File: ch01, Chapter 1: The Power of Principles: A Historical Perspective

Multiple Choice

1. Which of the following did not contribute to the high transaction related risks for U.S. potato sales in 1840?
a) Infrequency of transactions
b) Changing transaction partners
c) Lack of availability of sales and prices for comparable goods
d) Competition from European merchants
e) Geographic distance between buyers and sellers

Ans: d

Learning Objective: Describe the operation of U.S. business up to 1840
AACSB: Analytic
AICPA: Research
IMA: Strategic Planning

Heading: The World in 1840 – Doing Business in 1840
Level: Medium

2. What was a key contribution to the dominance of the family-run small business in 1840?
a) Factories
b) Infrastructure
c) Raw Materials
d) Management
e) Laws

Ans: b

Learning Objective: Describe the operation of U.S. business up to 1840
AACSB: Analytic
AICPA: Research
IMA: Strategic Planning

Heading: The World in 1840 – Conditions of Business in 1840: Life without a Modern Infrastructure
Level: Easy

3. Matchmakers between manufacturers and sellers are called:
a) Agents
b) Factors
c) Brokers
d) Merchants

e) None of the Above

Ans: c

Learning Objective: Describe the modern infrastructure of U.S. business today
AACSB: Communication
AICPA: Interaction
IMA: Corporate Finance

Heading: Doing Business in 1840
Level: Easy

4. What significant transportation event brought about the first significant growth of the Great Lakes region?
a) Harnessing of the steam engine
b) Invention of the screw propeller
c) Opening of the Erie Canal
d) Integration of railway system
e) Invention of the railway system

Ans: c

Learning Objective: Describe the operation of U.S. business up to 1840
AACSB: Analytic
AICPA: Research
IMA: Strategic Planning

Heading: The World in 1840 – Conditions of Business in 1840: Life without a Modern Infrastructure – Transportation
Level: Medium

5. What is throughput?
a) The movement of inputs and outputs through a production process
b) Assets that assist in the production or distribution of goods and services
c) A condition that determines the horizontal and vertical boundaries of business firms
d) An investment in the acquisition of raw materials
e) The amount of time for a good to travel between metropolitan areas

Ans: a

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Analytic
AICPA: Measurement
IMA: Quantitative Methods

Heading: Example 4.1 – The Emergence of Chicago
Level: Hard

6. What mode of long-distance communication first laid the groundwork for today's modern communication forms?
a) U.S. Postal Service
b) Private mail service
c) Telegraph
d) Telephone
e) Railroad

Ans: d

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Analytic
AICPA: Reflective Thinking
IMA: Global Business

Heading: The World in 1840 – Conditions of Business in 1840: Life without a Modern Infrastructure – Communications
Level: Easy

7. What was the major role of private banks in the early 1800s?
a) Serve as an institution for deposits
b) Issue credit
c) Reduce the risk of price fluctuation
d) Create futures markets
e) Sell stocks

Ans: b

Learning Objective: Describe the operation of U.S. business up to 1840
AACSB: Analytic
AICPA: Reflective Thinking
IMA: Business Applications

Heading: The World in 1840 – Conditions of Business in 1840: Life without a Modern Infrastructure – Finance
Level: Medium

8. What was one of the first plant/factory types to use the "American System" of manufacturing?
a) Firearms
b) Steel
c) Oil
d) Automobiles
e) Chemicals

Ans: a

Learning Objective: Describe the operation of U.S. business up to 1840
AACSB: Technology
AICPA: Industry/Sector Perspective
IMA: Business Applications

Heading: The World in 1840 – Conditions of Business in 1840: Life without a Modern Infrastructure – Production Technology
Level: Medium

9. What economics game theory concept is demonstrated by the Erie Canal public works project?
a) Nash equilibrium
b) Lock-in
c) Backwards induction
d) Fair division
e) Prisoner's dilemma

Ans: e

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Reflective Thinking
AICPA: Decision Modeling
IMA: Business Economics

Heading: The World in 1840 – Conditions of Business in 1840: Life without a Modern Infrastructure - Government
Level: Easy

10. What was the most significant development to the evolution of business circa 1910?
a) Railroad integration
b) Telegraph communication expansion
c) Banking and accounting standard practices
d) Mass-production technology
e) Advent of steam technology in railroads and shipping

Ans: d

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Reflective Thinking
AICPA: Industry/Sector Perspective
IMA: business Applications

Heading: The World in 1910 – Doing Business in 1910
Level: Medium

11. Which of the following led to overbuilding of railroads in the 1860's and 1870's?
a) Reduction of taxes on railroads by the federal government
b) The success of railroads in Europe
c) The availability of financing due to public optimism
d) The low cost of labor to construct railroads
e) Increases in regulated freight rates by the Interstate commerce Commission

Ans: c

Learning Objective: Describe the growth of U.S. business infrastructure between 1840 and 1910
AACSB: Analytic
AICPA: Resource Management
IMA: Decision Analysis

Heading: Building the National Infrastructure – The Transcontinental Railroad
Level : Moderate

12. What does it mean for a manufacturing firm to vertically integrate?
a) Expand using established product technologies to offer a wider variety of products
b) Reorganize management into semi-autonomous divisions
c) Produce raw materials and distribute finished goods on their own
d) Geographic distance between buyers and sellers
e) Use management consultants to optimize processes

Ans: c

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Reflective Thinking
AICPA: Resource Management
IMA: Strategic Planning

Heading: The World in 1910 – Doing Business in 1910
Level: Medium

13. What significant government infrastructure project led to the development of national stock and commodity markets?
a) Transcontinental Railroad
b) Erie Canal
c) Union Pacific Railroad
d) Prime Meridian Conference
e) Central Pacific Railroad

Ans: a

Learning Objective: Describe the growth of U.S. business infrastructure between 1840 and 1910
AACSB: Reflective Thinking

AICPA: Industry/Sector Perspective
IMA: Investment Decisions

Heading: Example 4.2 – Building National Infrastructure: The Transcontinental Railroad
Level: Medium

14. What firm is generally regarded as being the first to extensively use mass production processes?
a) IBM
b) Burroughs
c) Remington Rand
d) Ford
e) Sears

Ans: d

Learning Objective: Explain the endurance of business principles and flexible strategies amid change .
AACSB: Reflective Thinking
AICPA: Leverage Technology to Develop and Enhance Functional Competencies
IMA: Strategic Planning

Heading: Business Conditions in 1910: A "Modern" Infrastructure – Production Technology
Level: Easy

15. What caused railway transportation to remain the primary transportation source over trucking until World War II?
a) The country lacked of an interstate highway system
b) Rail consolidation was more extensive
c) Rail was faster, safer and more reliable
d) Railroads could carry goods a further distance
e) Companies preferred rail transportation for their goods

Ans: a

Learning Objective: Describe the modern infrastructure of U.S. business today
AACSB: Analytic
AICPA: Resource Management
IMA: Decision Analysis

Heading: Business Conditions in 1910: A "Modern" Infrastructure – Transportation
Level: Easy

16. What form of communication was integral to the growth of multistory headquarter buildings?
a) Telegraph
b) Mail
c) Telephone

d) Morse code
e) Intercom

Ans: c

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Communication
AICPA: Communication
IMA: Business Applications

Heading: Business Conditions in 1910: A “Modern” Infrastructure – Communications
Level: Easy

17. What caused the market conditions facing the telephone to be uncertain until the 1880’s?
a) Patent conflicts
b) Technology problems due to unstable electricity supplies
c) Dissimilar technologies limiting interconnections between cities
d) Different state laws limiting interstate expansion
e) The high cost fo some components needed to manufacture telephones

Ans: a

Learning Objective: Describe the growth of U.S. business infrastructure between 1840 and 1910
AACSB: Communication
AICPA: Communication
IMA: Business Applications

Heading: Business conditions in 1910: A “Modern” Infrastructure – Communications
Level: Easy

18. Which of the following led to the development of the financial infrastructure pre- 1910?
a) The use of “Hollerith” or punched cards to storm information
b) The systemization and circulation of credit information
c) The telephone allowing consumers to easily apply for credit
d) The passage of the Federal Fair Credit practices Act
e) None of the above

Ans: b

Learning Objective: Describe the growth of U.S. business infrastructure between 1840 and 1910
AACSB: Technology
AICPA: Risk Analysis
IMA: Reporting

Heading: Business conditions in 1910: A “Modern” Infrastructure – Finance
Level: Easy

19. What is the accounting concept of inventory turnover as developed by Sears in the late 19th century?
a) To systemize and circulate credit information
b) To manage the requirements of operating efficiencies
c) To publicly disclose the details of a firm's operations
d) To present the payment of dividends out of profits
e) To link profits to fluctuations in sales volume

Ans: e

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Analytic
AICPA: Measurement
IMA: Quantitative Mtehods

Heading: Business Conditions in 1910: A "Modern" Infrastructure – Finance
Level: Hard

20. Which of the following government regulations on business conditions did <u>not</u> increase circa 1910?
a) Regulation on corporate governance
b) Securities markets regulation
c) Antitrust regulation
d) Regulations on disability insurance provisions
e) Regulations on insurance for widows and children

Ans: b

Learning Objective: Describe the growth of U.S. business infrastructure between 1840 and 1910
AACSB: Reflective Thinking
AICPA: Legal/Regulatory Perspective
IMA: Corporate Finance

Heading: Business Conditions in 1910: A "Modern" Infrastructure – Government
Level: Hard

21. What was a key factor that aided foreign steel producers in penetrating U.S. markets?
a) Shifting demand in the economy to "lighter" products
b) Invention of the basic oxygen furnace
c) Development of the continuous casting process
d) U.S. steelmakers' commitment to "light" products
e) Development of the electric arc furnace

Ans: a

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Communication
AICPA: Communication

IMA: Business Applications

Heading: Example 1.3 – Evolution of the Steel Industry
Level: Medium

22. What is a benefit of alliances and joint ventures over mergers and acquisitions?
a) Better organizational structure
b) Scale savings
c) Less vertical integration
d) Less horizontal integration
e) Lower likelihood of antitrust scrutiny

Ans: e

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Reflective Thinking
AICPA: Resource Mangement
IMA: Startegic Planning

Heading: The World Today – Doing Business Today
Level: Medium

23. By simultaneously halting air traffic and financial markets, what recent historical event highlighted the interdependence company infrastructure?
a) 2000 Presidential Election
b) 2004 Olympics
c) Fall of Enron
d) September 11, 2001
e) Hurricane Katrina

Ans: d

Learning Objective: Describe the modern infrastructure of U.S. business today
AACSB: Reflective Thinking
AICPA: Strategic/Critical Thinking
IMA: Decision Analysis

Heading: The World Today – Modern Infrastructure
Level: Easy

24. How has Atlanta been able to grow as a center of commerce despite its poor water and rail connections?
a) Widespread air transportation
b) New government regulations
c) Improved Financing
d) Better Communications

e) Better technology and innovation

Ans: a

Learning Objective: Describe the modern infrastructure of U.S. business today
AACSB: Reflective Thinking
AICPA: Strategic/Critical Thinking
IMA: Decision Analysis

Heading: The World Today – Modern Infrastructure – Transportation
Level: Hard

25. How have late 20th and 21st century communications technologies directly created global markets from products and services?
a) Created paperless communications
b) Created seamless and instantaneous communications
c) Decreased coordination for interfirm alliances
d) Increased worker productivity
e) Unflattened the world

Ans: b

Learning Objective: Describe the modern infrastructure of U.S. business today
AACSB: Communication
AICPA: Communication
IMA: Global Business

Heading: The World Today – Modern Infrastructure – Communications
Level: Medium

26. Which of the following facets of modern financial infrastructure came as a result of deregulation in the 1970s and 1980s?
a) Separation of commercial and investment banking
b) Enhanced role of central banks
c) Increased regulation of securities markets
d) Supply of debt and equity funding for firms that could not fund themselves through retained earnings
e) The availability of large investment funds facilitating M&A to flourish

Ans: e

Learning Objective: Describe the modern infrastructure of U.S. business today
AACSB: Reflective Thinking
AICPA: Legal/Regulatory Perspective
IMA: Corporate Finance

Heading: The World Today – Modern Infrastructure – Finance
Level: Medium

27. What is a key issue facing managers of the 2000s with respect to production technology?
a) Using the technology while maintaining an adequate level of complexity vs. simplicity
b) Balancing price of the technology with the benefits of its use
c) The choice between reformulating strategies and reorganizing or using the technologies for incremental improvements
d) Integrating CAD/CAM into their factories
e) Ensuring all parties understand the technology

Ans: c

Learning Objective: Describe the modern infrastructure of U.S. business today
AACSB: Technology
AICPA: Leverage Technology to Develop and Enhance Functional Compentencies
IMA: Strategic Planning

Heading: The World Today – Modern Infrastructure – Production Technology
Level: Medium

28. Relaxing of government regulation of economic activities occurred during the second half of the 20^{th} century for all of the following except:
a) Airline industry
b) Workplace safety
c) Banking industry
d) Trucking
e) Healthcare industry

Ans: b

Learning Objective: Describe the modern infrastructure of U.S. business today
AACSB: Ethics
AICPA: Legal/Regulatory Perspective
IMA: Strategic Planning

Heading: The World Today – Modern Infrastructure – Government
Level: Medium

29. Which of the following encouraged firms to develop through internal R&D rather than through M&A in the 20^{th} century?
a) Lower wage costs for internal labor compared to merged or acquired labor
b) Faster results obtained with R&D
c) Federal antitrust policies
d) Lack of financial capital to engage in M&A
e) High transactions costs associated with M&A activity.

Ans: c

Learning Objective: Describe the modern infrastructure of U.S. business today
AACSB: Reflective Thinking
AICPA: Problem solving and Decision Making
IMA: Investment Decsions

Heading: The World Today – Modern Infrastructure – Government
Level: Medium

30. What is the gaizhi process?
a) Valuing assets according to their earnings
b) A state-owned enterprise and private enterprise entering a joint venture
c) An increase of profitability prior to sale
d) Acquisition of large firms by private organizations
e) Restructuring whereby small firms are leased or sold

Ans: e

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Reflective Thinking
AICPA: Strategic/Critical Thinking
IMA: Decision Analysis

Heading: Example 4.4 – The Gaizhi Process in China
Level: Hard

31. Which of the following did not contribute to the dominance of the family-run small business in 1840?
a) Factories
b) Laws
c) Raw Materials
d) Management
e) All of the above

Ans: e

Learning Objective: Describe the operation of U.S. business up to 1840
AACSB: Analytic
AICPA: Research
IMA: Strategic Planning

Heading: The World in 1840 – Conditions of Business in 1840: Life without a Modern Infrastructure
Level: Easy

32. Which of the following would likely lower antitrust scrutiny?
a) Predatory pricing tactics
b) Utilizing mergers and acquisitions over alliances and joint ventures
c) Utilizing alliances and joint ventures over mergers and acquisitions
d) Incomplete contracting

e) Complete contracting

Ans: c

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Reflective Thinking
AICPA: Resource Mangement
IMA: Startegic Planning

Heading: The World Today – Doing Business Today
Level: Medium

33. Mass production technology became accepted and widely used in what era?
a) Circa 1840
b) Circa 1860
c) Circa 1880
d) Circa 1910
e) Circa 1930

Ans: d

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Reflective Thinking
AICPA: Industry/Sector Perspective
IMA: business Applications

Heading: The World in 1910 – Doing Business in 1910
Level: Medium

34. The movement of inputs and outputs through a production process is known as which of the following?
a) Coordination
b) Input-output
c) Integration
d) Throughput
e) Systemology

Ans: d

Learning Objective: Explain the endurance of business principles and flexible strategies amid change
AACSB: Analytic
AICPA: Measurement
IMA: Quantitative Methods

Heading: Example 4.1 – The Emergence of Chicago
Level: Hard

35. Brokers are often referred to as which of the following?
a) Factors
b) Agents
c) Sellers
d) Matchmakers
e) Facilitators

Ans: d

Learning Objective: Describe the modern infrastructure of U.S. business today
AACSB: Communication
AICPA: Interaction
IMA: Corporate Finance

Heading: Doing Business in 1840
Level: Easy