Topic: Organizational Departments

39. 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.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.
Topic: Organizational Departments

40. 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.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.
Topic: Organizational Departments

Essay Questions

41. 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.

Blooms: Remember

Difficulty: 3 Hard

Learning Objective: B1-01 Define the three common business forms.

Topic: Business Forms

42. 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 transform 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.

Blooms: Remember

Difficulty: 3 Hard

Learning Objective: B1-02 List and describe the seven departments commonly found in most organizations.

Topic: Organizational Departments

43. 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, canceled 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.

Blooms: Remember

Difficulty: 3 Hard

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44. 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 $\text{assets} = \text{liabilities} + \text{owner's equity}$.

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.

Blooms: Remember

Difficulty: 3 Hard

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45. 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 cost of acquisition. Attributes involved in promotion decisions involve advertising, public relations, media types, etc.

Blooms: Remember

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46. 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.

Blooms: Remember

Difficulty: 3 Hard

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