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[/test-bank-the-business-environment-themes-and-issues-in-a-globalizing-world-4e-wetherly](#)

Type: multiple choice question

Title: Chapter 1 - Question 01

01) According to John Kay the profit-seeking paradox is that:

***a.** The most profitable companies are not the most profit-oriented

Feedback: There is a paradox because it might be expected that the most profit-oriented companies, which pursue profit single-mindedly, would be the most profitable, but Kay says this is not the case. Thus, according to Kay, the goal of making a profit is best approached obliquely or indirectly and might be achieved, for example, by striving for excellence.

Page reference: 17

b. The most profitable companies are the most vulnerable to takeover

Feedback: There is a paradox because it might be expected that the most profit-oriented companies, which pursue profit single-mindedly, would be the most profitable, but Kay says this is not the case. Thus, according to Kay, the goal of making a profit is best approached obliquely or indirectly and might be achieved, for example, by striving for excellence.

Page reference: 17

c. The most profitable companies give their customers the worst deal

Feedback: There is a paradox because it might be expected that the most profit-oriented companies, which pursue profit single-mindedly, would be the most profitable, but Kay says this is not the case. Thus, according to Kay, the goal of making a profit is best approached obliquely or indirectly and might be achieved, for example, by striving for excellence.

Page reference: 17

d. The most profitable companies pay the highest wages to employees

Feedback: There is a paradox because it might be expected that the most profit-oriented companies, which pursue profit single-mindedly, would be the most profitable, but Kay says this is not the case. Thus, according to Kay, the goal of making a profit is best approached obliquely or indirectly and might be achieved, for example, by striving for excellence.

Page reference: 17

Type: multiple choice question

Title: Chapter 1 - Question 02

02) Christine Lagarde is head (in 2018) of which international organization?

a. World Bank

Feedback: Christine Lagarde is head of the International Monetary Fund (IMF), which describes itself as 'an organization of 189 countries, working to foster global monetary co-operation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.' In 2017 Lagarde called for the benefits of globalization to be distributed more evenly and for national governments to take steps to reduce inequality.

Page reference: 8

***b.** International Monetary Fund (IMF)

Feedback: Christine Lagarde is head of the International Monetary Fund (IMF), which describes itself as 'an organization of 189 countries, working to foster global monetary co-operation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.' In 2017 Lagarde called for the benefits of globalization to be distributed more evenly and for national governments to take steps to reduce inequality.

Page reference: 8

c. United Nations

Feedback: Christine Lagarde is head of the International Monetary Fund (IMF), which describes itself as 'an organization of 189 countries, working to foster global monetary co-operation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.' In 2017 Lagarde called for the benefits of globalization to be distributed more evenly and for national governments to take steps to reduce inequality.

Page reference: 8

d. International Labour Organization (ILO)

Feedback: Christine Lagarde is head of the International Monetary Fund (IMF), which describes itself as 'an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.' In 2017 Lagarde called for the benefits of globalization to be distributed more evenly and for national governments to take steps to reduce inequality.

Page reference: 8

Type: multiple choice question

Title: Chapter 1 - Question 03

03) The basic economic problem facing society is:

a. Inflation

Feedback: Inflation is a persistent problem in market economies but it varies over time and is not the basic economic problem.

Page reference: 10

*b. Scarcity

Feedback: The argument is that all societies face scarcity at all times in the sense of having to allocate limited resources between competing wants and needs. However, this view is controversial as it can be argued that in rich economies such as the UK scarcity has been conquered.

Page reference: 10

c. Greed

Feedback: Some people argue this is a significant problem in the UK and some other societies, but it is not the basic economic problem.

Page reference: 10

d. Pollution

Feedback: Pollution is a prime example of market failure. There is growing awareness of this problem particularly in connection with climate change, but it is not the basic economic problem.

Page reference: 10

Type: multiple choice question

Title: Chapter 1 - Question 04

04) The definition of a stakeholder in a private sector business is:

a. Just the owners and managers of the business

Feedback: The answer is 'Any individual or group that is affected by a decision of the business'.

Page reference: 5

b. Just the owners, managers, and employees

Feedback: The answer is 'Any individual or group that is affected by a decision of the business'.

Page reference: 5

c. The owners, managers, employees, and customers

Feedback: The answer is 'Any individual or group that is affected by a decision of the business'.

Page reference: 5

*d. Any individual or group that is affected by a decision of the business

Feedback: Thus stakeholders can be defined very widely to include, in some cases, the whole of society, e.g. in relation to the banking crisis.

Page reference: 5 and 25–6

Type: multiple choice question

Title: Chapter 1 - Question 05

05) Which four economies constitute the BRIC group?

a. Bulgaria, Romania, Italy, Cyprus

Feedback: The BRIC economies are Brazil, Russia, India, and China. The term was introduced by the economist Jim O'Neill in 2001 to draw attention to the importance of these

fast-developing economies. By 2017 a group of five BRICS economies also included South Africa.

Page reference: 7

b. Brazil, Russia, India, Cuba

Feedback: The BRIC economies are Brazil, Russia, India, and China. The term was introduced by the economist Jim O'Neill in 2001 to draw attention to the importance of these fast-developing economies. By 2017 a group of five BRICS economies also included South Africa.

Page reference: 7

***c.** Brazil, Russia, India, China

Feedback: The BRIC economies are Brazil, Russia, India, and China. The term was introduced by the economist Jim O'Neill in 2001 to draw attention to the importance of these fast-developing economies. By 2017 a group of five BRICS economies also included South Africa.

Page reference: 7

d. Brazil, Russia, Indonesia, China

Feedback: The BRIC economies are Brazil, Russia, India, and China. The term was introduced by the economist Jim O'Neill in 2001 to draw attention to the importance of these fast-developing economies. By 2017 a group of five BRICS economies also included South Africa.

Page reference: 7

Type: multiple choice question

Title: Chapter 1 - Question 06

06) In the UK the hourly rate below which, by law, pay for employees aged over 25 years must not be allowed to fall is known as the:

***a.** National living wage

Feedback: The National Minimum Wage (NMW) was introduced in the UK in 1999 to provide decent minimum standards and fairness for all employees and a 'level playing field' for employers. The National Living Wage for employees aged over 25 was introduced in 2016 as, in effect, an enhancement of the NMW. Both the NMW and NLW can be defined in terms of guaranteeing a decency threshold though they are not generally referred to using this term. Jobseeker's allowance is a benefit paid to the unemployed to help them while they are looking for work.

Page reference: 14

b. National minimum wage

Feedback: The National Minimum Wage (NMW) was introduced in the UK in 1999 to provide decent minimum standards and fairness for all employees and a 'level playing field' for employers. The National Living Wage for employees aged over 25 was introduced in 2016 as, in effect, an enhancement of the NMW. Both the NMW and NLW can be defined in terms of guaranteeing a decency threshold though they are not generally referred to using this term. Jobseeker's allowance is a benefit paid to the unemployed to help them while they are looking for work.

Page reference: 14

c. Jobseeker's allowance

Feedback: The National Minimum Wage (NMW) was introduced in the UK in 1999 to provide decent minimum standards and fairness for all employees and a 'level playing field' for employers. The National Living Wage for employees aged over 25 was introduced in 2016 as, in effect, an enhancement of the NMW. Both the NMW and NLW can be defined in terms of guaranteeing a decency threshold though they are not generally referred to using this term. Jobseeker's allowance is a benefit paid to the unemployed to help them while they are looking for work.

Page reference: 14

d. Decency threshold

Feedback: The National Minimum Wage (NMW) was introduced in the UK in 1999 to provide decent minimum standards and fairness for all employees and a 'level playing field' for employers. The National Living Wage for employees aged over 25 was introduced in 2016 as, in effect, an enhancement of the NMW. Both the NMW and NLW can be defined in terms of

guaranteeing a decency threshold though they are not generally referred to using this term. Jobseeker's allowance is a benefit paid to the unemployed to help them while they are looking for work.

Page reference: 14

Type: multiple response question

Title: Chapter 1 - Question 07

07) The private sector of the economy is characterized by the following features: (Please select all that apply.)

Feedback: In market systems governments do not attempt to plan economic activity, as a whole, other than in exceptional circumstances.

Page reference: 13

- *a. Profit motive
- b. Central planning of production by government
- *c. Competition between businesses
- *d. Production of goods and services for sale

Type: multiple response question

Title: Chapter 1 - Question 08

08) Tax avoidance may be defined or characterized as: (Please select all that apply.)

Feedback: Legal tax avoidance is distinguished from illegal tax evasion. Although legal, such activity by multinational companies operating in the UK has been criticized as immoral by a committee of MPs.

Page reference: 27

- a. An illegal activity of non-payment of tax
- *b. A legal activity of tax planning by large companies to minimize corporation tax on the economic activity they conduct in a specific jurisdiction
- *c. A way of minimizing tax liabilities that is not illegal but might be judged to be immoral
- *d. Using tax law to gain a tax advantage not intended by Parliament

Type: multiple response question

Title: Chapter 1 - Question 09

09) Adam Smith characterized the operation of the market system in the following terms: (Please select all that apply.)

Feedback: Adam Smith tried to show that, on the whole, markets are able to reconcile self-interest with the common good. The basic point is that businesses serve their own interests (i.e. profit) by serving the interests of others (consumers).

Page reference: 14

- a. Private businesses are motivated by the goal of serving the common good
- *b. Though motivated by self-interest private businesses are inadvertently led to serve the common good
- *c. To make a profit businesses are led to serve the needs of customers
- d. The common good is never realized through the pursuit of self-interest in the market

Type: multiple response question

Title: Chapter 1 - Question 10

10) In addition to a specific business organization or firm, the term 'business' may be used to refer to: (Please select all that apply.)

Feedback: In addition to these meanings it is common to use the term to refer to a particular type of economic activity or 'line of business'. These uses are all interrelated.

Page reference: 9

- *a. A specific legal form such as a public limited company
- *b. The business system, e.g. the capitalist system
- c. The activities of a voluntary organization seeking to influence decisions taken by a business
- *d. The business community

Type: multiple response question

Title: Chapter 1 - Question 11

11) Firms may seek 'locational advantage' from which of the following? Please select all that apply.

Feedback: Locational advantage refers to the competitive advantage firms may derive from a particular location. Other factors include the cost of labour and the proximity of suppliers or consumers. The ethnic composition of the workforce is not really relevant here.

Page reference: 23

- *a. The availability of skilled labour
- *b. The quality of infrastructure such as transport networks
- c. The ethnic composition of the workforce
- *d. A favourable tax or regulatory environment

Type: multiple response question

Title: Chapter 1 - Question 12

12) When we refer to businesses as complex, internally differentiated systems, which of the following aspects of the business environment do we focus on? Please select all that apply.

Feedback: The internal environment also has to be managed for businesses to operate successfully. The categories 'internal' and 'immediate' overlap insofar as the internal environment involves day-to-day decision-making.

Page reference: 4 and 21

- a. General
- *b. Internal
- c. Immediate
- d. External

Type: multiple response question

Title: Chapter 1 - Question 13

13) Examples of the spatial scale of the business environment may include the following: (Please select all that apply.)

Feedback: Spatial scale refers to the geographical unit or level of analysis that is relevant. Oligopoly and monopoly are examples of market structure.

Page reference: 4

- *a. National
- b. Oligopolistic
- c. Monopolistic
- *d. Global

Type: multiple response question

Title: Chapter 1 - Question 14

14) When we conduct a stakeholder analysis of business, which of the following statements are generally true? Please select all that apply.

Feedback: All stakeholders are affected otherwise they wouldn't be stakeholders. But they may experience different effects. It is an important aspect of stakeholder analysis to examine the different interests and levels of influence of different stakeholders.

Page reference: 25

- a. All stakeholders have the same interests
- *b. All stakeholders are affected in some way by the business
- c. All stakeholders are affected in the same way by the business
- *d. Stakeholders have varying degrees of influence over business decisions

Type: true/false

Title: Chapter 1 - Question 15

15) The term business is only ever used to refer to private sector, profit-making companies.

- a. True

Feedback: A broad conception of business includes organizations in the public sector and 'third sector'.

Page reference: 11

- *b. False

Feedback: Yes, this would be a narrow definition of business. It is a common definition but not the only one. A broad conception of business includes organizations in the public sector and 'third sector'.

Page reference: 8

Type: true/false

Title: Chapter 1 - Question 16

16) In the 1980s Conservative governments used the policy of privatization to bring about a major shift in the boundary between the public and private sectors in the UK.

***a.** True

Feedback: Yes, this policy reversed measures of nationalization in the post Second World War period. This shows that the scope of the private sector is a subject of political decisions.

Page reference: 12 and 19

b. False

Feedback: This was a major policy of the Conservatives under Margaret Thatcher.

Page reference: 12 and 19

Type: true/false

Title: Chapter 1 - Question 17

17) Only poor societies and poor people in rich societies have to face the problem of scarcity.

a. True

Feedback: It is, of course, true that scarcity is more pressing for the poor, but the concept of scarcity in economics suggests that even rich societies face scarcity because people's growing wants tend to outstrip limited resources.

Page reference: 10

***b.** False

Feedback: It is, of course, true that scarcity is more pressing for the poor, but the concept of scarcity in economics suggests that even rich societies face scarcity because people's growing wants tend to outstrip limited resources.

Page reference: 10

Type: true/false

Title: Chapter 1 - Question 18

18) There is general agreement within society about how the success of private sector business is defined and measured.

***a.** False

Feedback: The statement is false because there are competing values and interests in society meaning that we have different ideas about what we want from business and how we judge its success. For example, growth in the number of international tourists carried on Ryanair planes may be judged as a success by the company but regarded negatively by environmental campaigners.

Page reference: 12 and 17

b. True

Feedback: The statement is false because there are competing values and interests in society meaning that we have different ideas about what we want from business and how we judge its success. For example, growth in the number of international tourists carried on Ryanair planes may be judged as a success by the company but regarded negatively by environmental campaigners.

Page reference: 12 and 17

Type: true/false

Title: Chapter 1 - Question 19

19) A market system can be characterized as a *decentralized* mechanism for deciding the allocation of resources.

***a.** True

Feedback: In broad terms we can distinguish a market in this way from government as a centralized mechanism for allocating resources. In a market decisions are made by individual buyers and sellers, whereas government makes collective decisions.

Page reference: 11

b. False

Feedback: In broad terms we can distinguish a market in this way from government as a centralized mechanism for allocating resources. In a market decisions are made by individual buyers and sellers, whereas government makes collective decisions.

Page reference: 11

Type: true/false

Title: Chapter 1 - Question 20

20) In reality there is no such thing as a free market in the sense of firms being left entirely free to make decisions for themselves.

***a. True**

Feedback: In all market systems the law is used more or less extensively to regulate various aspects of business decisions and behaviour.

Page reference: 13–14

b. False

Feedback: In all market systems the law is used more or less extensively to regulate various aspects of business decisions and behaviour.

Page reference: 13–14