

Chapter 1: Business Functions and Business Processes

TRUE/FALSE

1. One of the four functional areas of operation is Human Resources (HR).

ANS: T PTS: 1 REF: 2

2. Historically, businesses have had organizational structures that separated the functional areas, but business schools have not been organized like that.

ANS: F PTS: 1 REF: 2

3. Information systems that are designed so functional areas share data are called integrated information systems.

ANS: T PTS: 1 REF: 4

4. The functional area of Supply Chain Management (SCM) sets prices.

ANS: F PTS: 1 REF: 8

5. Sales forecasts are historical records of sales.

ANS: F PTS: 1 REF: 9

6. Accounts receivable are recorded by the Human Resources department (HR).

ANS: F PTS: 1 REF: 12

7. The business function of government compliance falls under the Supply Chain Management functional area of operation.

ANS: F PTS: 1 REF: 2

8. The business process of Cash Flow Management is handled under the Accounting and Finance functional area of operation.

ANS: T PTS: 1 REF: 2

9. When manufacturing runs out of raw materials, it's known as a stockout.

ANS: T PTS: 1 REF: 10

10. To avoid stockouts, manufacturers might carry extra raw materials. This excess is known as safety stock.

ANS: T PTS: 1 REF: 10

MULTIPLE CHOICE

1. Which of the following is a functional area of operation?

- a. Packaging
- b. Supply Chain Management
- c. Shipping
- d. Baking

ANS: B PTS: 1 REF: 2

2. Which business function is performed by Accounting and Finance?
- a. Cost allocation and control
 - b. Taking sales orders
 - c. Benefits
 - d. Plant maintenance

ANS: A PTS: 1 REF: 2

3. What are the computers, people, procedures, and software that store, organize, and deliver information in an organization?
- a. The CPU
 - b. The Process System
 - c. Information systems
 - d. Personnel systems

ANS: C PTS: 1 REF: 3

4. Today's managers are beginning to think in terms of business process. A business process cuts across which functional areas of operation?
- a. Marketing and Sales
 - b. Supply Chain Management
 - c. Accounting and Finance
 - d. Human Resources
 - e. All of the above

ANS: E PTS: 1 REF: 3

5. Information systems that can be designed so that functional areas of operation share data are called:
- a. Integrated information systems
 - b. Complete information systems
 - c. Non-middleware information systems
 - d. Linked information systems

ANS: A PTS: 1 REF: 4

6. Analyses that attempt to predict the future sales of a product are called:
- a. Sales forecasts
 - b. Sales divining
 - c. Sales diving
 - d. Sales deriving

ANS: A PTS: 1 REF: 6

7. Which of the following is an input to the Marketing and Sales functional area?
- a. Production plans
 - b. Raw material orders
 - c. Per-unit cost
 - d. Accounts payable data

ANS: C PTS: 1 REF: 9

8. Which of the following outputs would emerge from the Accounting and Finance functional area?
- a. Packaging orders
 - b. Sales strategy
 - c. Regulation compliance
 - d. Financial reports

ANS: D PTS: 1 REF: 10

9. When purchasing a computer, the functional area responsible for handling the financial help for purchasing that computer is
- a. Marketing and Sales
 - b. Accounting and Finance
 - c. Supply Chain Management
 - d. Human Resources

ANS: B PTS: 1 REF: 3

10. When purchasing a computer, the functional area responsible for technical support is
- a. Marketing and Sales
 - b. Accounting and Finance
 - c. Supply Chain Management
 - d. Human Resources

ANS: A PTS: 1 REF: 3

11. When manufacturing runs out of raw material, it's known as a(n)
- a. Shortfall
 - b. Empty shelf
 - c. Depletion
 - d. Stockout

ANS: D PTS: 1 REF: 10

12. ____ results in management overinvesting in extra raw materials
- a. Bulging raw materials
 - b. Stockup
 - c. Safety stock
 - d. Excess baggage

ANS: C PTS: 1 REF: 10

13. Which of the following is an input to HR?
- a. Personnel forecasts
 - b. Sales data
 - c. Layoff and recall company policy
 - d. Travel expense company policy

ANS: A PTS: 1 REF: 13

COMPLETION

1. _____ programs are core software used by companies to coordinate information in every area of the business.

ANS:
Enterprise Resource Planning
ERP

PTS: 1 REF: 1

2. A collection of activities that takes one or more kinds of input and creates an output that is of value to the customer is called a _____.

ANS: business process

PTS: 1 REF: 1

3. The business functions of financial accounting, cost allocation and control, planning and budgeting, and cash-flow management take place in the _____ functional area of operation.

ANS:
Accounting and Finance
A/F

PTS: 1 REF: 2

4. One example of the business function that happens in the human resource area of operation would be _____.

ANS:
Recruiting and hiring
Training
Payroll
Benefits
Government compliance

PTS: 1 REF: 2

5. An _____ includes the computers, people, procedures, and software that store, organize, and deliver information.

ANS:
Information systems
IS

PTS: 1 REF: 3

6. Information systems designed so that functional areas share data are called _____.

ANS:
integrated information systems
integrated IS

PTS: 1 REF: 4

7. A shortfall of raw materials is known as a _____.

ANS: Stockout

PTS: 1 REF: 10

8. To avoid stockouts, manufacturers might carry extra raw materials known as _____.

ANS: Safety stock

PTS: 1 REF: 10

SHORT ANSWER

1. Describe the difference between functional areas of operation and business processes. Give an example of a business process.

ANS:
Most companies have four main functional areas of operation. Each area comprises a variety of narrower business functions, which are activities specific to that functional area of operation. Recall that a business process is a collection of activities that takes one or more kinds of input and creates an output that is of value to the customer. Thinking in terms of business processes helps managers to look at their organization from the customer's perspective. For example, suppose that a customer wants to purchase a new computer.

PTS: 1 REF: 2-3

2. What are integrated information systems?

ANS:

Sharing data effectively and efficiently between and within functional areas leads to more efficient business processes. Information systems can be designed so that functional areas share data. These systems are called integrated information systems.

PTS: 1

REF: 4

3. Give some examples of Marketing and Sales in a small business such as a lemonade stand or some other simple example.

ANS:

For the most part, this is a cash business and does not require formal record keeping, but you still need to keep track of your customers so that you can send flyers to repeat customers or send occasional thank you notes. Thus, your records must show not only the amount of sales, but also must identify repeat customers.

Product development can be done informally in such a simple business; you gather information about who buys which kind of lemonade and note what customers say about each product. You also analyze historical sales records to spot trends that are not obvious.

PTS: 1

REF: 6

4. Choose an example company and give situations for each business process in the following figure. Depending on your major or interest, choose one functional area of operation.

Functional area	Marketing and Sales	Supply Chain Management	Accounting and Finance	Human Resources
Business functions	Marketing of a product	Purchasing goods and raw materials	Financial accounting	Recruiting and hiring
	Taking sales orders	Receiving goods and raw materials	Cost allocation and control	Training
	Customer support	Transportation and logistics	Planning and budgeting	Payroll
	Customer relationship management	Scheduling production runs	Cash-flow management	Benefits
	Sales forecasting	Manufacturing goods		Government compliance
	Advertising	Plant maintenance		

FIGURE 1-1 Examples of functional areas of operation and their business functions

ANS:

Depending on the company chosen, and the major, answers will vary. For example, if a student is interested in HR in an engineering firm, they might discuss the process for recruiting and hiring a graduating senior from their university. Then they could describe some training courses the new engineer would take. Payroll and benefits to the new employee should be discussed. Finally, government compliance such as the equal opportunity act could also be mentioned.

PTS: 1

REF: 2

5. What departments are involved in the business process of selling a new computer?

ANS:

Refer to the following figure for answers:

Input/Functional area responsible for input	Process	Output
Request to purchase computer/Marketing and Sales	Sales order	Order is generated
Financial help for purchase/Accounting and Finance	Arranging financing in-house	Customer finances through the computer company
Technical support/Marketing and Sales	24-hour help line available	Customer's technical query is resolved
Fulfillment of order/Supply Chain Management	Shipping and delivery	Customer receives computer

FIGURE 1-2 Sample business processes related to the sale of a personal computer

PTS: 1

REF: 3

6. Describe the material order process in the following figure:

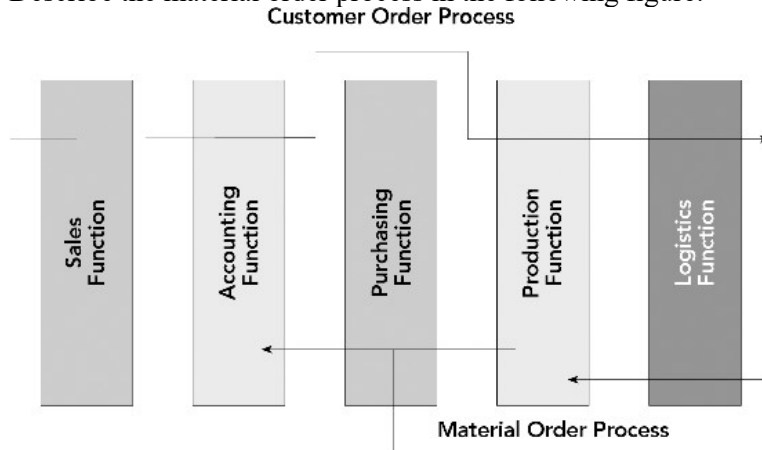


FIGURE 1-3 A process view of business

ANS:

When production is alerted to a new order, if raw materials are needed for this order, then production prompts purchasing to arrange for the purchase and delivery of raw materials. Accounting must pay for those raw materials. They are delivered to the Logistics function and then sent to production to make the order.

PTS: 1

REF: 4